WILDFLOWER BRANDS INC.
(FORMERLY WILDFLOWER MARIJUANA INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2019 and 2018

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Financial Statements
Periods ended March 31, 2019 and 2018

INDEX

NOTICE OF NO AUDIT OR REVIEW OF CONDENSED 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 financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Financial Position
(Canadian funds)
(Unaudited – prepared by management)

		March 31, 2019		June 30, 2018
Assets				
Current				
Cash	**$**	**1,124,295**	$	418,055
Amounts Receivable – Note 3		**2,058,667**		375,859
Marketable Securities – Note 5		**8,050**		3,150
Due from related parties – Note 15		**6,720**		6,720
Loans receivable – Note 4		**48,529**		–
Inventory – Note 6		**255,228**		460,660
Prepaid and Deposits		**506,351**		156,089
		4,007,840		1,420,533
Amounts Receivable – Note 3		**672,756**		303,145
Property and Equipment – Note 7		**2,227,511**		2,145,771
Intangible Assets – Note 8		**18,309**		17,968
Licenses – Note 9(ii)		**9,870,710**		9,870,710
	$	**16,797,126**	$	13,758,127
Liabilities				
Current				
Accounts payable and accrued liabilities – Note 10	**$**	**1,385,121**	$	226,380
Loans payable – Note 9(ii)		**427,492**		400,495
Promissory notes – Note 11, Note 16		**4,233,317**		5,513,544
Convertible debenture – Note 12		**316,366**		43,664
Obligations under capital lease – Note 13		**78,013**		–
Due to related parties – Note 15		**245,500**		199,071
		6,685,809		6,383,154
Obligations under capital lease – Note 13		**19,503**		–
Convertible debenture – Note 12		**4,038,052**		2,117,772
		10,743,364		8,500,926
Shareholders' Equity				
Share capital – Note 14		**17,787,419**		15,603,842
Subscription received – Note 14, Note 16		**462,487**		501,487
Stock option reserve – Note 14		**3,496,083**		3,163,294
Share purchase warrants reserve – Note 14, Note 16		**5,144,025**		4,551,579
Equity component of convertible debenture – Note 14		**762,737**		423,743
Accumulated other comprehensive income		**(698,499)**		(451,507)
Deficit		**(20,900,490)**		(18,535,237)
		6,053,762		5,257,201
	$	**16,797,126**	$	13,758,127

Nature of Operations and Going Concern – Note 1
Contingency – Note 17
Commitments – Note 18
Subsequent events – Note 21

"Stephen Pearce"
Director

"William MacLean"
Director

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Operations and Deficit
(Canadian funds)
(Unaudited – prepared by management)

	Three months ended March 31, **2019**	Three months ended March 31, 2018	Nine months ended March 31, **2019**	Nine months ended March 31, 2018
Sales	**$ 2,547,230**	$ 917,914	**$ 4,959,644**	$ 1,770,577
Cost of goods sold	**1,494,760**	320,346	**2,772,477**	454,154
Gross margin	**1,052,470**	597,568	**2,187,167**	1,316,423
Administrative expenses				
Accretion	**89,672**	–	**259,274**	–
Advertising and marketing	**157,823**	45,976	**529,284**	201,573
Bank charges and interest	**28,291**	19,561	**72,234**	25,363
Consulting and management fees – Note 15	**167,537**	136,542	**537,895**	303,488
Depreciation	**44,633**	11,205	**173,094**	30,762
Equipment lease	**–**	3,800	**3,941**	20,968
Filing and transfer agent fees	**9,529**	6,471	**30,612**	21,576
General office and miscellaneous	**91,635**	18,725	**207,617**	79,297
Investor relations and shareholder communication	**2,177**	38,705	**377,913**	54,115
Professional fees	**42,001**	15,715	**131,676**	39,497
Rent	**45,493**	30,316	**178,227**	76,161
Share-based payment expense	**224,783**	292,435	**331,736**	763,037
Travel and accommodation	**46,711**	39,188	**97,328**	71,281
Wages and benefits	**726,961**	12,714	**1,277,024**	14,338
Website design and hosting	**369**	635	**1,620**	1,974
	(1,677,615)	671,988	**(4,209,475)**	1,703,430
Loss before other items	**(625,145)**	(74,420)	**(2,022,308)**	(387,007)
Other items:				
Foreign exchange gain (loss)	**(177,284)**	43,291	**269,853**	13,030
Financing costs – Note 11(b)	**(27,757)**	–	**(93,517)**	–
Write off of deposits receivable	**–**	(15,000)	**–**	(15,000)
Gain on settlement of debt	**–**	–	**–**	16,100
Interest expense – Notes 11, 12, 17	**(189,676)**	513	**(552,590)**	513
Rent received	**–**	3,000	**33,309**	9,000
Net gain (loss) for the period	**(1,019,862)**	(42,616)	**(2,365,253)**	(363,364)
Other Comprehensive income				
Unrealized gain (loss) on available for sale marketable securities	**–**	(4,200)	**4,900**	(11,200)
Exchange difference on translating foreign operations	**198,126**	–	**(706,549)**	–
Comprehensive loss for the period	**$ (821,736)**	$ (46,816)	**$ (3,066,902)**	$ (374,564)
Basic and diluted gain (loss) per share	**(0.0158)**	(0.001)	**(0.0368)**	(0.007)
Weighted average number of shares outstanding	**64,660,312**	57,931,062	**64,222,945**	55,082,384

