MOJAVE JANE BRANDS INC.

(formerly High Hampton Holdings Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended February 29, 2020

(Unaudited – Prepared by Management)

(EXPRESSED IN CANADIAN DOLLARS)

MANAGEMENT’S RESPONSIBILITY FOR INTERIM FINANCIAL REPORT

The accompanying unaudited condensed consolidated interim financial report of Mojave Jane Brands Inc. (the “Company”) has been prepared by and is the responsibility of the Company’s management.

MOJAVE JANE BRANDS INC.
(formerly High Hampton Holdings Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

	Note	February 29, 2020	August 31, 2019
ASSETS			
Current assets			
Cash		$ 57,652	$ 1,612,270
Accounts and other receivables	7	89,922	73,041
Inventory	8	8,686	110,215
Prepaid expenses and deposits	9	124,366	243,258
Amounts due from related party	15	87,596	86,909
Assets held for sale	10	2,193,433	2,286,735
		2,561,655	4,412,428
Non-current assets			
Intangible assets	11	733,279	733,279
Property, plant and equipment	12	1,210,244	1,404,714
Investment in associate	13	532,330	1
Assets held for sale	10	1,836,877	-
Total assets		$ 6,874,385	$ 6,550,422
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payables and accrued liabilities	14	$ 633,544	$ 970,047
Amounts due to related parties	15	35,000	181,903
Contingent consideration provision		17,782	17,782
Loan payable		21,606	25,884
Liabilities related to assets held for sale	10	176,322	150,406
		884,254	1,346,022
Non-current liabilities			
Deferred income tax liability		142,579	142,579
Lease liability	2	36,833	-
Liabilities related to assets held for sale	10	2,095,213	60,907
Total liabilities		3,158,879	1,549,508
Equity			
Share capital	16	55,355,223	52,336,779
Subscriptions received (receivable)		(132,400)	1,109,800
Commitment to issue shares	17	-	403,800
Share-based payments reserve		7,362,915	6,996,645
Accumulated other comprehensive loss		(20,541)	(16,968)
Deficit		(58,849,691)	(55,829,142)
Total equity		3,715,506	5,000,914
Total liabilities and equity		$ 6,874,385	$ 6,550,422

Nature of business (Note 1)
Contingencies (Note 22)
Commitments (Note 21)
Event after the reporting period (Note 23)

The financial statements were authorized for issue by the board of directors on April 29, 2020 and were signed on its behalf by:

/s/ "Cam Birge" Director */s/ "Dieter Macpherson"* Director

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

MOJAVE JANE BRANDS INC.
(formerly High Hampton Holdings Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

	Note	Three Months Ended February 29, 2020	Three Months Ended February 28, 2019	Six Months Ended February 29, 2020	Six Months Ended February 28, 2019
Revenue					
Sales		$ -	$ 43,013	$ 67,976	$ 90,401
Cost of goods sold	8	-	50,782	(104,243)	(267,590)
		-	93,795	(36,267)	(177,189)
Expenses					
Accounting and audit		143,274	8,302	310,025	77,213
Consulting		61,605	206,366	207,311	357,568
Depreciation	12	131,182	127,813	224,902	487,274
Filing and transfer agent		9,170	11,758	25,654	18,382
Insurance		51,693	41,468	97,954	60,864
Legal fees		61,951	97,538	164,904	291,316
Management fees	15	(34,157)	130,555	13,243	279,288
Marketing and promotion		100,702	230,182	606,054	553,982
Office and general		26,472	202,507	91,575	279,609
Rent		186,319	400,292	241,579	495,174
Salaries and benefits	15	272,133	133,542	558,604	1,203,336
Travel		18,955	72,370	54,606	134,276
		(1,029,299)	(1,662,693)	(2,596,411)	(4,238,282)
Other items					
Foreign exchange loss		(885)	(30,904)	(5,132)	(17,928)
Interest and other income		-	39,171	-	39,677
Other expense		-	(7,350)	-	(7,350)
Write-off of equipment		(28,680)	-	(28,680)	-
Write-off of deposit		(66,445)	-	(66,445)	-
Deferred income tax recovery		-	58,760	-	58,760
		(96,010)	59,677	(100,257)	73,159
Net loss from continuing operations		(1,125,309)	(1,509,221)	(2,732,935)	(4,342,312)
Net loss from discontinued operations	10	(132,888)	(1,577,072)	(287,614)	(2,399,789)
Net loss for the period		(1,258,197)	(3,086,293)	(3,020,549)	(6,742,101)
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		(732)	(224,053)	(3,573)	416,726
Comprehensive loss for the period		$ (1,258,929)	$ (3,310,346)	$ (3,024,122)	$ (6,325,375)
Basic and diluted loss per common share					
Continuing operations	16	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)
Discontinued operations	16	$ (0.00)	$ (0.02)	$ (0.00)	$ (0.02)
		$ (0.01)	$ (0.04)	$ (0.02)	$ (0.05)

