TRANSCANNA HOLDINGS INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

May 31, 2019

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated condensed financial statements of the Company have been prepared by management and approved by the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

July 30, 2019

TRANSCANNA HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(Expressed in Canadian Dollars)

		May 31, 2019		November 30, 2018
ASSETS				
CURRENT				
Cash	$	2,183,557	$	74,310
Amounts receivable		95,683		1,799
Related party receivable (Note 7)		74,278		47,145
Prepaid expenses		278,665		10,000
TOTAL CURRENT ASSETS		2,632,183		133,254
Property, plant and equipment (Note 5)		30,493,607		35,662
Investments		334,350		–
Deposit (Note 11)		523,090		243,465
TOTAL ASSETS	$	33,983,230	$	412,381
LIABILITIES AND EQUITY (DEFICIENCY)				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 6)	$	819,839	$	276,170
Due to related parties (Note 7)		15,000		138
Loans payable (Note 10)		9,130,725		388,521
TOTAL CURRENT LIABILITIES		9,965,564		664,829
EQUITY (DEFICIENCY)				
Share capital (Note 8)		26,758,691		1,803,241
Reserves (Note 8)		5,256,214		280,951
Obligation to issue shares (Note 8)		–		18,750
Deficit		(7,800,112)		(2,351,864)
Accumulated other comprehensive loss		(197,127)		(3,526)
TOTAL EQUITY (DEFICIENCY)		24,017,666		(252,448)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	$	33,983,230	$	412,381

Going Concern (Note 1)
Commitment (Note 11)
Subsequent events (Notes 14)

Approved on behalf of the Board of Directors on July 30, 2019:

"James Pakulis"	"Arni Johannson"
Director	Director

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

TRANSCANNA HOLDINGS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)
(Expressed in Canadian Dollars)

	Three months ended May 31,		Six months Ended May 31,	
	2019	**2018**	**2019**	**2018**
EXPENSES				
Advertising and promotion	$ 1,959,899	$ 53,766	$ 2,805,431	$ 53,766
Ammortization	2,674	–	5,349	–
Audit and accounting (Note 7)	61,741	12,366	63,723	31,566
Consulting (Note 7)	507,002	55,586	725,784	64,586
Interest	105,202	–	105,202	–
Investor relations	679,000	75,013	915,890	75,013
Legal	131,347	64,695	150,055	79,886
License fees	21,176	–	39,503	–
Management fees (Note 7)	268,752	57,000	306,252	114,000
Meals and entertainment	35,723	7,595	42,617	11,591
Office and miscellaneous	172,317	6,808	356,880	9,160
Registration and transfer fees	56,948	3,590	71,754	3,904
Research and development	–	577,859	9,891	577,859
Rent	6,336	–	6,336	–
Tax expense	56,007	–	56,007	–
Travel	58,513	16,411	113,484	20,519
Operating expenses	(4,122,637)	(930,689)	(5,774,158)	(1,041,850)
Foreign exchange gain (loss)	333,052	(4,222)	324,594	(4,222)
Interest income	794	2,448	1,315	2,448
Loss for the period	(3,788,791)	(932,463)	(5,448,249)	(1,043,624)
Other comprehensive loss	(192,742)	(934)	(193,601)	(934)
Total comprehensive loss for the period	$ (3,981,533)	$ (933,397)	$ (5,641,850)	$(1,044,558)
Net loss per share, basic and diluted	$ (0.17)	$ (0.09)	$ (0.26)	$ (0.11)
Weighted average number of shares outstanding	22,489,073	10,107,471	20,963,998	8,956,524