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Comprehensive Income and Accumulated Other Comprehensive Income
(Canadian funds)
(Unaudited – prepared by management)

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Accumulated Other Comprehensive Income, Beginning	**(896,625)**	(7,000)	**(451,507)**	-
Unrealized gain (loss) on available for sale marketable securities	**-**	(4,200)	**4,900**	(11,200)
Effect of exchange difference on translating foreign operations	**198,126**		**(251,892)**	-
Accumulated Other Comprehensive Income, Ending	**(698,499)**	(11,200)	**(698,499)**	(11,200)

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Cash Flows
(Canadian funds)
(Unaudited – prepared by management)

	Three months ended March 31, 2019	Three months ended March 31, 2018	Nine months ended March 31, 2019	Nine months ended March 31, 2018
	$	$	**$**	$
Cash provided by (used in)				
Operating activities				
Gain (loss) for the period	**(1,019,862)**	(42,616)	**(2,365,253)**	(363,364)
Items not involving cash:				
Accretion	**89,672**	-	**259,274**	-
Accrued interest	**193,358**	-	**552,590**	-
Depreciation	**44,633**	11,205	**173,094**	30,762
Share-based payment expense	**224,783**	292,435	**331,736**	763,037
Shares issued for services	**20,456**	28,500	**599,303**	28,500
Gain on settlement of debt	**-**	15,000	**-**	15,000
Changes in non-cash working capital items:				
Amounts receivable	**(1,142,499)**	(795,630)	**(2,013,418)**	(1,536,143)
Purchase of inventory	**75,182**	(501,440)	**205,432**	(906,675)
Prepaid expenses	**(193,395)**	(392,184)	**(350,262)**	(485,216)
Accounts payable and accrued liabilities	**961,277**	56,174	**1,158,741**	96,651
Cash provided by (used in) operating activities	**(746,395)**	(1,328,556)	**(1,448,763)**	(2,357,448)
Financing activities				
Shares issued for cash, net	**1,830,768**	2,279,666	**2,138,773**	3,401,238
Loans payable	**(16,002)**	-	**6,004**	-
Promissory notes repaid	**(139,704)**	-	**(1,539,124)**	-
Obligations under capital lease	**(21,947)**	-	**97,516**	-
Convertible debentures issued	**-**	-	**2,000,000**	-
Share subscriptions	**(25,500)**	33,625	**(39,000)**	(56,375)
Advance from/(to) related parties	**10,117**	12,023	**46,429**	31,450
Cash provided by financing activities	**1,637,732**	2,325,314	**2,710,598**	3,376,313
Investing activity				
Loan receivable	**-**	(65,746)	**-**	(138,943)
Purchase of equipment	**(32,092)**	(38,988)	**(254,834)**	(45,618)
Purchase of intangible assets	**(341)**	-	**(341)**	(3,741)
Cash used in investing activities	**(32,433)**	(104,734)	**(255,175)**	(188,302)
Increase (decrease) in cash during the period	**858,904**	892,024	**1,006,660**	830,563
Effect of foreign currency translation	**149,598**	-	**(300,420)**	-
Cash and cash equivalents, beginning of period	**115,793**	71,815	**418,055**	133,276
Cash and cash equivalents, end of period	**1,124,295**	963,839	**1,124,295**	963,839
Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure				
Interest received (paid)	**(79,408)**	513	**(237,304)**	513
Income taxes received (paid)	**-**	-	**-**	-
Fair value of warrants issued for services	**-**	-	**569,303**	-
Fair value of shares issued in acquisition of King Extract	**-**	**-**	**-**	1,025,000
Shares issued for services	**-**	28,500	**30,000**	28,500

