



**CROP INFRASTRUCTURE CORP.**

**Consolidated Financial Statements**

**For the year ended February 28, 2019 and  
the fourteen months ended February 28, 2018**

**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders and Directors of Crop Infrastructure Corp.

### Opinion

We have audited the consolidated financial statements of Crop Infrastructure Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at February 28, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended February 28, 2019 and fourteen months ended February 28, 2018, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2019 and 2018, and its financial performance and its cash flows for the year ended February 28, 2019 and fourteen months ended February 28, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 of the accompanying consolidated financial statements, which indicates that as at February 28, 2019, the Company has not yet achieved profitable operations and had an accumulated deficit of \$16,043,517. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty 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 Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated 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 consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 consolidated 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.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 audits. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 auditors' report is Fernando Costa.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, Canada  
June 28, 2019



**Crop Infrastructure Corp.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	February 28, 2019	February 28, 2018
		\$	\$
<b>ASSETS</b>			
Current Assets			
Cash		5,661,994	490,677
Amounts receivable		191,043	6,183
Prepaid expenses		487,083	-
Advances	9	64,785	-
		<b>6,404,905</b>	<b>496,860</b>
Amounts due from associates	4	15,282,924	3,889,447
Intangible assets	5	777,778	-
Investments	6	1,000,000	-
Investments in associates	4	979,340	-
		<b>24,444,947</b>	<b>4,386,307</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
LIABILITIES			
Current Liability			
Accounts payable and accrued liabilities		120,024	15,000
Convertible debentures	7	3,412,964	-
		<b>3,532,988</b>	<b>15,000</b>
SHAREHOLDERS' EQUITY			
Share capital	8	33,954,197	5,039,620
Subscriptions received		14,042	90,619
Contributed surplus	8	2,987,237	-
Deficit		(16,043,517)	(758,932)
		<b>20,911,959</b>	<b>4,371,307</b>
		<b>24,444,947</b>	<b>4,386,307</b>

Nature and continuance of operations (Note 1)  
Commitments (Note 12)  
Subsequent events (Note 14)

These consolidated financial statements were approved by the Board of Directors on June 28, 2019.

Approved on behalf of the Board by:

"Michael Yorke" , Director

Christine Mah" , Director

**Crop Infrastructure Corp.**  
Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)

	Note	Year ended February 28, 2019	Fourteen months ended February 28, 2018
		\$	\$
			<i>Note 2</i>
Expenses			
Advertising and promotion		4,224,410	65,583
Amortization	5	222,222	-
Consulting fees		2,431,212	500,084
General and administration		371,629	76,954
Interest and accretion on convertible debentures		35,614	-
Professional fees		2,290,425	116,311
Share-based compensation		5,853,480	-
Transfer agent		77,294	-
Loss before other items		(15,506,286)	(758,932)
Other items			
Gain on sale of subsidiary	6	865,139	-
Impairment of intangible asset	5	(292,683)	-
Listing expense	2	(465,284)	-
Share of loss from investment in associate	4	(47,644)	-
		59,528	-
Loss before income taxes		(15,446,758)	(758,932)
Income tax recovery	13	162,173	-
<b>Net loss and comprehensive loss</b>		<b>(15,284,585)</b>	<b>(758,932)</b>
Basic and diluted loss per common share		(0.14)	(0.03)
Weighted average number of common shares outstanding		105,660,615	23,201,105

**Crop Infrastructure Corp.**

## Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Subscriptions received	Contributed surplus	Deficit	Total
	Common Shares	Amount				
	#	\$	\$	\$	\$	\$
Balance, December 31, 2016	15,000,000	100	-	-	-	100
Shares issued for cash	50,395,200	5,039,520	-	-	-	5,039,520
Subscriptions received	-	-	90,619	-	-	90,619
Comprehensive loss	-	-	-	-	(758,932)	(758,932)
<b>Balance, February 28, 2018</b>	<b>65,395,200</b>	<b>5,039,620</b>	<b>90,619</b>	<b>-</b>	<b>(758,932)</b>	<b>4,371,307</b>
Shares issued to DVI shareholders	3,027,191	302,719	-	106,763	-	409,482
Shares issued for cash	27,743,073	8,757,002	(90,619)	360,062	-	9,026,445
Share issuance costs, cash	-	(315,694)	-	-	-	(315,694)
Finders' warrants issued	-	(71,677)	-	71,677	-	-
Exercise of stock options	23,222,000	10,120,530	-	(3,564,030)	-	6,556,500
Exercise of warrants	15,975,017	4,568,934	-	(422,135)	-	4,146,799
Shares issued for services	9,922,438	3,305,080	-	-	-	3,305,080
Shares issued for investments in associates	5,000,000	1,000,000	-	-	-	1,000,000
Shares issued for intangible assets	3,231,707	942,683	-	350,000	-	1,292,683
Shares issued for debt	642,105	305,000	-	-	-	305,000
Subscription Received	-	-	14,042	-	-	14,042
Equity component of convertible debt	-	-	-	231,420	-	231,420
Share-based compensation	-	-	-	5,853,480	-	5,853,480
Comprehensive loss	-	-	-	-	(15,284,585)	(15,284,585)
<b>Balance, February 28, 2019</b>	<b>154,158,731</b>	<b>33,954,197</b>	<b>14,042</b>	<b>2,987,237</b>	<b>(16,043,517)</b>	<b>20,911,959</b>

