



**MOJAVE JANE BRANDS INC.**

(formerly High Hampton Holdings Corp.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED AUGUST 31, 2020 AND 2019**

(EXPRESSED IN CANADIAN DOLLARS)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mojave Jane Brands Inc. (formerly High Hampton Holdings Corp.)

### Opinion

We have audited the consolidated financial statements of Mojave Jane Brands Inc. (the “Company”), which comprise the consolidated statement of financial position as at August 31, 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that there are events or conditions which indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Matter

The financial statements of the Company for the year ended August 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on December 23, 2019.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

December 22, 2020



An independent firm  
associated with Moore  
Global Network Limited

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
AS AT AUGUST 31

	Note	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 56,841	\$ 1,612,270
Trade and other receivables	6	-	73,041
Inventory	7	-	110,215
Prepaid expenses and deposits	8	-	243,258
Amounts due from related party	15	-	86,909
Assets held for sale	9	604,453	2,286,735
		661,294	4,412,428
<b>Non-current assets</b>			
Intangible assets	10	-	733,279
Property, plant and equipment	11	-	1,404,714
Investment in associate	12	1	1
<b>Total assets</b>		\$ 661,295	\$ 6,550,422
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payables and accrued liabilities	13	\$ 403,187	\$ 970,047
Amounts due to related parties	15	41,250	181,903
Contingent consideration provision		-	17,782
Loans payable		-	25,884
Liabilities related to assets held for sale	9	9,704	150,406
		454,141	1,346,022
<b>Non-current liabilities</b>			
Deferred income tax liability	19	-	142,579
Loans payable	14	40,000	-
Liabilities related to assets held for sale	9	-	60,907
<b>Total liabilities</b>		494,141	1,549,508
<b>Equity</b>			
Share capital	16	55,267,241	52,336,779
Subscriptions received		-	1,109,800
Commitment to issue shares		-	403,800
Share-based payments reserve	17	7,020,615	6,996,645
Accumulated other comprehensive loss		12,094	(16,968)
Deficit		(62,132,796)	(55,829,142)
<b>Total equity</b>		167,154	5,000,914
<b>Total liabilities and equity</b>		\$ 661,295	\$ 6,550,422

**Nature of business** (Note 1)

**Contingencies** (Note 22)

**Events after the reporting period** (Note 23)

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

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**YEARS ENDED AUGUST 31**

	Note	2020	2019
<b>EXPENSES</b>			
Accounting and audit		385,250	227,277
Consulting		185,434	664,096
Depreciation	11	32,054	11,471
Filing and transfer agent		37,323	43,138
Insurance		166,853	83,023
Legal fees		257,125	416,645
Management fees	15	57,043	565,173
Marketing and promotion		580,312	991,302
Office and general		59,918	165,135
Rent		185,531	223,239
Salaries and benefits	15	350,026	1,748,423
Share-based payments	17	-	1,105,025
Travel		43,108	186,484
		(2,339,977)	(6,430,431)
<b>OTHER ITEMS</b>			
Foreign exchange gain (loss)		(4,110)	(10,813)
Interest and other income		7,253	66,059
Other expense		-	(113,533)
Gain on reversal of accounts payable		104,663	-
Loss from investment in associate	12	(532,329)	(1,381,928)
Provision for doubtful receivables	6, 15	(190,628)	(487,154)
Write-off of equipment	11	(34,616)	-
Write-off of investment deposit		(66,445)	-
		(716,212)	(1,927,369)
Net loss from continuing operations		(3,056,189)	(8,357,800)
Net loss from discontinued operations	9	(3,472,965)	(31,169,114)
<b>Net loss for the year</b>		(6,529,154)	(39,526,914)
<b>Other comprehensive income</b>			
Foreign currency translation adjustment		29,062	(3,613)
<b>Comprehensive loss for the year</b>		\$ (6,500,092)	\$ (39,530,527)
<b>Basic and diluted loss per common share</b>			
Continuing operations		\$ (0.03)	\$ (0.09)
Discontinued operations		\$ (0.03)	\$ (0.33)
		\$ (0.06)	\$ (0.42)
<b>Weighted average number of common shares outstanding</b>		118,749,398	94,406,305