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

TRANSCANNA HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Number of shares	Share Capital	Reserves	Obligation to issue shares	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, November 30, 2017	**6,900,000**	**$ 210,000**	**$ 135,000**	**$ –**	**$ (191,359)**	**$ –**	**$ 153,641**
Shares issued for cash	3,820,000	956,000	–	–	–	–	956,000
Equity units issued as finders fees	125,000	(22,746)	22,746	–	–	–	–
Units issued for R&D expense	1,028,077	514,039	–	–	–	–	514,039
Foreign currency translation adjustments	–	–	–	–	–	(934)	(934)
Net loss	–	–	–	–	(1,043,624)	–	(1,043,624)
Balance, May 31, 2018	**11,873,077**	**1,657,293**	**157,746**	**–**	**(1,234,983)**	**(934)**	**579,122**
Shares issued for cash	100,000	50,000	–	–	–	–	50,000
Shares issued for R&D expense	54,396	27,198	–	–	–	–	27,198
Shares issued for services	137,500	68,750	–	–	–	–	68,750
Reserve for issuance of performance warrants	–	–	123,205	–	–	–	123,205
Obligation to issue shares	–	–	–	18,750	–	–	18,750
Foreign currency translation adjustments	–	–	–	–	–	(2,592)	(2,592)
Net loss	–	–	–	–	(1,116,881)	–	(1,116,881)
Balance, November 30, 2018	**12,164,974**	**1,803,241**	**280,951**	**18,750**	**(2,351,864)**	**(3,526)**	**(252,448)**
Equity units issued for cash	11,947,500	17,295,000	–	–	–	–	17,295,000
Shares issued for services	163,547	284,141	–	–	–	–	284,141
Shares issued for assets	2,500,000	6,435,000	–	–	–	–	6,435,000
Shares issued for cash - exercise of warrants	4,764,506	5,300,972	–	(18,750)	–	–	5,282,222
Shares issued for cash - exercise of options	225,000	112,500	–	–	–	–	112,500
Share issuance costs	–	(4,472,163)	–	–	–	–	(4,472,163)
Reserves for			4,975,263				4,975,263
Foreign currency translation adjustments	–	–	–	–	–	(193,601)	(193,601)
Net loss	–	–	–	–	(5,448,248)	–	(5,448,248)
Balance, May 31, 2019	**31,765,526**	**$26,758,691**	**$ 5,256,214**	**$ –**	**$(7,800,112)**	**$ (197,127)**	**$ 24,017,666**

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

TRANSCANNA HOLDINGS INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	For the six months ended May 31, 2019	For the six months ended May 31, 2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss	(5448,249)	(1,043,624)
Items not affecting cash		
Amortization	5,350	–
Shares issued for services	274,250	–
Shares issued for research and development fees	9,890	514,039
Share issuance costs	982,532	
Changes in non-cash working capital items		
Amounts receivable	(93,884)	(7,872)
Related party receivable	(27,133)	–
Prepaid expenses	(268,665)	(64,310)
Accounts payable and accrued liabilities	543,670	(83,602)
Due to related parties	14,862	(5,952)
Net cash used in operating activities	(4,007,377)	(691,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	19,895,145	956,000
Obligation to issue shares	(18,750)	–
Loans payable	8,742,204	–
Net cash from financing activities	28,618,599	956,000
CASH FLOWS USED IN INVESTING ACTIVITIES		
Property, plant and equipment	(21,694,399)	–
Investments	(334,350)	–
Deposit on branding contract	(279,625)	(64,588)
Computer hardware	–	(32,382)
Software license	–	(63,820)
Advances receivable	–	(115,793)
Net cash used in investing activities	(22,308,374)	(148,943)
Effects of foreign currency exchange	(193,601)	(934)
Change in cash during the period	2,109,246	114,802
Cash, beginning of the period	74,310	80,600
Cash, end of the period	$ 2,183,556	$ 195,402
NON-CASH TRANSACTIONS		
Shares issued for services	$ 274,250	$ 57,500
Shares issued for assets	$ 6,435,000	$ –
Warrants issued for assets	$ 2,333,896	$ –
Shares issued for research and development	$ 9,890	$ 514,000
Shares issued for finders fees	$ 982,532	$ –
Warrants issued for finders fees	$ 2,641,368	$ –

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

1. NATURE AND CONTINUANCE OF OPERATIONS

TransCanna Holdings Inc. (the "Company" or "TransCanna") was incorporated on October 26, 2017, under the Business Corporations Act (British Columbia). The Company's principal business activity is the creation of consumer brands, from inception to sales, which includes, but is not limited, to the manufacturing transportation and distribution services in the state of California including cannabis related products. Effective January 9, 2019, the Company's shares are traded on the Canadian Securities Exchange (the "CSE") under the symbol "TCAN". The Company's head office is located at Suite 902-1030 West Georgia Street, Vancouver, BC V6E 2Y3.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which assume that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

Statement of compliance and basis of presentation

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("IAS34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended November 30, 2018.