**Crop Infrastructure Corp.**  
Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	Year ended February 28, 2019	Fourteen months ended February 28, 2018
	\$	\$
		<i>Note 2</i>
<b>Operating activities</b>		
Net loss	(15,284,585)	(758,932)
Items not involving cash:		
Amortization expense	222,222	-
Deferred income tax recovery	(162,173)	-
Gain on sale of subsidiary	(865,139)	-
Impairment of intangible asset	292,683	-
Interest and accretion expense	35,520	-
Listing expense	465,284	-
Share of loss from investment in associate	47,644	-
Shares issued for debt	305,000	-
Shares issued for services	3,305,080	-
Stock-based compensation	5,853,480	-
Changes in non-cash working capital balances:		
Amounts receivable	(177,261)	(6,083)
Advances	(199,646)	-
Prepaid expenses	(487,083)	-
Accounts payable and accrued liabilities	34,022	15,000
	<b>(6,614,952)</b>	<b>(750,015)</b>
<b>Investing activities</b>		
Amounts due from associates	(11,413,477)	(3,889,447)
	(26,984)	-
Cash acquired from RTO	5,683	-
	<b>(11,434,778)</b>	<b>(3,889,447)</b>
<b>Financing activities</b>		
Exercise of stock options	6,556,500	-
Exercise of warrants	4,146,799	-
Proceeds from convertible debt, net	3,792,955	-
Shares issued for cash, net of issuance costs	8,710,751	5,039,520
Subscriptions received	14,042	90,619
	<b>23,221,047</b>	<b>5,130,139</b>
Increase in cash	5,171,317	490,677
Cash, beginning	490,677	-
<b>Cash, ending</b>	<b>5,661,994</b>	<b>490,677</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	-	-
Income taxes paid	-	-
<b>NON-CASH TRANSACTIONS (See Note 8)</b>		

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Crop Infrastructure Corp. ("Crop" or the "Company") was incorporated on August 31, 2011, under the British Columbia Business Corporations Act. The Company changed its name from Fortify Resources Inc. to Crop Infrastructure Corp. on March 5, 2018. The Company's head office is located at Suite 600, 535 Howe Street, Vancouver, V6C 2Z4.

On March 2, 2018, the Company completed a transaction pursuant to a business combination agreement dated November 3, 2017 with DV Infrastructure Corp. ("DVI"). The Company acquired all of the issued and outstanding common shares of DVI. The transaction resulted in a reverse takeover of the Company by the shareholders of the DVI. The Company intends to continue on with the business of DVI, with DVI as the Company's wholly-owned operating subsidiary. The historical operations, assets and liabilities of DVI are included in the February 28, 2019 consolidated financial statements, and the comparative figures as at February 28, 2018 and for the 14 months period ended February 28, 2018 are those of DVI, which is deemed to be the continuing entity for financial reporting purposes.

Concurrent with the closing of the acquisition, the Company changed its name from Fortify Resources Inc. to Crop Infrastructure Corp., and effected a change in directors, management and business. The new listing symbol also changed to "CROP". The Company is listed on the Canadian Securities Exchange ("CSE").

The Company is engaged in the business of investing, constructing, owning and leasing mega greenhouse projects to licensed cannabis producers through its investments.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since its inception and has an accumulated deficit of \$16,043,517 as at February 28, 2019. In addition, the Company has no sources of revenue and does not generate cash flows from operating activities. The Company is currently subject to risks and uncertainties common to entities operating in the cannabis industry, including legal and regulatory challenges, technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. These factors give rise to a material uncertainty which casts significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.



## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **2. REVERSE MERGER AND LISTING EXPENSE**

On March 2, 2018, Crop acquired 100% ownership of DVI by acquiring all of the issued and outstanding shares of DVI from the shareholders of DVI. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since Crop did not constitute a business. As a result, the acquisition is accounted for in accordance with IFRS 2 *Share-based Payment* whereby DVI is deemed to have issued shares and warrants in exchange for the net assets of Crop together with its listing status at the fair value of the consideration deemed received by Crop's shareholders. The accounting for this transaction resulted in the following:

- (i) The consolidated financial statements of the combined entities are issued under the legal parent, Crop, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, DVI.
- (ii) Since DVI is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.
- (iii) As part of the completion of the acquisition, the former shareholders of Crop retained 3,027,191 common shares of the Company and 1,734,242 warrants exercisable at \$0.12.
- (iv) DVI completed a brokered private placement of 50,395,200 units at \$0.10 per unit for gross proceeds of \$5,039,520. Each full warrant will entitle the holder to purchase an additional common share at the price of \$0.20 per share for a period of 24 months from the closing date of the private placement. Should the Company's share price trade at \$0.40 per share or above for 5 consecutive trading days then the Company will have the option to give notice to the warrant holders to accelerate the exercise of the warrants within 10 days or the warrants will expire. In connection with the private placement, DVI has committed to the issuance of 1,293,500 units to certain brokers and finders ("Finders") on the same terms as the private placement upon the closing of the private placement.