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

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	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	11,235,221	4,529,308	-	-	-	-	-	4,529,308
Share subscription received		-	-	1,159,800	-	-	-	-	1,159,800
Exercise of warrants, options and restricted share units	16	910,500	339,500	-	(287,000)	-	-	-	52,500
Share-based payments	17	-	-	-	-	1,105,025	-	-	1,105,025
Loss for the year		-	-	-	-	-	-	(39,526,914)	(39,526,914)
Other comprehensive loss for the year		-	-	-	-	-	(3,613)	-	(3,613)
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	15,430,500	3,086,100	(1,109,800)	-	-	-	-	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	(4,537,978)	(60,582)	-	-	-	-	-	(60,582)
Repurchase of shares	16	-	(32,400)	-	-	-	-	-	(32,400)
Cancellation of restricted share units	17	-	-	-	(225,500)	-	-	225,500	-
Reversal of finders' shares		-	-	-	(116,800)	-	-	-	(116,800)
Loss for the year		-	-	-	-	-	-	(6,529,154)	(6,529,154)
Other comprehensive loss for the year		-	-	-	-	-	29,062	-	29,062
Balance, August 31, 2020		116,291,323	\$ 55,267,241	\$ -	\$ -	\$ 7,020,615	\$ 12,094	\$ (62,132,796)	\$ 167,154

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

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss from continuing operations for the year	\$ (3,056,189)	\$ (8,357,800)
Items not affecting cash:		
Depreciation	32,054	11,471
Foreign exchange loss (gain)	(1,341)	(23,979)
Gain on reversal of accounts payable	(104,663)	-
Loss from investment in associate	532,329	1,381,928
Provision for doubtful receivables	190,628	-
Share-based payments	-	1,105,025
Write-off of equipment	34,616	-
Changes in non-cash working capital items:		
Receivables	(78,096)	307,159
Prepaid expenses and deposits	205,729	688,187
Trade and other payables	(416,920)	(350,684)
Amounts due to related parties	(128,130)	(213,895)
Net cash used in operating activities	(2,789,983)	(5,452,588)
Net cash used in operating activities of discontinued operations	(369,147)	(6,231,803)
	(3,159,130)	(11,684,391)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in associate	(532,329)	(658,451)
Net cash used in investing activities	(532,329)	(658,451)
Net cash used in investing activities of discontinued operations	277,586	(2,356,336)
	(254,743)	(3,014,787)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	1,976,300	52,500
Proceeds from share subscriptions	-	1,159,800
Share issuance costs	(100,186)	-
Repurchase of shares	(32,400)	-
Loan proceeds (repayment)	40,000	(58,391)
Payment of lease liability	(25,270)	-
Net cash provided by financing activities	1,858,444	1,153,909
Net cash used in financing activities of discontinued operations	-	78,717
	1,858,444	1,232,626
<b>Change in cash during the year</b>	(1,555,429)	(13,466,552)
<b>Cash, beginning of the year</b>	1,612,270	15,078,822
<b>Cash, end of the year</b>	\$ 56,841	\$ 1,612,270

There are no significant non-cash investing and financing transactions during the years ended August 31, 2020 and 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 2050 – 1055 West Georgia Street, P.O. Box 11121, Royal Centre, Vancouver, BC, V6E 3P3. 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” and on the Frankfurt Exchange under symbol “FSE: 0HCN”.

The Company’s principal business was the manufacturing, processing and sale of cannabis extracts. Currently the Company is not generating revenues as it vacated its leased premises in Coachella, CA, and plans to seek out other potential strategic alliances, joint venture, acquisition, or merger opportunities.

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 as at August 31, 2020 of \$62,132,796. 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 and selling of assets, are being evaluated with the objective of funding potential acquisition 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.

### COVID-19 estimation uncertainty

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company’s business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company’s consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business but anticipates that COVID-19 may impact the Company’s ability to raise financing.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance by the Board of Directors on December 22, 2020.