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

MOJAVE JANE BRANDS INC.
(formerly High Hampton Holdings Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Subscriptions received (receivable)	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total equity
Balance, August 31, 2019		107,039,185	$ 52,336,779	$ 1,109,800	$ 403,800	$ 6,996,645	$ (16,968)	$ (55,829,142)	$ 5,000,914
Private placements	16	15,930,500	3,186,100	(1,209,800)	-	-	-	-	1,976,300
Share issuance costs	16	-	(124,156)	-	-	23,970	-	-	(100,186)
Exercise of restricted share units	16	150,000	61,500	-	(61,500)	-	-	-	-
Shares returned to treasury	16	1,790,384	-	-	-	-	-	-	-
Shares returned to treasury	16	4,200,000	(105,000)	-	-	-	-	-	(105,000)
Share repurchase		-	-	(32,400)	-	-	-	-	(32,400)
Cancelation of restricted share units	17	-	-	-	(342,300)	342,300	-	-	(32,400)
Loss for the period		-	-	-	-	-	-	(3,020,549)	(3,020,549)
Other comprehensive loss for the period		-	-	-	-	-	(3,573)	-	(3,573)
Balance, February 29, 2020		123,119,685	$ 55,355,223	$ (132,400)	$ -	$ 7,362,915	$ (20,541)	$ (58,849,691)	$ 3,715,506

	Note	Number of Shares	Share capital	Subscriptions received (receivable)	Commitment to issue shares	Share-based payments reserve	Accumulated other comprehensive loss	Deficit	Total equity
Balance, August 31, 2018		94,893,464	$ 47,467,971	$ (50,000)	$ 690,800	$ 5,891,620	$ (13,355)	$ (16,302,228)	$ 37,684,808
Shares issued for acquisitions	16	8,974,352	3,805,830	-	-	-	-	-	3,805,830
Share issuance costs	16	-	-	50,000	-	-	-	-	50,000
Exercise of warrants and options	16	210,500	52,500	-	-	-	-	-	52,500
Loss for the period		-	-	-	-	-	-	(6,742,101)	(6,742,101)
Other comprehensive loss for the period		-	-	-	-	-	430,081	(6,807)	423,274
Balance, February 28, 2019		104,078,316	$ 51,326,301	$ -	$ 690,800	$ 5,891,620	$ 416,726	$ (23,051,136)	$ 35,274,311

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

MOJAVE JANE BRANDS INC.
(formerly High Hampton Holdings Corp.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED FEBRUARY 29
(Unaudited – Prepared by Management)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss from continuing operations for the period		$ (2,732,935)	$ (4,342,312)
Items not affecting cash:			
Depreciation		224,902	487,274
Deferred tax recovery		-	(58,760)
Foreign exchange gain		(8,387)	(10,631)
Lease interest		2,698	-
Write-off of equipment		28,680	-
Changes in non-cash working capital items:			
Accounts and other receivables		(16,881)	(125,248)
Inventory		101,529	(352,730)
Prepaid expenses and deposits		118,892	(66,071)
Trade and other payables		(310,587)	(760,094)
Amounts due to related parties		(146,903)	(339,800)
Net cash used in operating activities		(2,738,992)	(5,568,372)
Net cash used in operating activities of discontinued operations		(48,425)	(1,798,995)
		(2,787,417)	(7,367,367)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate		(532,329)	-
Pre-acquisition advances		-	(66,053)
Loan proceeds		-	(658,450)
Purchase of equipment		-	(827,372)
Net cash used in investing activities		(532,329)	(1551,875)
Net cash used in investing activities of discontinued operations		(11,698)	(1,005,181)
		(544,027)	(2,557,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		1,976,300	102,500
Share issuance costs		(100,186)	-
Repurchase of shares		(32,400)	-
Loan payable		(4,278)	(23,458)
Payment of lease liability		(17,277)	-
Net cash provided by financing activities		1,822,159	79,042
Net cash used in financing activities of discontinued operations		(41,760)	-
		1,780,399	79,042
Change in cash during the period		(1,551,045)	(9,845,381)
Effect of foreign exchange on cash		(3,573)	-
Cash, beginning of the period		1,612,270	15,078,822
Cash, end of the period		$ 57,652	$ 5,233,441