The common shares of DVI issued pursuant to the concurrent financing and the Finders' common shares were exchanged for common shares of the Company in connection with the acquisition.

Since the share and share-based consideration allocated to the former shareholders of Crop on closing the acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares and warrants, the value in excess of the net identifiable assets or obligations of Crop acquired on closing was expensed in the consolidated statement of comprehensive loss as listing expense.

## Crop Infrastructure Corp.

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### 2. REVERSE MERGER AND LISTING EXPENSE (continued)

The share-based compensation in the amount of \$409,482 included in the listing cost is comprised of the fair value of shares and warrants of the Company retained by the former shareholders of Crop, which consists of \$302,719, representing the fair value of the 3,027,191 common shares deemed issued and \$106,763 representing the fair value of the warrants. The fair value of the warrants was based on an application of the Black-Scholes option pricing model, using the following assumptions: a share price of \$0.10 per share, an average volatility of 130%, an average annual risk-free interest rate of 1.75%, no dividends or forfeiture, and expected remaining useful lives of 2.16.

The fair value of all the consideration given up and charged to listing expense was comprised of:

	\$
Deemed issuance of 3,027,191 common shares	302,719
Deemed granted 537,825 Warrants	106,763
	<hr/> 409,482
Identifiable net assets of Crop assumed:	
Cash	5,683
Other assets	7,599
Liabilities	(69,084)
Net liabilities	<hr/> (55,802)
Listing expense	<hr/> 465,284

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

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

These consolidated financial statements are prepared on historical costs basis, except for financial instruments classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

#### Basis of Presentation and Consolidation

These consolidated financial statements were prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. For the year ended February 28, 2019, the consolidated financial statements include the following entities:

## Crop Infrastructure Corp.

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of Presentation and Consolidation (continued)

Entity	Country	Relationship	Functional currency
Crop Infrastructure Corp.	Canada	Parent	Canadian dollar
DV Infrastructure Corp.	Canada	Subsidiary	Canadian dollar
Xhemplar S.R.L. <sup>(1)</sup>	Italy	Subsidiary	Euro
Jamaica Crop Corp Limited <sup>(1)</sup>	Jamaica	Subsidiary	Jamaican dollar

(1) The Company acquired and sold its interest in these entities during the year ended February 28, 2019. As at February 28, 2019, the Company's consolidated statement of financial position do not contain any balances related to these entities.

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital, however where power over an investee exists through owning less than 50% of the voting shares or currently exercisable potential voting rights, evidence of control is deemed to be present. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company. All significant inter-company balances and transactions have been eliminated on consolidation.

The financial statements for the fourteen months ended February 28, 2018 consisted of DV Infrastructure Corp. only.

#### Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The determination of listing expense, valuation of shares and warrants deemed issued in connection with the reversed acquisition as described in Note 2, discount rate applied to estimate the fair value of liability portion of convertible debentures, and the assumptions and models used for estimating fair value for share-based payment transactions constituted significant areas of estimates.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- the determination of whether or not an investment is considered a joint arrangement or an investment in associates
- the determination if whether an acquisition is a business combination or an asset acquisition
- the determination of deferred income tax assets and liabilities
- the evaluation of the Company's ability to continue as a going concern

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Cash and cash equivalents

Cash and cash equivalents are comprised of cash in banks, and all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of one year or less.

#### Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

#### Shared-based payments

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the year that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

#### Income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it probable that a deferred income tax asset will be recovered, the deferred income tax asset is not recognized. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

#### Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average share outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Financial instruments

##### *(i) Financial assets - Classification*

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

##### *(ii) Fair value hierarchy*

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of cash and accounts payable approximate to their fair value because of the short-term nature of the instruments.

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

##### *(iii) Financial assets - Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## Crop Infrastructure Corp.

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *(iii) Financial assets – Measurement (continued)*

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through OCI (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Consolidated Statement of Comprehensive Loss in the period in which it arises.

The Company has classified its cash, advances, amounts due from associates and investments as FVTPL.

##### *(iv) Financial liabilities*

The Company classifies its financial liabilities into the following categories:

- FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and convertible debentures as amortized cost.

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### Intangible assets

Intangible assets consist of distribution rights acquired by the Company. Acquired intangible assets are recorded at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized. As at February 28, 2019, the Company does not have any indefinite lived intangible assets.

Estimated useful lives of intangible assets are 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.

At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs.

#### Impairment

##### *(i) Non-financial assets*

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cost flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. Impairment losses are recognized in net income (loss).