## 2. BASIS OF PREPARATION

### **Statement of compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).



**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**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 August 31, 2020 are as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest	Functional Currency
Coachellagro Corp.	USA	100%	US Dollar
HS Airway Holdings (“HS Airway”)	USA	100%	US Dollar

The Company’s subsidiaries, 420 Realty LLC and Mojave Jane, LLC, were dissolved during the year ended August 31, 2020. The Company’s subsidiary, HS Airway, was dissolved subsequent to the year ended August 31, 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 balances and transactions of the subsidiaries are measured using those functional currencies.

**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...)

### **Significant accounting estimates and judgments**

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these financial statements, unless otherwise indicated.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and at banks and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Inventory**

Inventory consists of cannabis extracts and concentrates. The Company values inventories at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average cost basis. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed. Storage costs, indirect administrative overhead and certain other selling costs related to inventories are expensed in the period incurred.

**Property, plant and equipment**

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of the rehabilitation obligation. Depreciation is provided over the related assets' estimated useful life using the following methods and annual rates:

Automobiles	20% declining balance and double-declining balance
Computer equipment	20% - 30% declining balance
Equipment	14% - 30% declining balance and double-declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	Lease term

**Intangible assets**

Intangible assets consist mainly of favorable leases, customer relationships, management contracts, trademarks and non-compete covenants acquired by the Company. Intangible assets with finite lives are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of indefinite intangible assets is recognized in the consolidated statement of comprehensive loss in the period it is incurred. In allocating a reversal of an impairment loss, the carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior period.

Estimated useful lives of intangible assets are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The useful lives of the Company's intangible assets are as follows:

Customer relationships	8 years;
Favorable leases	Lease term;
Licenses	1 - 5 years;
Management contracts	Contract term;
Non-compete covenants	Period of non-compete agreement; and
Trademarks	have an indefinite useful life.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Impairment of non-financial assets**

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets including property, plant and equipment are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

In certain situations goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the consolidated statements of comprehensive loss as a bargain purchase gain.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Goodwill**

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating units (“CGU”) to which it relates. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use of the related CGU. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in the consolidated statement of comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

**Investment in associates**

The Company has interests in associates. Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for associates using the equity method of accounting. Interests in associates accounted for using the equity method are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company’s interest in an associate is adjusted for the Company’s share of comprehensive income and distributions of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date.

**Foreign currency translation**

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Subsidiaries that have functional currencies other than the Canadian dollar translate their statement of comprehensive loss items at the average rate during the year. Assets and liabilities are translated at exchange rates prevailing at the end of each reporting period. Exchange rate variations resulting from the retranslation at the closing rate of the net investment in these subsidiaries, together with differences between their statement of comprehensive loss items translated at actual and average rates, are recognized in accumulated other comprehensive income (loss). On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange difference is recognized in the statement of comprehensive loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Financial instruments**

(i) Financial assets

All financial assets are measured at fair value on initial recognition. Measurement in subsequent periods depends on the financial assets' classification, as described below:

Fair value through profit or loss ("FVTPL"): Financial instruments designated at FVTPL are initially recognized and subsequently measured at fair value with changes in those fair values charged immediately to net earnings. Financial instruments under this classification include cash.

Amortized cost: Financial instruments designated at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include trade and other receivables.

Fair value through other comprehensive income ("FVOCI"): Financial instruments designated at FVOCI are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. None of the Company's financial assets are classified as FVTOCI.

(ii) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. The Company's accounts payable, amounts due to related parties and loans payable are classified at amortized cost. The Company does not currently have any FVTPL financial liabilities.

(iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. As at August 31, 2020, the Company has recorded a provision for doubtful receivables totaling \$190,628 (2019 - \$487,154).

**Revenue recognition**

The Company's revenue is comprised of sales of its product line which consists of cannabis extracts and cannabis infused edible products. Payment is due upon delivery of products. The Company recognizes revenues on product sales when the performance obligations relating to the sale of its products are satisfied. The performance obligations are satisfied at a point in time when the customer obtains control of the product, which occurs when the product has been delivered to the customer.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Share capital**

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

**Earnings / loss per share**

Basic earnings/loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the year.