There are no significant non-cash investing and financing transactions during the six month period ended February 29, 2020 and February 28, 2019.

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

1. NATURE OF BUSINESS

Mojave Jane Brands Inc., formerly High Hampton Holdings Corp., (the "Company") was incorporated in British Columbia on November 12, 2010. The registered office address of the Company is 1500 – 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC, V6E 4N7. The principal place of business address is 8 Wellington Street East, Toronto, Ontario, MCE 1C5. 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 "JANE", on the Frankfurt Exchange under symbol "FSE: 0HCN" and on the USA: OTC under the symbol "HHPHF".

The Company's principal business is the manufacturing, processing and sale of cannabis extracts. The Company ceased generating revenues since November 2019 as it vacated its leased premise in Coachella, CA, and 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 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. The Company has incurred losses since inception with an accumulated deficit to February 29, 2020 of $58,849,691. The Company will be dependent on 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 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 PREPARATION

Statement of compliance

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

The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended August 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation

These consolidated 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 inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

The legal subsidiaries of the Company as of February 29, 2020 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 year ended August 31, 2019 and the six months ended February 29, 2020.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currencies of the Company's subsidiaries are noted above and the financial statement items of the subsidiary are measured using that functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's audited annual consolidated financial statements for the year ended August 31, 2019 were consistently applied to all the periods presented unless otherwise noted below.

Comparative information

Certain comparative information in these financial statements has been reclassified to conform to the presentation of the current period financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting policy

IFRS 16 – Leases

This standard replaces IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements. Under IFRS 16, a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets will be initially measured at cost, which includes the initial measurement of the lease liabilities and other costs, less lease incentives. Lease liabilities will initially be measured at the present value of future lease payments and subsequently measured at amortized cost using the effective interest method. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances and may be applied retrospectively to each prior period presented (full retrospective approach) or with the cumulative effect of adoption recognized at initial application (modified retrospective approach). The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

The Company adopted IFRS 16 on September 1, 2019. On initial adoption, the Company has elected to record right-of-use assets based on the corresponding lease obligation. Right-of-use asset and lease obligation of $51,412 were recorded as of September 1, 2019, with no impact on deficits. When measuring the present value of lease obligations, the Company discounted remaining lease payments using its incremental borrowing rate at September 1, 2019, which was a weighted-average rate of 12%.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company to support 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.

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 six months ended February 29, 2020. The Company is not subject to externally imposed capital requirements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's 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;
- judgments used in determining whether the Company has acquired significant influence over an entity;
- 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;
- estimates and judgments used in determination of the fair value less cost to sell of assets held for sale and finite lived intangible assets;
- amortization methods and periods used for property, plant and equipment and finite lived intangible assets;
- estimates and judgments used in determination of the manufacturing costs, selling costs, wastage and expected yield for inventory;
- the collectability of accounts or loans receivable;
- the fair value measurements for financial instruments;
- the recoverability and measurement of deferred tax assets and liabilities;
- the fair value estimation of share-based payments and awards;
- whether the Company has sufficient 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.

6. ACQUISITION

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

	$
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	1,009,535
Goodwill	3,395,788
Less liabilities assumed:	
Accounts payable and accrued liabilities	(40,765)
Deferred income tax liability	(301,245)
Net assets acquired	4,499,361

The contingent consideration provision relates to royalty payments due to former shareholders of Mojave Jane LLC. The royalty was calculated as 5.5% of Mojave Jane LLC's forecasted net income and is payable over the subsequent five years from the date of acquisition on November 12, 2018 and was discounted for the time value of money. The contingent consideration provision was re-measured at August 31, 2019 and a gain on write-down of contingent provision of $609,696 has been recorded in the consolidated statement of comprehensive loss.