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss has been recognized.

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Impairment (continued)

##### *(ii) Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income (loss).

#### Investments 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 distribution of the investee. The carrying value of associates is assessed for impairment at each statement of financial position date.

#### Comprehensive income (loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit. Other comprehensive income consists of changes to unrealized gain and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. The Company has not had other comprehensive income since inception.

#### Adoption of new pronouncements

The Company adopted the following standards for the year ended February 28, 2019:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 Share-based Payment

The mandatory adoption of the above revised accounting standards and interpretations on March 1, 2018 had no significant impact on the Company's consolidated financial statements for the current year or prior year presented other than reclassification of financial assets and liabilities in accordance with IFRS 9.



**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Future changes in accounting policies

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC (International Financial Reporting Interpretations Committee) that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard effective for annual periods beginning on or after January 1, 2019:

IFRS 16 Leases - In June 2016, the IASB issued IFRS 16 - Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The Company does not expect the adoption of IFRS 16 to have a significant impact on the Company's consolidated financial statements.

**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

**4. INVESTMENTS IN ASSOCIATES**

The carrying value of investments in and amounts due from associates consist of:

	Note	% interest	Investments in Associates			Amounts due from Associates			
			Balance, February 28, 2018	Additions	Share of net loss	Balance, February 28, 2019	Balance, February 28, 2018	Additions	Balance, February 28, 2019
			\$	\$	\$	\$	\$	\$	\$
DVG LLC	(a)	30%	-	-	-	-	995,782	834,976	1,830,758
Elite Ventures LLC	(b)	49%	-	645	-	645	-	5,207,919	5,207,919
Humboldt Holdings LLC	(c)	49%	-	1,000,000	(39,085)	960,915	937,673	1,628,078	2,565,751
Ocean Green Management LLC	(d)	30%	-	26,338	(7,913)	18,425.00	-	62,501	62,501
Wheeler Park Properties LLC	(e)	30%	-	1	(1)	-	1,935,992	3,680,003	5,615,995
Other							20,000	(20,000)	-
			-	1,026,984	(46,999)	979,985	3,889,447	11,393,477	15,282,924

The following is a summary of aggregate financial information for the Company's associates:

	DVG	Elite	Humboldt	Ocean	Wheeler	February 28, 2019 Total
	\$	\$	\$	\$	\$	\$
<b>Statement of financial position</b>						
Cash and cash equivalents	7,596	39,028	-	7,830	935	55,389
Other current assets	127,573	895,838	134,191	11,095	1,743,130	2,911,827
Non-current assets	1,845,077	4,247,531	2,917,743	50,859	3,606,996	12,668,206
Current liabilities	2,131,974	5,183,013	3,131,768	89,576	5,972,836	16,509,167
Non-current liabilities	-	-	-	-	-	-
<b>Statement of loss and comprehensive loss</b>						
General and administration expenses	(48,749)	(613)	(28,912)	(19,661)	(616,998)	(714,933)
Net loss and comprehensive loss	(48,749)	(613)	(28,912)	(19,661)	(616,998)	(714,933)

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **4. INVESTMENTS IN ASSOCIATES (continued)**

#### **(a) DVG LLC**

On August 17, 2017, the Company, along with Sentinel Property Management Ltd. ("Sentinel") and Stratto, LLC ("Stratto") entered into an Agreement ("Agreement") to form DVG LLC. ("DVG"), a US company incorporated on July 28, 2017 in Washington USA. According to the Agreement, Crop has a 30% interest in DVG, and Sentinel has 20% and Stratto has 50%. The primary business in DVG is to complete greenhouse construction, lease land, facilities and agriculture infrastructure to licensed marijuana growers in the State of Washington ("Tenant-Growers").

Under the Agreement, the Company will raise money to fund the DVG greenhouse construction costs. In addition, the Company, Sentinel and Stratto have committed to providing combined funding of up to \$150,000 annually to DVG in the event that DVG does not have sufficient revenue from operations to fund its operational costs.

As the carrying value of investment has been reduced to \$nil, no loss has been recognized during the year ended February 28, 2019. The unrecognized share of the net loss of DVG is \$14,625.

According to the Agreement, the net profit (loss) distribution will be 60% for the Company, 30% for Stratto and 10% for Sentinel until the advances made by the Company have been repaid. The Company has made advances to DVG which will be converted to promissory notes in accordance with the Agreement and secured by the assets of DVG. Management is in the process of preparing the promissory notes. The advances are non-interest bearing and have no fixed terms of repayment.

#### **(b) Elite Ventures LLC**

On July 6, 2018, the Company entered into a member interest purchase agreement with Elite Ventures LLC ("Elite"), a US company incorporated on December 13, 2013 in Nevada, USA, to acquire 49% member interest in Nye County Property in exchange for a commitment to provide advances to Elite. The primary business of Elite is to complete greenhouse construction, lease land, facilities and agriculture infrastructure to licensed marijuana growers in Washington State.