**Share-based payments**

The Company's share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purpose (direct employee) or provides services similar to those performed by a direct employee.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

Share-based payments made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date of the goods and services are received.

Proceeds from unit placements are allocated between share and warrants using the residual method.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Income taxes**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Comparative information**

Certain comparative information in these consolidated 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.

The Company adopted IFRS 16 on September 1, 2019 using a modified retrospective approach. On initial adoption, the Company elected to record right-of-use assets based on the corresponding lease obligation. Right-of-use assets and lease obligations of \$53,345 were recorded as of September 1, 2019, with no impact on deficit. When measuring the present value of lease obligations, the Company discounted the remaining lease payments using its incremental borrowing rate at September 1, 2019, which was a weighted-average rate of 12% per annum. All leases were subsequently terminated as at August 31, 2020.

**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 period. The Company is not subject to externally imposed capital requirements.

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**5. ACQUISITION**

On November 12, 2018, the Company acquired all the issued and outstanding shares of Mojave Jane, LLC (“Mojave 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
<b>Total consideration</b>	<b>4,499,361</b>
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)
<b>Net assets acquired</b>	<b>4,499,361</b>

The contingent consideration provision relates to royalty payments due to former shareholders of Mojave LLC. The royalty was calculated as 5.5% of Mojave 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 was recorded in the consolidated statement of comprehensive loss.

As part of the Company’s acquisition of Mojave LLC, the Company acquired intangible assets consisting of trademarks and brand, customer relationships, management agreements and licenses. Refer to Note 10 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 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. During the year ended August 31, 2020, the Company decided not to continue the operations of Mojave LLC and dissolved Mojave LLC as at August 31, 2020.

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**6. TRADE AND OTHER RECEIVABLES**

	2020	2019
Trade receivables	\$ -	\$ 48,759
Other receivables	-	13,103
GST/HST recoverable	-	11,179
	\$ -	\$ 73,041

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During the year ended August 31, 2020, the Company recorded an allowance for uncollectible amounts of \$13,103 related to other receivables. During the year ended August 31, 2020, the Company recorded an allowance for uncollectible amounts of \$89,275 (2019 - \$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.

**7. INVENTORY**

As at August 31, 2020, the Company held \$nil (2019 - \$110,215) in inventory. 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 (within discontinued operation), 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.

**8. PREPAID EXPENSES AND DEPOSITS**

	2020	2019
Prepaid expenses	\$ -	\$ 146,247
Rental deposit	-	76,948
Other	-	20,063
	\$ -	\$ 243,258

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**9. ASSETS HELD FOR SALE AND DISCONTINUED 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. During the year ended August 31, 2020, the Company decided to discontinue the operations of two additional asset groups. As at August 31, 2020, the following asset groups are classified as held for sale or discontinued operations.

Coachellagro Corp. (“Coachellagro”)

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. During the year ended August 31, 2020, the Company assessed a further impairment of \$889,215 due to the decrease in value of the land.

420 Realty, LLC (“420 Realty”)

420 Realty held 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. During the year ended August 31, 2019, the Company determined that it would not proceed with its planned construction 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. During the year ended August 31, 2020, the Company decided to dissolve 420 Realty and recognized a loss of \$636,528 from the discontinued operation of 420 Realty.

Bravo Distro LLC and 8 Points MGMT LLC (“Bravo/8 Points”)

Bravo/8 Points held 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 year ended August 31, 2020, the Company completed a settlement agreement to assign its 100% of the membership interests of Bravo/8 Points to its former owners by receiving 337,978 common shares of the Company back to the Company’s treasury for cancellation (Note 16).

Mojave Jane, LLC (“Mojave LLC”)

Mojave LLC had manufacturing operations of cannabis extracts and concentrates. During the year ended August 31, 2020, as part of the outcome of the Company’s strategic review of operations and assets, the Company determined not to continue the extraction operations and thus dissolved Mojave LLC. The Company recognized a loss of \$971,802 from the discontinued operation of Mojave LLC.