As part of the Company's acquisition of Mojave Jane LLC, the Company acquired intangible assets consisting of trademarks and brand, customer relationships, management agreements and licenses. Refer to Note 12 for a list of the intangible assets acquired.

As at August 31, 2019, the Company recognized an impairment of $3,395,788 pertaining to the goodwill of Mojave Jane LLC and an impairment of $342,671 pertaining to the intangible assets due to decline in the estimated recoverable amount of the assets from future related cash flows.

7. TRADE AND OTHER RECEIVABLES

	February 29, 2020	August 31, 2019
Trade receivables	$ -	$ 73,041
GST/HST recoverable	89,922	-
	$ 89,922	$ 73,041

During the year ended August 31, 2019, the Company recorded an allowance for uncollectible amounts of $487,154 pertaining to a denial of GST/HST claims filed by the Company with the Canada Revenue Agency. The Company has filed an appeal of the decision; however, collectability of the amount is not certain.

8. INVENTORY

Inventory consists of cannabis extracts and concentrates classified as finished goods. During the six months ended February 29, 2020, inventories expensed in cost of sales amounted to $104,243 (2019 - $267,590). During the year ended August 31, 2019,the Company recorded write-down of inventory of $1,018,535, which has been included in cost of goods sold, resulting from manufacturing costs incurred in excess of the inventory's net realizable value, disposal of inventory which did not pass certain quality thresholds, and the write-off of obsolete inventory.

9. PREPAID EXPENSES AND DEPOSITS

	February 29, 2020	August 31, 2019
Prepaid expenses	$ 7,471	$ 146,247
Prepaid insurance	74,507	403
Rental deposit	30,974	76,948
Other	11,414	19,660
	$ 124,366	$ 243,258

10. ASSETS HELD FOR SALE AND DISCOUNTINUED OPERATIONS

During the year ended August 31, 2019, the Company initiated a plan to dispose of certain asset groups. As a result, certain asset groups were reclassified as assets held for sale as at August 31, 2019. As at February 29, 2020 the asset groups classified as held for sale are as follows.

1) Coachellagro Corp. ("Coachellagro")

During the year ended August 31, 2017, the Company acquired Coachellagro in order to develop its cannabis production business. Coachellagro owns a parcel of land in Coachella, California, where the Company intended to build a facility. During the year ended August 31, 2019, the Company determined that it would no longer pursue the development of the land and committed to a plan to locate a buyer for the land. As a result, the Company reclassified Coachellagro as an asset held for sale and recorded an impairment of $5,077,872 to write down the asset group to the lesser of its carrying value and fair value less cost to sell, which was determined through an assessment of the market value of similar parcels of land.

2) Bravo Distro LLC and 8 Points MGMT LLC ("Bravo/8 Points")

During the year ended August 31, 2018, the Company acquired Bravo/8 Points. In consideration, the Company issued a total of 4,200,000 common shares of the Company (the "Bravo Payment Shares"). All Bravo Payment Shares are held in escrow and would be released over 24 months subject to meeting certain conditions. During the year ended August 31, 2019, the Company determined that the terms for the release of the Payment Shares held in escrow have not been met, and as a result the Company commenced actions to return these Payment Shares to treasury. During the six months ended February 29, 2020, the 4,200,000 Payment Shares were returned to treasury for cancelation.

Bravo/8 Points hold certain management contracts, non-compete agreements with its employees and a lease of a premise in Sacramento, California. During the year ended August 31, 2019, the Company determined that it would not proceed with executing its business plan for Bravo/8 Points. As a result, Bravo/8 Points was reclassified as an asset held for sale. During the six months ended February 29, 2020, the Company entered into a settlement agreement to assign its 100% of the membership interests of Bravo/8 Points to its previous owners by receiving 337,978 common shares of the Company back to the Company's treasury for cancellation.

3) 420 Realty, LLC ("420 Realty")

The Company acquired 420 Realty during the year ended August 31, 2018. In consideration, the Company issued an aggregate of 8,047,099 common shares of the Company (the "420 Payment Shares") and made cash payments totalling $660,400. 420 Realty holds a lease of a building in the city of Cudahy, California, which had been granted conditional approval to cultivate, manufacture, distribute and deliver medicinal cannabis by the city of Cudahy. The lease is valid for a period of ten years plus an option period of five years.