As the carrying value of investment is \$nil, no loss has been recognized during the year ended February 28, 2019. The unrecognized share of the net loss of Elite is \$300.

The Company has made advances to Elite to fund its operations. The advances are secured by the assets of Elite, are non-interest bearing and have no fixed terms of repayment.

Elite has entered into a sublease lease agreement for a 791 acre property whereby its annual payments are \$447,706. The lease term expires on August 21, 2020. In connection with the same lease agreement, the Company has pledged a security deposit of \$160,000 USD in the Company's common shares to the underlying lessor. Elite and the underlying lessee are currently negotiating an extension of the sublease agreement.

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **4. INVESTMENTS IN ASSOCIATES (continued)**

#### **(c) Humboldt Holdings LLC**

On May 9, 2018, the Company, along with Sentinel Property Management Ltd. ("Sentinel") and Stratto, LLC ("Stratto") entered into an Agreement ("Agreement") to form Humboldt Holdings LLC ("Humboldt"), a US company incorporated on November 13, 2017 in Californian USA. According to the Agreement the company has a 30% interest in Humboldt, and Sentinel has 20%, Stratto has 30% and Quantum Flux, LLC has 20%. The primary business in Humboldt is to complete greenhouse construction, lease land, facilities and agriculture infrastructure to licensed marijuana growers in the State of California.

During the year ended February 28, 2019, the Company purchased an additional 19% of Humboldt for total consideration of \$1,000,000 by issuing 5,000,000 common shares.

According to the Agreement, the net profit (loss) distribution would be 60% for the Company, 30% for Stratto and 10% for Sentinel until the advances are repaid in full. Accordingly, the Company's share of the net loss for the year ended February 28, 2019 is \$14,167.

The Company has made advances to Humboldt which will be converted to promissory notes in accordance with the Agreement and secured by the assets of Humboldt. Management is in the process of preparing the promissory notes. The advances are non-interest bearing and have no fixed terms of repayment.

#### **(d) Ocean Green Management LLC**

On July 5, 2018, the Company entered into an agreement ("Agreement") with Ocean Green Management LLC ("Ocean"), a US company incorporated on April 6, 2018 in state of California USA, to partner on multiple applications for cannabis retail locations with the option to purchase the commercial real estate. According to the agreement, Crop has a 30% interest in Ocean. The primary business in Ocean is to complete licensing of marijuana retailing in the State of California.

As the carrying value of investment is \$nil, no loss has been recognized during the year ended February 28, 2019. The unrecognized share of the net loss of Ocean is \$5,898.

The Company has made advances to Ocean to fund its operations. The advances are secured by the assets of Ocean, are non-interest bearing and have no fixed terms of repayment.

**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

**4. INVESTMENTS IN ASSOCIATES (continued)****(e) Wheeler Park Properties LLC**

On June 4, 2018, the Company, the Company entered into a Membership Purchase Agreement ("Agreement") with Wheeler Park Properties LLC ("Wheeler"), a Washington State limited liability company in exchange for a commitment to advance up to US\$2,500,000 to Wheeler for equipment purchase and retro-fit upgrades of the licensed cannabis greenhouse complex in return for a 30% interest.

According to the Agreement, the net profit (loss) distribution will be 60% for the Company until the advances made by the Company have been repaid. As the carrying value of investment is \$nil, no loss has been recognized during the year ended February 28, 2019. The unrecognized share of the net loss of Wheeler is \$185,099.

The Company has made advances to Wheeler which will be converted to promissory notes in accordance with the Agreement and secured by the assets of Wheeler. Management is in the process of preparing the promissory notes. The advances are non-interest bearing and have no fixed terms of repayment.

**5. INTANGIBLE ASSETS**

The Company's intangible assets are comprised of licensing agreements and distributions rights as follows:

	Licensing agreement (a)	Distribution rights (b)	Total
	\$	\$	\$
Opening balance	-	-	-
Additions	292,683	1,000,000	1,292,683
Impairment	(292,683)	-	(292,683)
Balance, February 28, 2019	-	1,000,000	1,000,000
Amortization:			
Opening balance	-	-	-
Additions	-	(222,222)	(222,000)
Balance, February 28, 2019	-	(222,222)	(222,222)
<b>Balance, February 28, 2018</b>	-	-	-
<b>Balance, February 28, 2019</b>	-	777,778	777,778

- (a) During the year ended February 28, 2019, the Company acquired licensing rights for certain brands in exchange for \$100,000 USD payable in cash and 731,707 common shares of the Company. The fair value of the common shares was estimated to be \$292,683. During the year ended February 28, 2019, the Company determined that future economic benefits from the licensing agreement were not determinable and as a result, the Company recorded an impairment loss of \$292,683.

## **Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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### **5. INTANGIBLE ASSETS (continued)**

(b) During the year ended February 28, 2019, the Company issued 2,500,000 common shares and 1,250,000 share purchase warrants in exchange for license and distribution rights in Italy for certain products for a period of three years. The share purchase warrants are exercisable for a period of 18 months for a price of \$0.55 per common share of the Company. The fair value of the common shares and share purchase warrants was determined to be \$650,000 and \$350,000, respectively.