These financial statements were authorized for issue by the Board of Directors on July 30, 2019.

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances between these entities have been eliminated on consolidation.

The Company has the following subsidiaries:

Name	Incorporation	Incorporation/ Acquisition Date	Interest
TransCanna Management Inc. ("TCMI")	USA	October 23, 2017	100%
GF Group Inc. ("GFG")	USA	March 29, 2018	100%
Dalvi, LLC ("Dalvi")	USA	February 28, 2019	100%

Basis of measurement and use of estimates

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. All amounts are expressed in Canadian dollars, the Company's functional currency.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

Foreign currency translation

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Currency translations:

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income or loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income or loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of TCMI, GFG and Dalvi, each having the United States dollar as their functional currency, are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of TCMI, GFG and Dalvi are recognized in other comprehensive income or loss and recorded in the Company's foreign currency translation reserve in equity.

Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include: fair value of financial instruments and recoverability and measurement of deferred tax assets and contingent liabilities.

Significant judgments

The most significant judgment in applying the Company's accounting policies in the preparation of consolidated financial statements concerns the assessment of the carrying values of its tangible and intangible assets. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumptions and judgments regarding market conditions, costs of production and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in assumptions may significantly impact the potential impairment of these assets.

Other significant judgments in applying the Company's accounting policies relate to the assessment of the Company's ability to continue as a going concern (Note 1), functional currency determinations and the classification of its financial instruments.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

Significant judgments (continued)

Share-based payment transactions

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

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Financial assets classified as loans and receivables consist of cash, advances receivable and related party receivable.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has no financial assets classified as held-to-maturity investments.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive loss. The Company has no financial assets classified as available-for-sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred or acquired:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss. The Company has no financial liabilities classified as fair value through profit or loss.

Other financial liabilities - This category includes accounts payable, accrued liabilities, amounts due to related parties and loans payable, all of which are recognized initially at fair value and subsequently at amortized cost.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Transaction costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Loss per share

Loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Intangible assets

Separately acquired intellectual property and technological assets are recorded at historical cost. Intellectual property and technological assets acquired in a business combination are recognized at fair value at the acquisition date. Technological assets have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the items over their estimated useful lives.

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 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, in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit 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 tax:
Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred 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 tax asset to be utilized.

Deferred 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 tax assets and deferred 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Share-based payments to the Company's executive team and employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the reserves. The fair value of options is determined using Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

New accounting standards and interpretations issued but not yet adopted

IFRS 16, Leases: This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

4. LICENSE AND ROYALTY AGREEMENT

On November 15, 2017, the Company entered into an Intellectual Property License and Royalty Agreement (the "Royalty Agreement") with Lifestyle Delivery Systems Inc. ("LDS"), a company related by virtue of former common management and a common director, for the non-exclusive rights to utilize LDS's "Track and Trace" software for a period of five years.

LDS is in the process of developing the software, and the Company paid LDS an initial license fee of USD $50,000 (CAD $63,820) which was reflected as a deposit. On February 20, 2018, the Royalty Agreement was amended to include a payment of 9% of the outstanding shares of the Company prior to the Company's initial public offering ("IPO"). On May 2, 2018, the Company issued 1,028,077 common shares representing 9% of the outstanding shares for a fair value of $514,039 (Note 7). On June 5, 2018, the Company issued 54,396 common shares to LDS representing 9% of the shares issued since May 2, 2018, for a fair value of $27,198 (Notes 7). On January 1, 2019, the Company issued 19,781 common shares to LDS representing 9% of the shares issued since June 5, 2018, for a fair value of $9,891 (Notes 7 and 8). Because LDS is in the process of developing the software and the criteria to capitalize development expenditure under IAS 38 has not been met, the Company has expensed the research and development expense.