During the year ended August 31, 2019, the Company determined that it would not proceed with its planned construction of and utilization of the leased facility and initiated a plan to locate a buyer for 420 Realty. As a result, 420 Realty was reclassified as an asset held for sale, and the Company recorded an impairment of $6,186,695 to write down the assets held in 420 Realty to $559,020, which represents the lower of the carrying value and fair value less costs to sell, which was determined by a re-measurement of the favorable lease intangible asset at the current estimated market rate for a similar lease.

10. ASSETS HELD FOR SALE AND DISCOUNTINUED OPERATIONS (cont'd…)

The recoverable amount, which represents the lesser of the carrying value and fair value less costs of sale, of the above noted assets groups are as follows.

As at February 29, 2020	Coachellagro	Bravo/8 Points	420 Realty	Total
	$	$	$	$
Current assets	-	75,782	-	75,782
Land and favorable leases	1,476,079	-	568,854	2,044,933
Property and equipment	-	72,718	1,836,877	1,909,595
Total assets	1,476,079	148,500	2,405,731	4,030,310
Current liabilities	-	150,406	-	150,406
Long-term liabilities	-	60,907	2,034,306	2,095,213
Total liabilities	-	211,313	2,034,306	2,245,619
Net assets (liabilities)	1,474,215	(62,813)	371,425	1,782,827

As at August 31, 2019	Coachellagro	Bravo/8 Points	420 Realty	Total
	$	$	$	$
Current assets	-	75,782	-	75,782
Land and favorable leases	1,474,215	-	559,020	2,033,235
Property and equipment	-	177,718	-	177,718
Total assets	1,474,215	253,500	559,020	2,286,735
Current liabilities	-	150,406	-	150,406
Long-term liabilities	-	60,907	-	60,907
Total liabilities	-	211,313	-	211,313
Net assets	1,474,215	42,187	559,020	2,075,422

During the six months ended February 29, 2020 and February 28, 2019, net loss attributable to the asset groups held for sale are as follows.

Six months ended February 29, 2020	Coachellagro	Bravo/8 Points	420 Realty	Total
	$	$	$	$
EXPENSES				
Depreciation	-	-	123,834	123,834
Lease interest	-	-	115,355	115,355
Office and general	-	22,510	25,915	48,425
Net loss from discontinued operations	-	(22,510)	(265,104)	(287,614)

Six months ended February 28, 2019	Coachellagro	Bravo/8 Points	420 Realty	Total
	$	$	$	$
EXPENSES				
Consulting and professional fees	-	905,761	-	905,761
Depreciation	-	442,572	215,625	658,197
Office and general	-	476,456	-	476,456
Salaries and wages	-	281,577	-	281,577
Travel	-	77,798	-	77,798
Net loss from discontinued operations	-	(2,184,164)	(215,625)	(2,399,789)

11. INTANGIBLE ASSETS

	Customer Relationships	Favorable Leases	Management Contracts	Non-compete	Trademarks	Licenses	Total
Cost							
Balance at 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	540,514	1,009,535
Impairment	(4,616,516)	(6,108,948)	(1,853,605)	(84,864)	(1,300,129)	(540,514)	(14,54,576)
Reclassification to assets held for sale	-	(458,395)	-	-	-	-	(458,395)
Change in foreign exchange rate	-	(84,820)	-	-	43,059	-	(41,761)
Balance at August 31, 2019 and February 29, 2020	$ -	$ -	$ -	$ -	$ 733,279	$ -	$ 733,279
Accumulated depreciation							
Balance at August 31, 2018	$ 48,215	$ 91,354	$ 119,811	$ -	$ -	$ -	$ 259,380
Depreciation	571,476	481,459	779,843	-	-	432,174	2,264,952
Reclassification and other adjustment	(619,691)	(572,813)	(899,654)	-	-	(432,174)	(2,524,332)
Balance at August 31, 2019 and February 29, 2020	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net amount							
Balance at February 29, 2020	$ -	$ -	$ -	$ -	$ 733,279	$ -	$ 733,279
Balance at August 31, 2019	$ -	$ -	$ -	$ -	$ 733,279	$ -	$ 733,279