During the year ended February 28, 2019, the 1,250,000 warrants were exercised as part of a warrant incentive program and the Company issued an additional 1,250,000 share purchase warrants exercisable for a period of two years for a price of \$0.50 per common share of the Company. The Company recorded share-based compensation expense of \$274,726 upon the issuance of the new warrants, which was calculated using the Black-Scholes Option Pricing model and the following weighted average assumptions: share price - \$0.39; exercise price - \$0.50 expected life - 2 years; volatility - 120%; dividends - Nil%; and risk-free rate - 2.33%.

### **6. INVESTMENTS**

On February 25, 2019, the Company sold its interest in two subsidiaries in exchange for 10,000,000 common shares of a private corporation. The fair value of the common shares received was determined to be \$1,000,000. No change in fair value was observed between February 25, 2019 and February 28, 2019.

As part of the transaction noted above, the Company sold XHemplar S.R.L. and Jamaica Crop Corp Limited, which are described as follows:

#### XHemplar Italia

On July 11, 2018, the Company entered into an agreement to own 30% of XHemplar S.R.L. ("XHemplar"), an Italian company incorporated in 2018 in Italy. XHemplar is to complete licensing of marijuana retailing in North-Eastern region of Italy. The Company committed to provide an initial investment of €500,000.

#### Jamaica Crop Corp Limited

On July 31, 2018, the Company, along with Hempire Jamaica, entered into an agreement ("Agreement") to form Jamaica Crop Corp Limited in Jamaica. According to the Agreement the Company held a 49% interest in the entity. The primary business in Hempire is to complete licensing of marijuana retailing in Jamaica.

During the year ended February 28, 2019, the Company advanced \$134,861 to XHemplar which were deemed uncollectible upon the sale of XHemplar.

Upon the sale of the Company's interest in the above noted entities, the Company recorded a gain on sale of \$865,139 as no costs had been previously incurred in relation to the Company's interest in these entities.

**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

**7. CONVERTIBLE DEBENTURES**

On February 26, 2019, the Company issued secured convertible debenture units for gross proceeds of \$4,000,000 under the following terms:

- A term of two years;
- An interest rate of 10% per annum, payable monthly; and
- Convertible into common shares of the Company at \$0.30 per common share, until February 26, 2021, subject to adjustment in certain events.

As part of the convertible debenture units, the Company also issued 13,333,333 share purchase warrants to the holders exercisable at a price of \$0.50 per common share for a period of three years. The Company also incurred cash debt issuance costs of \$207,045.

The convertible debentures are secured against the assets of the Company and its interest in associates and subsidiaries pursuant to the terms of a general security agreement of the Company issued in favor of the holders.

For accounting purposes, the convertible debentures are separated into their liability and equity components using the residual method. The fair value of the liability component at the time of issue was determined based on an estimated rate of 17% for convertible debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value of the convertible debentures and the fair value of the liability component. After initial recognition the liability component is carried on an amortized cost basis and will be accreted to its face value over the term to maturity of the convertible debenture at an effective interest rate of approximately 19.07%.

The following table summarizes accounting for the convertible debentures and the amounts recognized in the liability and equity during the period:

	\$
Principal amount	4,000,000
Equity portion	415,078
Transaction costs	(21,485)
Deferred income tax liability	(162,172)
Allocation to contributed surplus	231,420
Liability portion	3,584,922
Transaction costs	(185,560)
Accretion expense	13,602
Carrying value	3,412,964
Effective interest rate	19%

During the year ended February 28, 2019, the Company incurred interest expense of \$21,918, which remains unpaid and has been included within accrued liabilities on the consolidated statement of financial position.

## Crop Infrastructure Corp.

### Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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## 8. SHARE CAPITAL

### (a) Authorized

Unlimited common shares, without par value.