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of changes in shareholders' equity
(Canadian funds)
(Unaudited – prepared by management)

	Number of Shares	Share Capital	Stock option reserve	Share purchase warrant reserve	Share subscription	Equity component of convertible debenture	Accumulated Other Comprehensive Income	Deficit	Total
Balance at June 30, 2017	**51,115,425**	**$ 10,403,897**	**$ 1,271,033**	**$ 250,105**	**$**	**72,000**	**$ –**	**$ (11,457,731)**	**$ 539,304**
Comprehensive loss for the period								(363,364)	(363,364)
Shares issued for cash	2,298,577	1,857,677	–	595,987		–	–	–	2,453,664
Share issuance costs	–	(1,421)	–	–		–	–	–	(1,421)
Shares issued for services	100,000	28,500	–	–		–	–	–	28,500
Shares issued pursuant to the exercise of warrants	4,691,994	1,195,438	–	(241,273)		–	–	–	954,165
Shares issued pursuant to the exercise of options	113,333	60,948	(27,614)	–		–	–	–	33,334
Shares issued in acquisition of King Extract	1,000,000	1,025,000	–	–		–	–	–	1,025,000
Expiration of warrants	–	–	8,462	(8,462)		–	–	–	–
Share-based payments	–	–	763,037	–		–	–	–	763,037
Subscriptions received	–	–	–	–		(94,879)	–	–	(94,879)
Unrealized loss on available for sale marketable securities	–	–	–	–		–	(11,200)	–	(11,200)
Balance at March 31, 2018	**59,319,329**	**$ 14,570,039**	**$ 2,014,918**	**$ 596,357**	**$**	**(22,879)**	**$ (11,200)**	**$ (11,821,095)**	**$ 5,326,140**
Balance at June 30, 2018	**63,324,751**	**$ 15,603,842**	**$ 3,163,294**	**$ 4,551,579**	**$ 501,487**	**$ 423,743**	**$ (451,507)**	**$ (18,535,237)**	**$ 5,257,201**
Comprehensive loss for the year	–	–	–	–	–	–	–	(2,365,253)	(2,365,253)
Shares issued for cash	3,908,040	1,793,258	–	461,515	(39,000)	–	–	–	2,215,773
Securities issued for services	570,000	504,000	–	74,847	–	–	–	–	578,847
Share issuance costs	–	(113,681)	–	36,681	–	–	–	–	(77,000)
Expiration of warrants	–	–	1,053	(1,053)	–	–	–	–	–
Share-based payments	–	–	331,736	–	–	–	–	–	331,736
Warrants issued for services	–	–	–	20,456	–	–	–	–	20,456
Equity portion of convertible debenture	–	–	–	–	–	338,994	–	–	338,994
Subscriptions received	–	–	–	–	–	–	–	–	–
Unrealized gain on available for sale marketable securities	–	–	–	–	–	–	4,900	–	4,900
Effect of exchange difference on translating foreign operations	–	–	–	–	–	–	(251,892)	–	(251,892)
Balance at March 31, 2019	**67,802,791**	**$ 17,787,419**	**$ 3,496,083**	**$ 5,144,025**	**$ 462,487**	**$ 762,737**	**$ (698,499)**	**$ (20,900,490)**	**$(6,053,762)**

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

1. Nature of Operations and Going Concern

Wildflower Brands Inc.'s (formerly Wildflower Marijuana Inc.) (the "Company's") primary focus is on building reputable brands and quality products that incorporate the synergistic effects of plants and their extracts. The Company is incorporated under the Business Corporations Act of British Columbia and is a reporting issuer in British Columbia, Alberta and Ontario. Its common shares are listed for trading on the Canadian Securities Exchange as "SUN". The Company's registered office is located at #400 - 1505 West 2nd Avenue, Vancouver, BC. The Company conducts its business as a single operating segment.