HS Airway Holdings (“HS Airway”)

HS Airway owned intellectual properties of the GALIGOLD edible brand and had manufacturing operations of multi-strain cannabis infused chocolate bars. During the year ended August 31, 2020, as part of the outcome of the Company’s strategic review of operations and assets, the Company divested the GALIGOLD brands back to its former founding owner in consideration of the former founding owner settling certain liabilities of the Company and returning 3,890,664 common shares of the Company back to the Company’s treasury for cancellation. The Company recognized a loss of \$1,116,271 from the discontinued operation of HS Airway (Note 23).

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**9. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd...)**

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

As at August 31, 2020	Coachellagro	HS Airway	Total
	\$	\$	\$
Current assets	-	-	-
Land and favorable leases	585,000	-	585,000
Property and equipment	-	19,453	19,453
<b>Total assets</b>	<b>585,000</b>	<b>19,453</b>	<b>604,453</b>
Current liabilities	-	9,704	9,704
Long-term liabilities	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>9,704</b>	<b>9,704</b>
<b>Net assets</b>	<b>585,000</b>	<b>9,749</b>	<b>594,749</b>

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
<b>Total assets</b>	<b>1,474,215</b>	<b>253,500</b>	<b>559,020</b>	<b>2,286,735</b>
Current liabilities	-	150,406	-	150,406
Long-term liabilities	-	60,907	-	60,907
<b>Total liabilities</b>	<b>-</b>	<b>211,313</b>	<b>-</b>	<b>211,313</b>
<b>Net assets</b>	<b>1,474,215</b>	<b>42,187</b>	<b>559,020</b>	<b>2,075,422</b>

**MOJAVE JANE BRANDS INC.**

(formerly High Hampton Holdings Corp.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED AUGUST 31, 2020 AND 2019

**9. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd...)**

During the years ended August 31, 2020 and 2019, net loss attributable to the asset groups held for sale and discontinued operations are summarized as follows.

Year ended August 31, 2020	Coachellagro	Bravo/8 Points	420 Realty	Mojave LLC	HS Airway	Total
	\$	\$	\$	\$	\$	\$
<b>EXPENSES</b>						
Sales	-	-	-	68,344	1,177	69,521
Cost of goods sold	-	-	-	(118,338)	(15,984)	(134,322)
Consulting and professional fees	-	-	-	(51,376)	(5,501)	(56,877)
Depreciation	-	-	-	(189,860)	(24,367)	(214,227)
Office and general	-	-	(67,403)	(35,892)	(299,940)	(403,235)
Travel	-	-	-	-	(10,607)	(10,607)
Other income	-	-	-	6,424	7,698	14,122
Impairment loss	(748,364)	-	(569,125)	(836,875)	(725,555)	(2,879,919)
Deferred income tax recovery	-	-	-	185,771	(43,192)	142,579
<b>Net loss from discontinued operations</b>	<b>(748,364)</b>	<b>-</b>	<b>(636,528)</b>	<b>(971,802)</b>	<b>(1,116,271)</b>	<b>(3,472,965)</b>
<b>Year ended August 31, 2019</b>	<b>Coachellagro</b>	<b>Bravo/8 Points</b>	<b>420 Realty</b>	<b>Mojave LLC</b>	<b>HS Airway</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
Sales	-	-	-	86,389	118,678	205,067
Cost of goods sold	-	-	-	(553,398)	(670,204)	(1,223,602)
Advertising and promotion	-	-	-	(2,688)	(266,889)	(269,577)
Consulting and professional fees	-	(1,186,767)	-	(205,568)	(356,170)	(1,748,505)
Depreciation	-	(684,431)	(519,406)	(616,644)	(580,152)	(2,400,633)
Office and general	-	(886,737)	(304,434)	(93,056)	(851,776)	(2,136,003)
Travel	-	(79,797)	-	(493)	(12,921)	(93,211)
Other income	-	-	-	609,696	12,619	622,315
Other expenses	(573,843)	(150,534)	-	-	(198,825)	(923,202)
Impairment loss	(5,077,872)	(1,411,376)	(6,186,695)	(3,846,096)	(8,666,442)	(25,188,481)
Deferred income tax recovery	-	-	-	115,478	1,871,240	1,986,718
<b>Net loss from discontinued operations</b>	<b>(5,651,715)</b>	<b>(4,399,642)</b>	<b>(7,010,535)</b>	<b>(4,506,380)</b>	<b>(9,600,842)</b>	<b>(31,169,114)</b>