12. PROPERTY, PLANT AND EQUIPMENT

	Automobiles	Computer Equipment	Furniture & Fixtures	Equipment	Land	Leasehold Improvements	Right-of-use assets	Total
Cost								
Balance at August 31, 2018	$ 47,883	$ 13,005	$ 3,735	$ 123,100	$ 6,660,900	$ 256,046	$ -	$ 7,104,669
Reclassification	-	28,892	-	(28,892)	-	-	-	-
Additions	83,478	-	26,397	1,131,088	389,693	1,158,131	-	2,788,787
Disposals	(12,597)	-	-	-	-	-	-	(12,597)
Recovery of deposits	-	-	-	-	(498,505)	-	-	(498,505)
Obtained through acquisition	-	-	-	419,533	-	-	-	419,533
Reclassification to assets held for sale	(83,478)	(13,223)	(3,735)	-	(1,474,215)	(198,859)	-	(1,773,510)
Impairment	-	-	-	(50,600)	(5,077,873)	(1,166,709)	-	(6,294,642)
Change in foreign exchange rate	505	218	69	3,637	-	(48,609)	-	(44,180)
Balance at August 31, 2019	$ 35,791	$ 28,892	$ 26,466	$ 1,598,406	$ -	$ -	$ -	$ 1,689,555
Additions	-	-	-	-	-	-	51,412	51,412
Disposals	-	(17,950)	(23,980)	-	-	-	-	(41,930)
Foreign exchange movement	664	-	(50)	13,076	-	-	-	13,690
Balance at February 29, 2020	$ 36,455	$ 10,942	$ 2,436	$ 1,611,482	$ -	$ -	$ 51,412	$ 1,712,727
Accumulated depreciation								
Balance at August 31, 2018	$ -	$ 361	$ -	$ -	$ -	$ -	$ -	$ 361
Depreciation	11,276	13,069	4,151	261,438	-	15,499	-	305,433
Reclassification to assets held for sale	-	(4,762)	(692)	-	-	(15,499)	-	(20,953)
Balance at August 31, 2019	$ 11,276	$ 8,668	$ 3,459	$ 261,438	$ -	$ -	$ -	$ 284,841
Depreciation	993	3,033	3,344	201,296	-	-	16,236	224,902
Adjustment for disposals	-	(7,270)	(5,980)	-	-	-	-	(13,250)
Foreign exchange movement	138	-	(58)	5,910	-	-	-	5,990
Balance at February 29, 2020	$ 12,407	$ 4,431	$ 765	$ 468,644	$ -	$ -	$ 16,236	$ 502,483
Net amount								
Balance at February 29, 2020	$ 24,048	$ 6,511	$ 1,671	$ 1,142,838	$ -	$ -	$ 35,176	$ 1,210,244
Balance at August 31, 2019	$ 24,515	$ 20,224	$ 23,007	$ 1,336,698	$ -	$ -	$ -	$ 1,404,714

13. INVESTMENT IN ASSOCIATE

During the year ended August 31, 2019, the Company acquired a 20.75% strategic minority interest in the 2083 Group, Inc. ("2083 Group"), a California based entity, best known for their Speed Weed delivery platform and services. In order to acquire the 20.75% interest, the Company made cash payments totaling $658,450 ($500,000 USD) and issued 2,260,869 common shares of the Company with a fair value of $723,478 for total consideration of $1,381,928. As at the date of the acquisition, the 2083 Group had a net liability position of $36,494 USD. The excess of the cost over the Company's share of the net fair value of the 2083 Group's identifiable assets and liabilities was allocated to goodwill.

The Company's investment in the 2083 Group is recorded using the equity method as management determined that the Company has significant influence over the 2083 Group. During the period from the Company's acquisition of 20.75% interest to August 31, 2019, 2083 Group incurred a loss of $72,875, of which $20,042 is attributable to the Company before impairment of goodwill (see below).

As at August 31, 2019, 2083 Group had total assets of $69,866 USD and total liabilities of $183,309 USD. The Company evaluated the carrying value of its goodwill in 2083 Group and estimated the net recoverable amount to be $1 of the cash generating unit and the Company recorded an impairment of $1,361,886 which has been included in net loss from investment in associate.

Pursuant to the terms of the underlying share purchase agreement with shareholders of the 2083 Group, the Company is committed to investing an additional $1,580,000 USD upon the achievement of certain milestones by the 2083 Group. During the six months ended February 29, 2020, the Company invested additional $532,330 ($400,000 USD) to increase its ownership interest in 2083 Group to just under 25%.