The Company is a branding company focused on developing and designing reputable brands and quality products that incorporate the synergistic effects of plants and their extracts. Wildflower sells its products online and to retailers throughout the US and also produces and markets products in the regulated cannabis jurisdictions of Washington and California.

These condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern. As at March 31, 2019, the Company has working capital deficiency of $2,677,969 (June 30, 2018: working capital deficiency of $4,962,621) and has accumulated a deficit of $20,900,490 (June 30, 2018: $18,535,237) since inception. The Company is currently seeking new opportunities in the commercial cannabis industry. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. There can be no assurances that the Company will continue to obtain the additional financing resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations. All of which indicate the existence of a material uncertainty that may cast substantial doubt on whether the Company would continue as a going concern and realize its assets and settle its liability and commitments in the normal course of business.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements.

These consolidated financial statements were approved for issuance by the Board of Directors on May 30, 2019.

2. Basis of Presentation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. All financial information in these condensed consolidated interim financial statements is presented in Canadian dollars, which is the functional currency of the Company. The functional currency of WMI Consulting Ltd. and Wildflower Brands US, Inc. is the US dollar. All amounts are rounded to the nearest dollar.

2. Basis of Presentation

c) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its 100% owned Washington state subsidiary, WMI Consulting Ltd., and its 100% owned California subsidiary, Wildflower Brands US, Inc.

The financial statements of the subsidiaries are prepared using consistent accounting policies as the Company. All intercompany transactions and balances are eliminated on consolidation.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgements:

(i) The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year. The factors considered by management are disclosed in Note 1.

(ii) The functional and reporting currency of the parent Company is the Canadian dollar and the functional currency of the Company's wholly owned subsidiaries is the US dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The determination of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency if there are changes in events and conditions of the factors used in the determination of the primary economic environment.

Estimates:

(i) The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. Estimating the 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 option, volatility, and dividend yield and making assumptions about them.

(ii) The estimated useful lives and residual value of equipment which are included in the statement of financial position and the related depreciation included in the Statement of Operations and Deficit.

(iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

3. Amounts Receivable

		March 31, 2019		June 30, 2018
Accounts receivable	**$**	**2,024,364**	$	539,379
Expense advance receivable		**1,275**		1,256
Subscriptions receivable		**705,784**		138,369
	$	**2,731,423**	$	679,004

		March 31, 2019		June 30, 2017
Amounts receivable, current	**$**	**2,334,633**		375,859
Amounts receivable, non-current		**672,756**		303,145
Amounts receivable, total	**$**	**2,731,423**	$	679,004

4. Loans Receivable

During the period ended March 31, 2019, the Company issued loans of $48,529 (June 30, 2018: $173,236) unsecured and non-interest bearing to a single person. Repayment of these loans shall be derived from sales by the borrower pursuant to the licensing agreement with the Lender. For greater certainty, no repayment is necessary if there are no sales or limited sales from any licensing agreement with the Lender. During the year ended June 30, 2018, the Company wrote off $173,236 in loans as their recoverability was questionable.

5. Marketable Securities

	March 31, 2019			June 30, 2018		
	Number of Shares		**Amount**	Number of Shares		Amount
BTU Capital Corp.	**70,000**	**$**	**8,050**	70,000	$	3,150

The Company received 70,000 shares of BTU Capital Corp. as a bonus and classified these marketable securities as available for sale. The original value of the shares was $16,100. As at March 31, 2019, these marketable securities were recorded at a fair value of $8,050 (June 30, 2018: $3,150) and an unrealized gain of $4,900 (June 30, 2018: $3,150) resulting from the revaluation was included in other comprehensive loss.