5. PROPERTY, PLANT AND EQUIPMENT

	Computer Hardware	Property, plant and equipment	TOTAL
As at November 30, 2018	$ 35,662	$ –	$35,662
Additions	–	30,463,295	30,463,295
Amortization	(5,350)	–	(5,350)
As at May 31, 2019	$ 30,312	$ 30,463,295	$30,493,607

On March 20, 2019 the Company, through a subsidiary, Dalvi LLC, agreed to the purchase of a 196,000 square foot facility in Modesto California from Cool Swang LLC (a California company). The total cost of the property paid to Cool Swang was $15,000,000 US (approximately $20,100,000 CDN). The Company paid a $250,000 US deposit. A cash payment of $8,000,000 US (approximately $10,700,000 CDN) was made on completion of the private placement financing. The balance of $6,750,000 US (approximately $9,045,000 CDN) is financed by a promissory note with an interest rate of 7% per annum for up to thirteen months, with an initial maturity date of October 15, 2019, subject to a six month extension. (Note 10)

As consideration for the seller's agreement to accept the promissory note, and to provide an additional one month extension for closing, the Company agreed to pay the seller $200,000 US immediately and issue to the seller an aggregate of 500,000 common shares (valued at $ 1,695,000 CDN) and 1.2 million share purchase warrants (valued at $ 1,768,639 CDN) upon closing of the acquisition. Each warrant will be exercisable to acquire one common share of the Company at an exercise price of $2.60 per share for a five-year period from the date of issuance, vesting quarterly in equal portions over the initial 12 months of the five-year term commencing on the date of the original extension, being February 21, 2019, notwithstanding the warrants were issued upon closing of the acquisition of the Property. In the event that the Company determines to exercise the option to extend the maturity date of the promissory note to April 15, 2020, the Company will issue to the seller a further 500,000 common shares.

As well the company issued 2,000,000 shares (valued at $ 4,740,000 CDN) for consulting services related to due diligence on the purchase of the property. (Note 8)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		May 31, 2019		November 30, 2018
Trade payables	$	738,613	$	181,221
Accrued liabilities		81,226		94,949
	$	819,839	$	276,170

7. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Key management compensation for the six months ended May 31, 2019, includes the following:

- $237,252 in management fees to the CEO (six months ended May 31, 2018: $114,000)
- $69,000 in accounting and consulting fees were paid or accrued to a company controlled by a former director of the Company (six months ended May 31, 2018: $36,000)
- $9,000 in management fees to the CFO (six months ended May 31, 2018: $nil)
- 60,000 in management fees to the president (six months ended May 31, 2018: $nil)

At May 31, 2019, there was $74,279 owed to the Company by the CEO (November 30, 2018: $47,145).

At May 31, 2019, there was $15,000 owed to the president of the Company (November 30, 2018: $nil).

7. RELATED PARTY TRANSACTIONS (Continued)

During the year ended November 30, 2018, the Company expensed legal fees of $20,294 that were incurred on behalf of a company controlled by a director and considered not recoverable. (Note 15)

As at May 31, 2019, $3,519 was owing to the CEO for management fees (November 30, 2018: $Nil). The amount is unsecured, non-interest bearing with no fixed terms of repayment. In exchange for this reduction, the CEO was awarded 750,000 warrants exercisable at $0.50 to be exercisable on achieving certain sales targets.

The warrants are exercisable for a period of three years from the date the Company's shares are listed on a recognized stock exchange (January 8, 2019) as follows:

- 250,000 warrants can be exercised on achieving $1,000,000 in sales;
- a further 250,000 warrants can be exercised on achieving $2,000,000 in sales; and
- the final 250,000 warrants can be exercised on achieving $3,000,000 in sales.

There is no service period required by the CEO in order for the warrants to vest and therefore the milestones were accounted for as a non-vesting condition and the probability was incorporated into the fair value estimate. As at the effective date of the contract, management estimates that 100% of the warrants will be exercised and has recorded $123,205 in management fees, based on a fair market price of $0.33 per warrant.