14. TRADE AND OTHER PAYABLES

	February 29, 2020	August 31, 2019
Trade payables	$ 633,544	$ 903,829
Accrued liabilities	-	66,218
	$ 633,544	$ 970,047

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Amounts due from related party of $87,596 (August 31, 2019 - $86,909) related to payroll taxes paid on behalf of a former director and officer of the Company. The amount is due on demand, unsecured and non-interest bearing.

Amounts due to related parties of $35,000 (August 31, 2019 - $181,983) were for services rendered to the Company by a director of the Company and are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the six months ended February 29 is as follows:

	2020	2019
Management fees	$ 13,243	$ 279,288
Salaries and benefits	257,007	807,957
Total	$ 270,250	$ 1,087,245

16. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At February 29, 2020, the Company had 117,129,301 common shares outstanding (August 31, 2019 – 107,039,185).

Escrowed shares

As at February 29, 2020, there were 1,860,000 common shares held in escrow and 850,085 common shares held under a voluntary escrow agreement. Subsequent to February 29, 2020, 930,000 common shares were released from escrow.

During the six months ended February 29, 2020, 5,990,384 common shares under voluntary escrow agreements were released and returned to treasury for cancellation.

16. SHARE CAPITAL (cont'd…)

Share issuance

During the six months ended February 29, 2020, the Company:

a) Completed a non-brokered private placement of 15,930,500 units at a price of $0.20 per unit for gross proceeds of $3,186,100. Each unit is comprised of one common share and one share purchase warrant; each warrant entitles the holder to acquire one additional common share for a period of 24 months at an exercise price of $0.30. In connection with the private placement, the Company paid a finder's fee of $100,186 and issued 347,430 agent's warrants. The agent's warrants were valued at $23,970 using the Black-Scholes option pricing model (assuming a risk-free interest rate of 1.6%, an expected life of 1 years, annualized volatility of 107.63% and a dividend rate of 0%). Each agent's warrant entitles the holder to acquire one common share at a price of $0.20 until September 9, 2020.

b) Issued 150,000 common shares pursuant to its restricted share units plan.

During the year ended August 31, 2019, the Company:

a) Issued 8,974,352 common shares pursuant to its acquisition of Mojave Jane (Note 6).

b) Issued 2,260,869 common shares pursuant to its acquisition of a 20.75% interest in the 2083 Group (Note 13).

c) Issued 210,500 common shares for gross proceeds of $52,500 pursuant to the exercise of stock options and warrants.

d) Issued 700,000 common shares pursuant to its restricted share units plan.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended February 29, 2020 was based on the loss attributable to common shareholders of $3,020,549 (2019 - $6,742,101) and a weighted average number of common shares outstanding of 120,525,373 (2019 - 100,340,613). At February 29, 2020, 3,225,000 stock options (2019 - 2,225,000) and 50,007,392 (2019 - 37,866,882) warrants were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

17. SHARE-BASED PAYMENTS

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.

17. SHARE-BASED PAYMENTS (cont'd…)

Stock options (cont'd…)

Stock option transactions are summarized as follows:

	Number of options		Weighted Average Exercise Price
Balance, August 31, 2018	2,225,000	$	0.50
Granted	3,975,000		0.31
Cancelled / Expired	(1,450,000)		0.50
Balance, August 31, 2019	4,750,000	$	0.35
Expired	(1,525,000)		0.45
Balance, February 29, 2020	3,225,000	$	0.32
Exercisable at February 29, 2020	3,225,000	$	0.32
Weighted average fair value of options granted during the period	$ nil		(2019 - $nil)

The options outstanding at February 29, 2020 have exercise prices in the range of $0.25 to $0.34 and a weighted average remaining contractual life of 3.93 years.

As at February 29, 2020, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
225,000	$ 0.25	July 31, 2020
2,000,000	$ 0.34	May 8, 2024
1,000,000	$ 0.28	May 8, 2024
3,225,000		

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.

17. SHARE-BASED PAYMENTS (cont'd…)

Performance Share Units and Restricted Share Units (cont'd…)

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 year ended August 31, 2018. Of the total RSUs granted, the Company has issued 2,000,000 common shares. The remaining 550,000 RSUs were cancelled during the six months ended February 29, 2020 and there were no RSUs outstanding as at February 29, 2020 (August 31, 2019 - 700,000 RSUs).