### (b) Issued and outstanding

*During the year ended February 28, 2019:*

- The Company completed various private placements and issued 27,743,073 units consisting of common shares and warrants at prices ranging from \$0.10 to \$0.40 per unit for gross proceeds of \$9,117,064. See Note 8(d) for details of warrants granted as part of the private placements. Of the total proceeds, \$360,062 was allocated to contributed surplus, which represents the fair value of the warrants granted on a residual basis.
- In connection with these private placements and those completed in 2018, the Company has incurred share issuance costs of \$315,694 and issued 1,319,750 finders' warrants with a fair value of \$71,677. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing model and the following weighted average assumptions: share price - \$0.10; exercise price - \$0.20; expected life - 2 years; volatility - 120%; dividends - Nil%; and risk-free rate - 1.75%.
- The Company announced warrant exercise incentive program (the "Program"). Under the Program, the exercise price of certain warrants was reduced to \$0.40 if exercised prior to November 2, 2018. In addition, one Incentive Warrant was granted for each warrant exercised. Each Incentive Warrant is exercisable to acquire one common share at a price of \$0.50 for two years. A total of 5,266,675 warrants were exercised under this program and the Company received gross proceeds of \$2,106,670 for the exercise of warrants under this Program.
- The Company accelerated the expiry date of certain private placement warrants from March 5, 2020 to June 26, 2018. If the warrants exercised prior to June 26, 2018, half Incentive Warrant will be granted for each warrant exercised. Each Incentive Warrant will be exercisable to acquire one common share at a price of \$0.75 for 24 months. As a result of the accelerated expiry date, 9,349,100 warrants were exercised for gross proceeds of \$2,040,129 and consequently, 4,674,550 Incentive Warrants were issued. The remaining 15,661,000 warrants were expired without exercised.
- The Company issued 23,222,000 common shares for gross proceeds of \$6,556,500 pursuant to the exercise of stock options.
- The Company issued 9,922,438 common shares and 3,245,000 share purchase warrants in exchange for services at a total fair value of \$3,305,080 and \$Nil, respectively.
- The Company issued 5,000,000 common shares for an additional 19% ownership in Humboldt. See Note 4.
- The Company issued 3,231,707 common shares and 1,250,000 share purchase warrants in exchange for intangible assets for a total fair value of \$942,683 and \$350,000, respectively.
- The Company issued 642,105 common shares to settle certain outstanding liabilities of \$305,000.



**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

**8. SHARE CAPITAL** (continued)(b) Issued and outstanding (continued)*During the fourteen months ended February 28, 2018:*

- The Company closed a private placement of 50,395,200 units at a price of \$0.10 per unit for gross proceeds of \$5,039,520. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant entitled the holder to purchase an additional common share at the price of \$0.20 per share for a period of 24 months from the closing date of the private placement, subject to certain acceleration provisions.

In connection with the private placement, the Company committed to the issuance of 1,293,500 units to certain brokers and finders ("Finders") on the same terms as the private placement upon the closing of the private placement. On March 2, 2018, the warrants were issued. As of June 26, 2018, the broker warrants were cancelled as a result of incentive warrant program.

(c) Stock options

On March 22, 2012, the Company approved a Stock Option Plan (the "Plan") authorizing the issuance of a maximum of 10% of the Company's outstanding common shares on each grant date, inclusive of all shares reserved for issuance pursuant to previously granted stock options. Stock options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to a director, officer, employee or consultant of the Company. The stock options are subject to vesting limitations, exercise price, and exercise periods, to a maximum term of 5 years, as determined by the Board of Directors.

A continuity of stock options for the year ended February 28, 2019 is as follows:

	Number of options
Balance, February 28, 2018 and December 31, 2017	-
Granted	33,150,000
Exercised	(23,222,000)
Cancelled	(3,247,000)
Balance, outstanding and exercisable, February 28, 2019	6,681,000

During the year ended February 28, 2019, the Company granted 33,150,000 stock options to certain directors, officers and consultants of the Company. The weighted average fair value of the stock options was determined to be \$5,853,480 using the Black-Scholes option pricing model, which requires management to make estimates that are subjective and may not be representative of the actual results. Changes in assumptions can materially affect estimates of fair value. The following weighted average assumptions were used for the calculation:

Grant date share price	\$0.33
Exercise price	\$0.32
Risk free interest rate	1.91%
Expected life (in years)	1.12 years
Expected volatility	128%
Expected dividend yield	0%
Expected forfeiture rate	0%

Upon exercise of the stock options during the year, \$3,564,030 was reallocated from contributed surplus to shareholders' equity.

**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

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**8. SHARE CAPITAL (continued)**(c) Stock options (continued)

The weighted average life remaining for the options was 0.96 years. Details of common stock options outstanding at February 28, 2019 are as follow:

Outstanding and exercisable	Exercise price	Remaining life (years)	Expiry date
	\$		
1,106,000	0.50	0.04	March 13, 2019
300,000	0.25	0.31	June 20, 2019
340,000	0.25	0.36	July 8, 2019
200,000	0.22	0.40	July 23, 2019
525,000	0.20	0.42	July 31, 2019
600,000	0.38	0.54	September 12, 2019
350,000	0.45	0.56	September 20, 2019
500,000	0.45	0.62	October 14, 2019
50,000	0.26	0.67	October 31, 2019
350,000	0.35	0.69	November 7, 2019
660,000	0.30	0.88	January 16, 2020
700,000	0.30	0.94	February 6, 2020
1,000,000	0.50	1.98	February 21, 2021
<b>6,681,000</b>	<b>0.38</b>	<b>0.73</b>	

(d) Warrants

A continuity of share purchase warrants for the year ended February 28, 2019 is as follows:

	Number of warrants
Balance, February 28, 2018 and December 31, 2016	-
Issued	78,636,886
Exercised	(15,975,017)
Cancelled	(16,954,500)
<b>Balance, outstanding and exercisable, February 28, 2019</b>	<b>45,707,369</b>