The performance warrants were valued using the Black-Scholes Option Pricing Model and the following input assumptions:

Weighted fair value of finders warrants issued	$	0.33
Risk-free interest rate		1.56%
Estimated life		3.46 years
Expected volatility		100%
Expected dividend yield		0%

In the six months ended May 31, 2018 as part of payments for the Royalty Agreement, the Company issued 1,082,473 shares at $0.50 per share to LDS (Note 4) with a fair value of $541,237 recognized as research and development expense.

In the three and six months ended May 31, 2019, the Company issued 19,781 common shares to LDS representing 9% of the shares issued since June 5, 2018, for a fair value of $9,890 (Note 4 and 8)

In the six months ended May 31, 2018 25,000 options at $0.50 were exercised by the CFO of the Company and 50,000 options at $0.50 were exercised by a former director of the Company. (Note 8)

8. CAPITAL STOCK

Common Shares

Authorized: unlimited number of common voting shares without nominal or par value.

For the six months ended May 31, 2019

- In relation to a consulting agreement, the Company issued 12,500 shares in December at a fair value of $0.50 per share to a marketing advisor as compensation for services in November for a fair value of $6,250. (Note 8)
- In relation to a consulting agreement, the Company issued 25,000 shares in December and 25,000 shares in January at a fair value of $0.50 per share to a marketing advisor as compensation for services in November and December for a fair value of $25,000. (Note 8)
- On January 1, 2019, as final of payments for the Royalty Agreement with LDS, the Company issued 19,781 shares at $0.50 per share to LDS (Note 4 and 7) with a fair value of $9,891.
- On January 8 the Company completed its IPO. 4,400,000 units were issued at $0.50 per unit for total gross proceeds of $2,200,000. Each unit included one common share and one share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $1.00 until January 8, 2021.
- In relation to the IPO, the Company issued 308,400 units as brokers fees. Each unit consists of one share and one warrant exercisable at $1.00 per share until January 8, 2020.
- In relation to the IPO, the Company issued 352,000 agent warrants. Each warrant is exercisable at $0.50 per share until January 8, 2020.
- On January 31, 2019, the Company agreed to settle $110,000 due to Haywood Securities Inc. as an advisory fee in association with the Company's public offering through the issuance of 56,266 shares at a deemed price of $1.955 per share. The shares were issued on February 8, 2019.
- During the month of January 926,450 warrants were exercised at $1 for $926,450 in gross proceeds and 277,000 agent warrants were exercised at $0.50 for gross proceeds of $138,500.
- During the month of February 308,500 warrants were exercised at $1 for $308,500 in gross proceeds
- During the month of February 7,000 options were exercised at $0.50 for $3,500 in gross proceeds. This included 5,000 options exercised by a related party.
- During the month of March 2019 360,250 warrants were exercised at $1 for $360,250 in proceeds and 75,000 agent warrants were exercised at $0.50 for gross proceeds of $37,500.
- During the month of March 150,000 options were exercised at $0.50 for $75,000 in gross proceeds. This included 20,000 options exercised by an officer of the Company and 30,000 options exercised by a former director of the Company. (Note 7)
- On April 4, 2019 the Company completed a private placement of 8,000,000 units at a price of $2 per unit, for gross proceeds of $16,000,000.
- Each unit comprised one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of $3 until April 4, 2022.
- A commission of 8 per cent of the gross proceeds of the offering was paid partly through the payment of $576,668 in cash and in part through the issuance of 351,666 units, as well as a corporate finance fee of $250,000, plus applicable taxes, of which $125,000 was paid in cash and the remaining $125,000 was paid through the issuance of 62,500 units. In addition, the agents received an aggregate of 640,000 non-transferable compensation options to acquire up to 640,000 shares at a price of $2 per share until April 4, 2022.
- On April 10, 2019, the Company issued 25,000 shares at a fair value of $5.32 per share to an advisor as compensation for services, for a fair value of $133,000.
- On April 18, 2019, on closing of the purchase of the Modesto property, the Company issued 1,200,000 warrants to purchase common shares at $2.60 per share, to the seller of the Modesto property as compensation for extending the closing date. The options have a 5 year term expiring on April 15, 2024. The warrants will vest in equal quarters (300,000 warrants each) over the initial 12 months of the five year term, commencing on February 21, 2019.