Warrants

Warrants are issued as private placement incentives. Agents' warrants are measured at fair value on the date of the grant as determined using the Black-Scholes option pricing model.

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, August 31, 2018	38,620,962	$	0.87
Exercised	(210,500)		0.25
Expired	(4,681,000)		0.68
Balance, August 31, 2019	33,729,462	$	0.90
Warrants issued	15,930,500		0.30
Agent's warrants issued	347,430		0.20
Balance, February 29, 2020	50,007,392	$	0.70

The warrants outstanding at February 29, 2020 have exercise prices in the range of $0.20 to $0.90 and a weighted average remaining contractual life of 0.52 years.

As at February 29, 2020, the following warrants were outstanding:

Number of Warrants		Exercise Price	Expiry Date
162,083	$	0.85	August 2, 2020
33,567,379	$	0.90	March 13, 2020
347,430	$	0.20	September 9, 2020
15,930,500	$	0.30	September 9, 2021
50,007,392			

18. SEGMENTED INFORMATION

Operating segments

The Company operates in a single reportable segment – manufacturing, processing and sale of cannabis extracts.

	Cannabis production	Cannabis distribution	Cannabis infused products	Corporate	Total
	$	$	$	$	$
Six months ended February 29, 2020					
Revenue	-	-	67,976	-	67,976
Gross profit (loss)	-	-	(36,267)	-	(36,267)
Net loss from continuing operations	-	-	(600,915)	(2,132,020)	(2,732,935)
Net loss from discontinued operations	(265,104)	(22,510)	-	-	(287,614)
Six months ended February 28, 2019					
Revenue	-	-	90,401	-	90,401
Gross profit (loss)	-	-	(177,189)	-	(177,189)
Net loss from continuing operations	-	-	(1,820,346)	(2,521,966)	(4,342,312)
Net loss from discontinued operations	(215,625)	(2,184,164)	-	-	(2,399,789)

Geographic segments

The Company’s non-current assets are located in Canada and the United States as follows:

At February 29, 2020:

	Canada	USA	Total
Intangible	$ -	$ 733,279	$ 733,279
Property, plant and equipment	6,511	1,203,733	1,210,244
Investment in associate	-	532,330	532,330
	$ 6,511	$ 2,469,342	$ 2,475,853

At August 31, 2019:

	Canada	USA	Total
Intangible	$ -	$ 733,279	$ 733,279
Property, plant and equipment	41,401	1,363,313	1,404,714
Investment in associate	-	1	1
	$ 41,401	$ 2,096,593	$ 2,137,994

19. FINANCIAL INSTRUMENTS

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. 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 potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash, trade and other receivables, and amount due from related party. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Company does not anticipate any default of its trade receivables, as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers.

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 they fall due. As at February 29, 2020, the Company has current assets of $2,561,655 and current liabilities of $884,254. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand. 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.

Interest rate risk

The Company is exposed to interest rate risk arising from cash held in Canadian financial institutions. The interest rate risk on cash is not considered significant due to its short-term nature and maturity. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest rates.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and administrative expenditures are transacted in Canadian dollars. The Company funds its operations in the United States by using USD converted from its Canadian bank accounts. At February 29, 2020, the Company had financial assets of $8,246 and financial liabilities of $221,865 denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately $21,000. The Company does not hedge its foreign exchange risk.

20. 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. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at February 29, 2020, the Company has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the six months ended February 29, 2020.

21. COMMITMENTS

The Company has the following lease commitments.

(a) 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.

(b) The Company's subsidiary HS Airway Holdings maintains a lease at a building located at 3145 Tiger Run Court, Suite 113, Carlsbad, CA, 92010. The lease expires on March 31, 2021.

The annual minimum lease commitments under the lease are as follows:

	$
Less than one year	310,435
Two to five years	996,845
Greater than five years	438,395
	1,745,675

22. CONTINGENCIES

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believe that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

23. EVENT AFTER THE REPORTING PERIOD

Subsequent to February 29, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization.

As at the date of these financial statements, the duration of the business disruptions and related financial impact on the Company of COVID-19 cannot currently be reasonably estimated. However, the Company is closely monitoring developments and adapting its business plans accordingly. The Company has implemented a work from home policy for its executives and consultants. Additionally, the Company has reduced discretionary corporate activities.