6. Inventory

The Company's inventory consists of finished goods and packing materials related to its cannabis product line. The Company's inventory as at March 31, 2019 is comprised of:

		March 31, 2019		June 30, 2018
Finished goods	**$**	**113,503**	$	204,860
Product for resale		**141,725**		255,800
	$	**255,228**	$	460,660

7. Equipment

As of March 31, 2019 and June 30, 2018, property and equipment consisted of the following:

		March 31, 2019		June 30, 2018
Automobile	$	31,744	$	31,744
Buildings and Land		1,589,065		1,589,065
Computer equipment		28,535		17,101
Furniture and fixtures		25,434		7,514
Lab equipment		648,476		482,088
Leasehold improvements		155,966		96,874
Website		6,695		6,695
Total Property and Equipment, Gross		2,485,915		2,231,081
Less: Accumulated Depreciation		(258,404)		(85,310)
Total Property and Equipment, Net	**$**	**2,227,511**	**$**	**2,145,771**

A reconciliation of beginning and ending balances of property and equipment is as follows:

		Property and Equipment, Gross		**Accumulated Depreciation**		**Property and Equipment, Net**
Balance as of July 1, 2017	$	171,169	$	(24,922)	$	146,247
Additions		2,059,912		–		2,059,912
Depreciation		–		(60,388)		(60,388)
Balance as of June 30, 2018		2,231,081		(85,310)		2,145,771
Additions		254,834		–		254,834
Depreciation		–		(173,094)		(173,094)
Balance as of March 31, 2019	**$**	**2,485,915**	**$**	**(258,404)**	**$**	**2,227,511**

8. Intangible Assets

As of March 31, 2019 and June 30, 2018, intangible assets consisted of the following:

		March 31, 2019		June 30, 2017
Trademarks	$	18,309	$	17,968
Total Intangible Assets	**$**	**18,309**	**$**	**17,968**

The Company intends to continuously reinvest and market the Trademark to support classification as an indefinite life intangible. If there are plans to cease using the Trademark, it would be classified as finite and amortized over the expected remaining useful life.

9. Acquisitions

(i) King Extract Brands

On July 26, 2017, the Company signed an asset purchase agreement (the "Agreement") to acquire the King Extract brands, its trademark and all proprietary formulations. In consideration, the Company issued 500,000 common shares of the Company at a deemed price of $0.50 per share. The Company must also make contingent share payments if certain conditions are met:

- Issue an additional 500,000 common shares within the first year when sales reach US$180,000 in any given month – Issued at a deemed price of $1.55 per share.
- Issue an additional 500,000 common shares if sales increase at a minimum 15% per month in aggregate over the following 6 months – Not issued as the condition was not met.

In addition, the Company will pay an amount equal to 50% of the net profits from the King business until the earlier of, (i) 2 years from signing a definitive agreement; and (ii) the Company shares trading at price of $1.25 or greater for 10 consecutive trading days. Any shares issued will be subject to a one year hold period from the date of issue provided King is still receiving its net profits, otherwise there will be a four month hold period from the date of issue. In addition, the Company has granted 250,000 stock options at a price of $0.64 per share for a period of five years. Sales prior to (ii) was met were negligible.

During the year ended June 30, 2018, the Company wrote down its investment in King Extract brands of $1,025,000 and inventory on hand of $610,145 because future revenues from the product line were unascertainable.

(ii) Licenses in Los Angeles

On April 20, 2018, the Company entered into a purchase agreement to acquire multiple California cannabis licenses in the City of Los Angeles and State of California. Under the terms of the agreement, the Company acquired the maximum number of licenses a party may hold which will permit the Company to conduct retail, manufacturing, distribution and cultivation of cannabis products in the city of Los Angeles.

Consideration for the purchase of the licenses, the property and the fixtures comprising the retail facility and the cultivation operations was $12,350,735 (US$9,664,833). As consideration, the Company issued 400,000 common shares (issued at a deemed price of $1.32 per share) of the Company, paid $6,667,895 (US$5,230,453) in cash and entered into two secured promissory notes for the balance payable under the agreement; the first promissory note for $2,545,600 (US$2,000,000) at 12% interest per annum with a maturity date of April 1, 2019, subject to the Company's option to extend the maturity date for two years, and the second promissory note for $2,609,240 (US$2,050,000) with a maturity date of May 22, 2018 at the minimum interest rate allowed by law.