8. CAPITAL STOCK (continued)

Common Shares (continued)

- On April 18, 2019 the company issued 500,000 shares at $3.39 ($1,695,000 CDN) to the seller of the Modesto property as a variance on the purchase to accept a promissory note for a portion of the purchase price
- On April 18, 2019 the company issued 2,000,000 shares at $2.37 ($4,740,000 CDN) to the Haywood Securities for advisory services on the purchase of the Modesto property
- During the month of April 2019 1,291,240 warrants were exercised at $1 for $1,291,240 in proceeds.
- During the month of April 68,000 options were exercised at $0.50 for $34,000 in gross proceeds. This included 20,000 options exercised by a former director of the Company. (Note 7)
- During the month of May 351,000 warrants were exercised at $1 for $351,000 in gross proceeds

For the year ended November 30, 2018, the Company:

- issued 2,160,000 common shares at a price of $0.10 per share for proceeds of $216,000.

- issued 360,000 common shares at a price of $0.25 per share for proceeds of $90,000.

- issued 1,400,000 units at a price of $0.50 per unit for proceeds of $700,000. Each unit consisted of one common share and warrant entitling the holder to purchase one additional common share at a price of $1.00 per share until April 20, 2020. In connection with these units, the Company issued 125,000 finder's units with a fair value of $85,246, of which $62,500 were recorded as fair value of shares issued.

- issued 1,082,473 shares at a fair value of $0.50 per share to LDS as part payment for the Royalty Agreement to use the track and trace software for a fair value of $541,237 (Note 4).

- on August 9, 2018, the Company engaged a financial advisor to assist with financing. The advisor will be engaged for three months beginning in August and be paid 100,000 shares of the Company's common stock. In relation, the Company issued 100,000 shares at a fair value of $0.50 per share to the advisor as compensation for services, for a fair value of $50,000 recorded as consulting expense.

- on September 25, 2018, the Company engaged a marketing advisor to assist with marketing. The advisor will be engaged for two months beginning in September and be paid 25,000 shares of the Company's common stock. In relation, the Company issued 25,000 shares at a fair value of $0.50 per share to the advisor as compensation for services, for a fair value of $12,500 recorded as consulting expense.

- on October 3, 2018, the Company engaged a marketing advisor to assist with marketing. The advisor will be engaged for two months beginning in October and be paid 25,000 shares of the Company's common stock. In relation, the Company issued 12,500 shares at a fair value of $0.50 per share to the advisor as compensation for services in October for a fair value of $6,250 recorded as consulting expense. In addition, the Company recognized an obligation to issue shares for a further 12,500 shares with a fair value of $6,250 in obligation to issue shares, which were issued subsequently.

- on November 1, 2018, the Company engaged a marketing advisor. The advisor will be engaged for two months beginning in November and be paid 50,000 shares of the Company's common stock. The Company recognized an obligation to issue shares for 25,000 shares with a fair value of $12,500 in obligation to issue shares, which were issued subsequently.

8. CAPITAL STOCK (continued)
Common Shares (continued)

The finders' warrants issued as part of the finders' units were valued using the Black-Scholes Option Pricing Model and the following input assumptions:

Weighted fair value of finders' warrants issued	$	0.18
Risk-free interest rate		1.92%
Estimated life		2 years
Expected volatility		100%
Expected dividend yield		0%

Share Purchase Warrants

As at May 31, 2019, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price		Expiry Date
660,000	$	1.00	April 19, 2020
215,000	$	1.00	May 1, 2020
440,000	$	1.00	May 28, 2020
110,000	$	1.00	June 4, 2020
750,000	$	0.50	January 9, 2022
1,262,560	$	1.00	January 8, 2020
308,400	$	1.00	January 8, 2020
4,000,000	$	3.00	April 4, 2022
175,833	$	3.00	April 4, 2022
31,250	$	3.00	April 4, 2022
640,000	$	2.00	April 4, 2022
1,200,000	$	2.60	April 18, 2024
9,793,043	$	2.08	

The weighted average remaining contractual life of warrants outstanding as of May 31, 2019 was 2.24 years.