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**10. INTANGIBLE ASSETS**

	Customer Relationships	Favorable Leases	Management Contracts	Non-compete Covenants	Trademarks	Licenses	Total
<b>Cost</b>							
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	\$ -	\$ -	\$ -	\$ -	\$ 733,279	\$ -	\$ 733,279
Impairment	-	-	-	-	(733,279)	-	(733,279)
Balance at August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Accumulated depreciation</b>							
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 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net amount</b>							
Balance at August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance at August 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ 733,279	\$ -	\$ 733,279

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**11. PROPERTY, PLANT AND EQUIPMENT**

	Automobiles	Computer Equipment	Furniture & Fixtures	Equipment	Land	Leasehold Improvements	Right-of-use assets	Total
<b>Cost</b>								
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	-	-	-	(50,060)	(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	-	-	-	-	-	-	53,345	53,345
Disposals	(36,727)	(28,892)	(26,434)	(1,623,508)	-	-	(53,345)	(1,768,906)
Foreign exchange movement	936	-	(32)	25,102	-	-	-	26,006
Balance at August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Accumulated depreciation</b>								
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	1,524	3,608	3,432	212,447	-	-	25,269	246,280
Adjustment for disposals	(13,009)	(12,276)	(6,836)	(478,717)	-	-	(25,269)	(536,107)
Foreign exchange movement	209	-	(55)	4,832	-	-	-	4,986
Balance at August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net amount</b>								
Balance at August 31, 2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance at August 31, 2019	\$ 24,515	\$ 20,224	\$ 23,007	\$ 1,336,698	\$ -	\$ -	\$ -	\$ 1,404,714



**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**12. 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. 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 was committed to investing an additional \$1,580,000 USD upon the achievement of certain milestones by the 2083 Group. In October 2019, the Company invested additional \$532,329 (\$400,000 USD) to increase its ownership interest in 2083 Group to just over 26%. In May 2020, as part of the outcome of the Company’s strategic review of operations and assets, the Company decided not to proceed with further investment in 2083 Group and thus wrote off the investment costs of \$532,330 for the year ended August 31, 2020.

**13. TRADE AND OTHER PAYABLES**

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	2020	2019
Trade payables	\$ 366,187	\$ 903,829
Accrued liabilities	37,000	66,218
	<u>\$ 403,187</u>	<u>\$ 970,047</u>

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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.

**14. LOANS PAYABLE**

In May 2020, the Company opened a Canada Emergency Business Account (“CEBA”) and received a loan of \$40,000 from the Canadian Government. The loan is unsecured and non-interest bearing until December 31, 2022. The principal amount of the loan will be reduced to \$30,000 if it is repaid before December 31, 2022.

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**15. RELATED PARTY TRANSACTIONS AND BALANCES**

Amounts due from related party of \$nil (August 31, 2019 - \$86,909) related to payroll taxes paid on behalf of the former CEO of the Company. The amount was due on demand, unsecured and non-interest bearing. During the year ended August 31, 2020, the Company recorded an allowance for the full amount of \$88,250 due to the uncertainty of the collectability of the amount.

Amounts due to related parties of \$41,250 (August 31, 2019 - \$181,983) were director and management fees due to directors and officers 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 years ended August 31 is as follows:

	2020	2019
Management and director fees	\$ 57,043	\$ 556,289
Salaries and benefits	257,007	1,378,589
Share-based payments	-	837,025
<b>Total</b>	<b>\$ 314,050</b>	<b>\$ 2,771,903</b>

The Company entered into the following transactions relating to key management personnel and entities over which they have control or significant influence during the year ended August 31, 2020:

- a) Incurred management fees of \$41,250 (2019 - \$nil) and director fees of \$16,250 (2019 - \$33,000) to the Interim CEO of the Company.
- b) Incurred salaries of \$128,434 (2019 - \$513,327) to the former Chief Executive Officer of the Company.
- c) Incurred salaries of \$128,573 (2019 - \$513,231) to the former Chief Operating Officer of the Company.
- d) Incurred management fees of \$7,543 (2019 - \$11,700) to the former corporate secretary of the Company.
- e) Incurred salaries of \$nil (2019 - \$352,031) and management fees of \$nil (2019 - \$69,843) to the former Chief Financial Officer of the Company.
- f) Incurred management fees of \$nil (2019 - \$336,520) to a former officer and director of the Company.
- g) Incurred management fees of \$nil (2019 - \$32,671) to a former officer and director of the Company.
- h) Incurred management fees of \$nil (2019 - \$15,115) to a former officer of the Company.
- i) Incurred director fees of \$nil (2019 - \$57,440) to three former directors of the Company.

## **16. SHARE CAPITAL**

### **Authorized share capital**

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

### **Issued share capital**

At August 31, 2020, the Company had 116,291,323 common shares outstanding (August 31, 2019 - 107,039,185).

### **Escrowed shares**

As at August 31, 2020, there were 930,000 common shares held in escrow. Subsequent to August 31, 2020, the remaining 930,000 common shares were released from escrow.

### **Share issuance and cancellation**

During the year ended August 31, 2020, the Company:

- a) Completed a non-brokered private placement of 15,430,500 units at a price of \$0.20 per unit for gross proceeds of \$3,086,100. 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.
- c) Paid \$32,400 for 90,000 common shares held in escrow for cancellation pursuant to an agreement signed on July 30, 2019. The 90,000 common shares were subsequently returned to treasury.
- d) 5,990,384 common shares formerly held under voluntary escrow agreements were released and returned to treasury for cancellation.
- e) 337,978 common shares were returned to treasury for cancellation pursuant to the Bravo/8 Point settlement agreement (Note 9).

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 12).
- 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.

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**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.

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
Cancelled / Expired	(4,250,000)	0.36
Balance, August 31, 2020	500,000	\$ 0.34
Exercisable at August 31, 2020	500,000	\$ 0.34
Weighted average fair value of options granted during the year	\$ nil	(2019 - \$0.28)

The options outstanding at August 31, 2020 have exercise price of \$0.34 and a weighted average remaining contractual life of 3.69 years.

The total share-based payments calculated for stock options granted during the year ended August 31, 2020 was \$nil (2019 - \$1,105,025) using the Black-Scholes option pricing model. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2020	2019
Risk-free interest rate	-	1.61%
Expected life of options	-	4.49 Years
Expected annualized volatility	-	181.53%
Dividend rate	-	Nil

As at August 31, 2020, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
500,000	\$ 0.34	May 8, 2024

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**17. SHARE-BASED PAYMENTS (cont'd...)**

**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.

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 year ended August 31, 2020. There were no RSUs outstanding as at August 31, 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
Expired	(33,729,462)	0.90
Balance, August 31, 2020	16,277,930	\$ 0.30

The warrants outstanding at August 31, 2020 have exercise prices in the range of \$0.20 to \$0.30 and a weighted average remaining contractual life of 1 year.

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**17. SHARE-BASED PAYMENTS (cont'd...)**

**Warrants (cont'd...)**

As at August 31, 2020, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
347,430	\$ 0.20	September 9, 2020 (subsequently expired)
15,930,500	\$ 0.30	September 9, 2021
16,277,930		

**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
	\$	\$	\$	\$	\$
Year ended August 31, 2020					
Revenue	-	-	69,521	-	69,521
Gross profit (loss)	-	-	(64,801)	-	(64,801)
Net loss from continuing operations	-	-	-	(3,056,189)	(3,056,189)
Net loss from discontinued operations	(1,384,893)	-	(2,088,072)	-	(3,472,965)
Year ended August 31, 2019					
Revenue	-	-	205,067	-	205,067
Gross profit (loss)	-	-	(1,018,535)	-	(1,018,535)
Net loss from continuing operations	-	-	-	(8,357,800)	(8,357,800)
Net loss from discontinued operations	(12,662,251)	(4,399,642)	(14,107,221)	-	(31,169,114)

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**18. SEGMENTED INFORMATION (cont'd...)**