Under the terms of the agreement, the Company paid $1,254,795 (US $950,000) in commissions (Note 17), $395,040 (US$300,000) of which remained payable as at December 31, 2018. The second promissory note was amended to extend payments as to US$1,000,000 payable by July 31, 2018 (paid) and $1,050,000 payable by January 1, 2019.

The following table summarizes the final accounting estimates of the acquisition with a purchase price of $12,350,735 (US$9,664,833):

Inventory	$	540,940
Building and land		1,589,065
Equipment		350,020
Total Identifiable Net Assets		2,480,025
Licenses		9,870,710
Final Accounting Estimates of Net Assets Acquired	**$**	**12,350,735**

10. Accounts Payable

		March 31, 2019		June 30, 2018
Trade payables	$	**811,003**	$	135,833
Taxes payable		**526,568**		60,607
Subscriptions refundable		**7,500**		7,500
Accrued liabilities		**40,050**		22,440
	$	**1,385,121**	$	226,380

11. Promissory Notes

		Promissory Note 1 (a)		Promissory Note 2 (b)		Promissory Note 3 (c)		Total
Opening balance, July 1, 2018	**$**	**2,670,471**	**$**	**2,710,885**	**$**	**132,188**	**$**	**5,513,544**
Repayments		–		(1,302,356)		–		(1,302,356)
Finance cost – interest		241,480		17,515		(99)		258,896
Interest payment		(237,304)		–		–		(237,304)
Foreign exchange adjustment		38,933		(38,396)		–		537
Balance, March 31, 2019	**$**	**2,713,580**	**$**	**1,387,648**	**$**	**132,089**	**$**	**4,233,317**

a) On April 20, 2018, the Company entered into a secured promissory note agreement for $2,545,600 (US$2,000,000) with a California limited liability company, as part of the terms of the agreement to acquire the Los Angeles Licenses. (Note 9(ii)). The note accrues interest at a rate of 12% per annum. Interest is payable monthly in arrears. Principal and any unpaid interest accrued on the note is due and payable on April 17, 2019. The Company has the option to extend the maturity date of the note for up to two additional years. During the period ended March 31, 2019, the Company recorded $241,480 (2018: $Nil) as interest expense in relation to this note and paid $237,304 (2018: $Nil) in accrued interest.

b) On April 20, 2018, the Company entered into a secured promissory note agreement for $2,609,240 (US$2,050,000) with a California limited liability company, as part of the terms of the agreement to acquire the Los Angeles License. (Note 9(ii)). The note accrues interest at a rate of 2.12% per annum. Principal and unpaid interest accrued on the note was due and payable on May 22, 2018. The Company has the option to extend the maturity date of the note at any time.

   On May 25, 2018, the Company amended the terms of the note to extend the maturity date to June 15, 2018. In consideration for revising the maturity date of the note, the Company paid US$25,000. On June 15, 2018, the Company further amended the terms of the note, whereby US$1,000,000 of the note is due and payable no later than July 31, 2018 (paid), and US$1,050,000 of the note is due and payable no later than September 15, 2018. In consideration for revising the maturity date of the note, the Company agreed to pay US$50,000 (paid) with the initial payment of US$1,000,000, and US$25,000 with the second payment of US$1,050,000. On October 9, 2018, the Company further amended the terms of the note, whereby US$1,050,000 of the note is due and payable no later than January 1, 2019. In consideration for revising the maturity date of the note, the Company agreed to pay US$15,000. During the period ended March 31, 2019, the Company further amended the terms of the note, whereby US$1,050,000 of the note is due and payable no later than March 31, 2019. In consideration for revising the maturity date of the note, the Company agreed to pay US$10,500 per month. As of March 31, 2019, the Company has paid US$42,000 of this consideration. During the period ended March 31, 2019, the Company recorded $17,515 (2018: $Nil) as interest expense in relation to this note.

11. Promissory Notes

c) On April 5, 2018, the Company entered into an unsecured promissory note agreement for $125,000 with a Luxembourg company. The note accrues interest at a rate of 5% above the base rate of Barclays Bank PLC per annum. Interest is payable on demand and principal is due by April 5, 2019. During the period ended March 31, 2019, the Company recorded $(99) (2018: $Nil) as interest expense in relation to this note (Note 16).