The table below summarizes the continuity of share purchase warrants for the six months ended May 31, 2019 and the year ended November 30, 2018:

	May 31, 2019		November 30, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	2,275,000	$0.84	–	$0.00
Issued	11,107,483	$1.97	2,275,000	$0.84
Exercised	(3,589,440)	$0.95	–	$0.00
Expired	–	$0.00	–	$0.00
Warrants outstanding, ending	9,793,043	$2.08.	2,275,000	$0.84

8. CAPITAL STOCK (continued)
Common Shares (continued)
Share Purchase Options

As at May 31, 2019, the following share purchase options were outstanding:

Number of Options	Exercise Price		Expiry Date
825,000	$	0.50	January 8, 2022
219,000	$	1.37	January 20, 2022
1,044,000	$	.68	

The table below summarizes the continuity of share options for the six months ended May 31, 2019 and the year ended November 30, 2018:

	May 31, 2019		November 30, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Options outstanding, beginning	–	$0.50	–	$0.00
Issued	1,369,000	$1.37	–	$0.84
Exercised	(225,000)	$0.50	–	$0.00
Expired	–	$0.00	–	$0.00
Warrants outstanding, ending	1,144,000	$0.67.	–	$0.84

9. PREPAIDS

At May 31 the Company had prepaid advertising and promotion fees of $194,511 and prepaid legal fees of $30,763.

10. LOANS PAYABLE

On August 1, 2018, the Company signed a promissory note to borrow $120,000. $60,000 was advanced on August 10, 2018, and $60,000 was advanced on August 29, 2018. The loan is due on demand and accumulates interest at 8.5% annually. On January 10, 2019, $50,000 was repaid and the balance of $70,000 plus $4,166 in interest was repaid on January 15, 2019.

On September 24, 2018, the Company signed a promissory note to borrow $65,000. The loan is due on demand and accumulates interest at 8.5% annually. On January 10, 2019, $65,000 plus interest of $1,635 was repaid..

On October 3, 2018, the Company signed a promissory note to borrow $65,000. The loan is due on demand and accumulates interest at 8.5% annually. On January 10, 2019, $65,000 plus interest of $1,403 was repaid..

On November 1, 2018, the Company signed a promissory note to borrow USD $100,000 (CAD $133,010). The loan is due on demand and accumulates interest at 8.5% annually. On January 10, 2019, USD $100,000 (CAD 130,960) plus interest of $1,521 US (CAD $1,805) was repaid.

On March 21, 2019 the Company signed a promissory note with the seller of the Modesto Property. The Company borrowed $6,750,000 US (approximately $9,130,725 CDN) at an interest rate of 7% per annum ($39,275 US per month). The loan is repayable in full on October 15, 2019 subject to a six month extension exercisable at the option of the Company. (Note 5)

In the event that the Company determines to exercise the option to extend the maturity date of the promissory note to April 15, 2020, the Company will issue to the seller a further 500,000 common shares.

10. LOANS PAYABLE (continued)

Loans payable are summarized as follows:

		May 31, 2019		November 30, 2018
Balance, beginning	$	388,521	$	–
Loans received		9,130,725		383,010
Interest accrued		3,398		5,511
Loans and interest repaid		391,919		–
Balance, ending	$	9,130,725	$	388,521

11. DEPOSITS

On May 21, the Company signed a nonbinding letter of intent and paid Tres Ojos Naturals LLC ("Soldaze") a non-refundable deposit of $50,000 US ($67,340 CDN) for certain assets including: real property, goodwill, patents, recipes and other items. Should the company choose to complete the purchase it will pay Soldaze an additional $300,000 shares and issue 288,750 shares. If certain revenue targets are achieved by Soldaze a further 371,250 shares could be issued.

On May 28 the Company signed a nonbinding letter of intent and paid Lyfted Farms Inc. ("Lyfted") a non-refundable deposit of $50,000 US ($67,210 CDN) for certain assets including: brands, fifty genetic strains, On closing of the Proposed Acquisition, Lyfted will receive total consideration of US$5.5 million in cash and one million shares. The Company will pay US$2.75 million at closing and issue a 12 month, unsecured, interest only note for US$2.75 million at 7% interest p.a. (the "Note").