**Geographic segments**

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

At August 31, 2020:

	Canada		USA		Total
Property, plant and equipment	\$	-	\$	604,453	\$ 604,453
Investment in associate		-		1	1
	\$	-	\$	604,454	\$ 604,454

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. INCOME TAXES**

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

	2020		2019	
Loss before tax from continuing operations	\$	(3,056,189)	\$	(8,357,800)
Loss before tax from discontinued operations		(3,472,965)		(31,169,114)
Statutory tax rate		27%		27%
Expected income tax recovery at statutory rates	\$	(1,805,579)	\$	(12,141,718)
Permanent differences and other		1,312,000		8,266,000
Changes in tax benefits not recognized		351,000		1,889,000
Deferred income tax recovery	\$	(142,579)	\$	(1,986,718)

**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

**19. INCOME TAXES (cont'd...)**

**Deferred income tax assets and liabilities**

Significant components of the company's deferred income tax assets (liabilities) are as follows:

	2020	2019
Deferred income tax assets:		
Non-capital loss carry forwards	\$ 5,369,000	\$ 4,643,000
Investment in associate	1,000	187,000
Share issuance costs	201,000	300,000
Equipment	-	90,000
<b>Unrecognized deferred income tax assets</b>	<b>\$ 5,571,000</b>	<b>\$ 5,220,000</b>
Deferred income tax liabilities:		
Intangible assets	-	142,579
<b>Deferred income tax liabilities</b>	<b>\$ -</b>	<b>\$ 142,579</b>

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately \$19,885,000 which will begin to expire in 2030. Management has estimated United States non-capital losses to be immaterial.

**20. FINANCIAL INSTRUMENTS**

As of August 31, 2020 and 2019, the carrying amounts of trade and other receivables, accounts payables, and amounts due to related parties carried at amortized cost are considered a reasonable approximation of their fair values due to the relatively short period to maturity of these 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 and trade and other receivables. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. The Company's receivables consist of GST recoverable due from the Canadian Government. Management does not expect these counterparties to fail to meet their obligations.



**MOJAVE JANE BRANDS INC.**  
(formerly High Hampton Holdings Corp.)  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2020 AND 2019

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**20. FINANCIAL INSTRUMENTS (cont'd...)**

*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 August 31, 2020, the Company has a cash balance of \$56,841 and current liabilities of \$454,141. 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 and due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms. The loan payable is not contractually repayable before December 31, 2022.

*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 August 31, 2020, the Company had financial assets of \$19,582 and financial liabilities of \$52,617 denominated in United States dollars. A 10% strengthening of the US dollar would affect net loss by approximately \$3,000. The Company does not hedge its foreign exchange risk.

**21. 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.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows. There have been no changes in these levels and no changes in classifications during the year ended August 31, 2020.

	Level 1	Level 2	Level 3	Total
August 31, 2020				
Cash	\$ 56,841	\$ -	\$ -	\$ 56,841
August 31, 2019				
Cash	\$ 1,612,270	\$ -	\$ -	\$ 1,612,270

## **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 believes 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.

In July 2020, a former consultant of the Company filed a claim against a subsidiary of the Company in California claiming an unpaid settlement amount related to consulting services provided. The Company is currently reviewing the claim. Due to the uncertainty of the timing and the amount of estimated future cash outflows relating to this claim, no provision had been recognized

## **23. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to August 31, 2020,

- i) The Company entered into a consulting agreement with a company controlled by a close family member of a director of the Company to provide general, strategic and corporate consultancy services at a monthly fee of \$5,000. The agreement has an initial term of three months.
- ii) The Company received a loan of \$33,700 from a close family member of a director of the Company. The loan is due on demand, unsecured and non-interest bearing.
- iii) The Company received 3,890,664 common shares of the Company and returned them to the Company's treasury for cancellation pursuant to the settlement agreement with the two former owners of HS Airway (Note 9).
- iv) The Company received 90,000 common shares of the Company and returned them to the Company's treasury (Note 16).
- v) 347,430 warrants with an exercise price of \$0.20 per share expired unexercised.
- vi) The Company's subsidiary, HS Airway, was dissolved.