12. Convertible Debenture

		March 31, 2019		June 30, 2018
Debentures issued	**$**	**2,000,000**	$	2,500,000
Less equity component		**(338,994)**		(423,743)
Liability component of debenture issued before adjustments		**1,661,006**		2,076,257
Adjustments – expensed to finance costs:				
Accretion of liability		**259,277**		41,515
Accrued interest		**272,699**		43,664
Liability component of debentures		**2,192,982**	$	2,161,436
Opening balance, liability component of debenture		**2,161,436**		–
Closing balance, liability component of debentures	**$**	**4,354,418**	$	2,161,436
Liability component of debentures, current	**$**	**316,366**	$	43,664
Liability component of debentures, non-current		**4,038,052**		2,117,772
Liability component of debentures, total	**$**	**4,354,418**	$	2,161,436

On April 17, 2018, the Company issued an unsecured convertible debenture for gross proceeds of $2,500,000. The debentures were compound financial instruments and were recorded as a liability and as other equity. The residual valuation method was used to determine the equity portion of the debenture. Under this approach, the liability component was valued first, and the difference between the proceeds of the debentures and the fair value of the liability was assigned to the equity component.

The present value of the liability was calculated using a discount rate of 20% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debenture was issued.

The terms of the $2,500,000 debenture were as follows:

- Maturity on April 17, 2020 unless earlier redeemed or converted.
- Interest at 8.5% per year, calculated and paid semi-annually.
- The principal amount of the debenture is convertible into units of the Company at a price of $1.30 per unit anytime until April 17, 2020. Each unit of the Company will consist of one common share and one-half of one share purchase warrants. Each whole warrant is exercisable for one additional common share of the Company is exercisable until April 17, 2020 at a price of $2.50.
- If at any time after August 18, 2018, the daily volume weighted average trading price of the Company's common shares is greater than $3.50 per share for 20 consecutive trading days, the Company may, at its option, convert the debenture at the conversion price.

12. Convertible Debenture (continued)

On August 1, 2018, the Company issued unsecured convertible debentures for gross proceeds of $2,000,000. The debentures were compound financial instruments and were recorded as a liability and as other equity. The residual valuation method was used to determine the equity portion of the debenture. Under this approach, the liability component was valued first, and the difference between the proceeds of the debentures and the fair value of the liability was assigned to the equity component.

The present value of the liability was calculated using a discount rate of 20% which approximated the interest rate that would have been applicable to non-convertible debt of the Company at the time the debenture was issued.

The terms of the $2,000,000 debentures were as follows:

- Maturity on August 1, 2020 unless earlier redeemed or converted.
- Interest at 8.5% per year, calculated and paid semi-annually.
- The principal amount of the debenture is convertible into units of the Company at a price of $1.30 per unit anytime until August 1, 2020. Each unit of the Company will consist of one common share and one-half of one share purchase warrants. Each whole warrant is exercisable for one additional common share of the Company is exercisable until August 1, 2020 at a price of $2.50.
- If at any time after December 2, 2018, the daily volume weighted average trading price of the Company's common shares is greater than $3.50 per share for 20 consecutive trading days, the Company may, at its option, convert the debenture at the conversion price.

13. Capital Lease Obligations

Obligations under capital lease are payable in monthly instalments of $6,501. Future minimum lease payments related to obligations under capital lease are $78,013 during the year ended June 30, 2019 and $19,503 during the year ended June 30, 2020. Capital lease obligations are secured by related property, having a net book value of $147,669.

14. Share Capital

a) Authorized

Unlimited number of common shares without par value

b) Issued (common shares)

Nine months ended March 31, 2019

The Company issued 30,000 units for gross proceeds of $39,000 pursuant to a private placement. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $2.50 for a period of 12 months from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $3.50 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. Payment had been received prior to June 30, 2018 and was included in subscriptions received. The Company allocated $2,854 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

14. Share Capital (continued)

b) Issued (common shares) (continued)

Nine months ended March 31, 2019 (continued)

The Company closed a non-brokered private placement, issuing 362,359 units at a price of $0.85 per unit for gross proceeds of $308,005. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.50 for a period of two years from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $2.25 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $98,902 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