On February 23, 2018, the Company advanced $50,000 US ($64,470 CDN) to GoodFellas Group LLC ("Goodfellas") as a down payment on an assignment of contracts from Goodfellas to the Company. On April 28, 2018, GFG entered into an assignment agreement with Goodfellas. The assignment agreement assigns 23 Branding Agreements to GFG for a cash consideration of $300,000 US. The Company has paid a total of $300,000 US (CAD $388,540) towards this purchase. (Note 14)

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. 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 has not generated any revenue and cash flows from its operations since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS

Financial Instrument risks:

(a) Fair Values

The fair values of financial instruments, which include cash, advances receivable, accounts payable and amounts due to related parties approximate their carrying values due to the relatively short-term to maturity of these instruments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. The does not have significant exposure to credit risk.

(c) Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at May 31, 2019, the Company had cash of $2,183,557 to settle current financial liabilities of $9,965,563. The Company addresses its liquidity through debt and equity financing obtained through the sale of common shares and the exercise of warrants and options. There is no assurance that it will be able to do so in the future.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not significantly exposed to interest rate risk as at May 31, 2019.

(e) Foreign exchange risk

As at May 31, 2019, the Company is exposed to foreign exchange risk on its accounts payable of $317,197 (US$234,491) which are denominated in US dollars.

		May 31, 2019		November 30, 2018
Accounts payable denominated in US dollars	$	(317,197)	$	(75,208)
Effect of a 10% change in the exchange rate	$	31,720	$	7,521

14. SUBSEQUENT EVENTS

On June 3, 2019 the Company purchased its affiliate, TCM Distribution Inc. a California company, from the CEO of the Company for $1. TCM Distribution issued the Company 1,000 shares for $1,000 US. Also on June 3, 2019 TCM Distribution received an Adult Use Cannabis Manufacturing permit and an Adult Use cannabis distribution permit from the City of Adelanto, California.

On June 7, 2019 the Company closed private placement for gross proceeds of CDN $10,001,750. An aggregate of 2,000,350 units of the Company (the "Units") were sold at a price of CDN$5.00 per Unit (the "Offering"). Each Unit comprised one common share of the Company (each a "Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire an additional Share at a price of $6.00 until June7, 2022. The Warrants are subject to an acceleration clause that would require their exercise within thirty days of notice from the Company in the event that the price of the Shares closes at or above $10.00 for a period of 20 consecutive trading days.

14. SUBSEQUENT EVENTS (Continued)

A commission of 7.0% of the gross proceeds of the Offering was paid through the payment of $700,122.50 in cash, as well as a corporate finance fee of $150,000, plus applicable taxes. In addition, the Agents received an aggregate of 140,024 transferable compensation options to acquire up to 140,024 Shares at a price of $5.00 per Share until June 7, 2022. The Company intends to use the net proceeds of the Offering to fund further equipment purchases for its vertically integrated cannabis facility in Modesto, California, additional acquisitions, including the previously announced proposed acquisitions of Biovelle, Soldaze and Lyfted Farms and for working capital and general corporate purposes. All securities issued pursuant to the Offering are subject to a four month hold period expiring October 8, 2019 in accordance with applicable Canadian securities laws.

During the month of June 100,000 options were exercised at $0.50 per option for proceeds of $50,000.
During the month of June 46,160 warrants were exercised at $1.00 per warrant for proceeds of $46,160.

On July 6, 2019 the Company signed a definitive acquisition agreement (the "Agreement") to acquire The Goodfellas Group, LLC ("GoodFellas"). GoodFellas specializes in branding, sales and marketing in the cannabis and hemp industries. Pursuant to the Agreement, the Company will pay the holders of the Goodfellas membership interests, an aggregate of $520,000 US, of which the Company has previously advanced $300,000 US in deposits and paid $58,000 US in expenses, leaving a balance of $162,000 US due at closing. (Note 11)

The purchase price represents two times Goodfella's revenues for the fiscal year ended December 31, 2018, as demonstrated in its audited financial statements.

During the month of July 199,000 warrants were exercised at $1.00 per warrant for proceeds of $199,000.