**Crop Infrastructure Corp.**

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(Expressed in Canadian Dollars)

**8. SHARE CAPITAL (continued)**(d) Warrants (continued):

The weighted average life remaining for the warrants was 1.93 years. Details of common share purchase warrants outstanding at February 28, 2019 are as follow:

Outstanding and exercisable	Exercise price	Remaining life (years)	Expiry date
	\$		
3,709,463	0.55	0.68	November 2, 2019
562,500	0.12	1.16	April 28, 2020
535,000	0.50	0.26	June 2, 2019
3,386,250	0.75	1.31	June 26, 2020
4,541,667	0.50	1.43	August 2, 2020
5,266,675	0.50	1.68	November 2, 2020
300,000	0.50	1.53	September 7, 2020
840,000	0.75	1.58	September 28, 2020
2,945,000	0.50	1.24	May 26, 2020
13,333,333	0.50	2.98	February 21, 2022
10,287,481	0.50	1.94	February 5, 2021
45,707,369	0.52	1.93	

(e) Escrowed shares

Pursuant to an escrow agreement dated, the 13,967,000 common shares issued pursuant to the Acquisition are subject to escrow restrictions. The escrow shares will be released based on certain performance conditions. At February 28, 2019 10,475,250 common shares remain in escrow (February 28, 2018 – nil).

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

	Year ended February 28, 2019	Fourteen months ended February 28, 2018
	\$	\$
Consulting fees paid to officers and directors	438,984	-
Professional fees paid to officers	186,900	-
Share-based compensation	637,000	-
	1,262,884	-

As at February 28, 2019, the Company has advanced \$64,785 (February 28, 2018 - \$Nil) to a company under common control. The amount is unsecured, non-interest bearing, and has no fixed terms of repayment.

## Crop Infrastructure Corp.

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

### 10. CAPITAL DISCLOSURES

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through the equity or debt financing. The Company is not subject to any capital requirements imposed by a regulator.

### 11. FINANCIAL INSTRUMENTS

As at February 28, 2019, the Company's financial instruments consist of cash, advances, amounts due from associates, investments, accounts payable and convertible debentures.

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

Cash is measured using level 1 fair value inputs.

Investments are measured using level 2 fair value inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. As described in Notes 4, the amounts due from associates will be secured by various assets and properties which mitigates the credit risk. Therefore, the Company believes that the impact of credit risk is not significant.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The following table summarizes the maturities of the Company's financial liabilities as at February 28, 2019 based on the undiscounted contractual cash flows:

	Carrying Amount	Contractual Cash Flows	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	\$	\$	\$	\$	\$	\$
Accounts payable	120,024	120,024	120,024	-	-	-
Convertible debentures	3,412,964	4,000,000	-	4,000,000	-	-
<b>Total</b>	<b>3,532,988</b>	<b>4,120,024</b>	<b>120,024</b>	<b>4,000,000</b>	-	-

**Crop Infrastructure Corp.**

## Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

**11. FINANCIAL INSTRUMENTS (continued)**

Interest risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. At February 28, 2019 and February 28, 2018, the Company is not exposed to significant interest rate risk as it has no variable interest-bearing debt.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than US dollar. The Company is exposed to currency risk resulting from its investments in associates which are located outside of Canada.

**12. COMMITMENTS**

- On August 14, 2018, the Company signed a Letter of Intent with Naturally Splendid Enterprises for development and manufacturing of various products and beverages.
- As described in Note 4, the Company has committed to providing advances to its associates.

**13. INCOME TAXES**

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019	2018
	\$	\$
Canadian statutory income tax rate	27%	27%
Income tax (recovery) at statutory rate	(4,157,000)	(205,000)
Permanent differences and others	1,301,827	-
Change in unrecognized deductible temporary differences	2,693,000	205,000
Deferred income tax recovery	162,173	-

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
	\$	\$
Non-capital losses	2,850,000	205,000
Intangible assets	139,000	-
Share issuance costs	68,000	-
Convertible debentures	(159,000)	-
Net deferred income tax assets not recognized	2,898,000	205,000

As at February 28, 2019, the Company has non-capital losses carried forward of approximately \$10,554,000 (2018 - \$760,000), which are available to offset future years' taxable income and begin expiring in 2023.

**Crop Infrastructure Corp.**

Notes to Consolidated Financial Statements

For the year ended February 28, 2019 and fourteen months ended February 28, 2018

(Expressed in Canadian Dollars)

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**14. SUBSEQUENT EVENTS**

- The Company and Stratto, LLC formed Oklahoma Ventures Group, LLC, pursuant to an agreement whereby the Company owns 49% of Oklahoma Ventures Group, LLC and will provide advances to fund its operations.
- The Company issued 1,615,660 common shares in exchange for services and outstanding liabilities to various vendors.
- The Company issued 11,864,000 common shares for the exercise of stock options.
- The Company granted 8,850,000 stock options to various consultants exercisable at a price of \$0.30 per common share for a period of one year from the date of grant.