The Company closed a non-brokered private placement, issuing 30,000 units at a price of $0.85 per unit for gross proceeds of $25,500. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.50 for a period of two years from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $2.25 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $8,188 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

The Company closed a non-brokered private placement, issuing 3,485,681 units at a price of $0.54 per unit for gross proceeds of $1,882,267. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.85 for a period of two years from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $2.25 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. The Company paid cash finder's fees of $77,000 and issued 142,592 finder's warrants in connection with the private placement. The finder's warrants are exercisable for a period of two years from the date of closing at a price of $0.85. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $351,571 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

Year ended June 30, 2018

The Company closed a non-brokered private placement, issuing 965,244 units at a price of $0.47 per unit for gross proceeds of $453,665. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.75 for a period of 24 months from the date of closing of the private placement. The Company allocated $145,534 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

The Company closed a non-brokered private placement, issuing 1,333,333 units at a price of $1.50 per unit for gross proceeds of $2,000,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $2.25 for a period of 24 months from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $3.25 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $440,262 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

14. Share Capital (continued)

b) Issued (common shares) (continued)

Year ended June 30, 2018 (continued)

The Company closed a non-brokered private placement, issuing 3,297,459 units at a price of $1.30 per unit for gross proceeds of $4,286,697. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $2.50 for a period of 12 months from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $3.50 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company paid cash commissions pursuant to the placement in the amount of $77,833 and issued 31,000 broker warrants exercisable at $2.50 for a period of two years. The Company allocated $490,119 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

The Company closed a non-brokered private placement, issuing 264,629 units at a price of $1.30 per unit for gross proceeds of $344,017. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $2.50 for a period of 12 months from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $3.50 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company paid cash commissions pursuant to the placement in the amount of $5,200 and issued 4,000 broker warrants exercisable at $2.50 for a period of two years. The Company allocated $36,936 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

c) Escrow

As at March 31, 2019, the Company's transfer agent held 25,000 (June 30, 2018: 25,000) shares in escrow. The release of these shares is subject to regulatory approval.

d) Subscription received and refundable

As at March 31, 2019, the Company received subscriptions of $Nil (June 30, 2018: $39,000) related to participation in a private placement for which shares were issued subsequent to period end.

During the year ended June 30, 2018, the Company received $462,487 from an investor pursuant to a capital commitment agreement (Note 16) for which shares have not been issued at March 31, 2019.

As at March 31, 2019, the Company had a subscription refundable of $7,500 (June 30, 2018: $7,500). It has not been paid back to the subscriber and is included in accounts payable and accrued liabilities.

e) Share-based payments and warrants

<u>Share-based payments</u>

The Company has a stock option plan which authorizes the board of directors to grant incentive stock options to directors, officers and employees. The maximum number of shares in respect of which options may be outstanding under the Plan at any given time is equivalent to 10% of the issued and outstanding shares of the Company at that time. The exercise price of the options is determined by the market value of the shares at the closing price on the date prior to date of the grant. Unless otherwise stated, options fully vest when granted. The following tables summarize stock option transactions during the period ended March 31, 2019 and year ended June 30, 2018:

14. Share Capital (continued)

e) Share-based payments and warrants (continued)

Share-based payments

	Number of Options	Weighted Average Exercise Price $
Outstanding, June 30, 2017	4,530,000	0.22
Granted	2,200,000	0.87
Exercised	(188,333)	0.22
Cancelled	(341,667)	0.59
Outstanding, June 30, 2018	**6,200,000**	**0.51**
Exercisable, June 30, 2018	**6,200,000**	**0.51**

	Number of Options	Weighted Average Exercise Price $
Outstanding, June 30, 2018	6,200,000	0.51
Granted	500,000	0.83
Outstanding, March 31, 2019	**6,700,000**	**0.53**
Exercisable, March 31, 2019	**6,700,000**	**0.53**

The following table summarizes the stock options outstanding at March 31, 2019:

Number of Options Outstanding	Ranges of Exercise Price $	Weighted Average Life to Expiry In Years	Weighted Average Exercise Price $
2,375,000	0.20	0.35	0.20
200,000	0.20	0.97	0.20
675,000	0.20	1.61	0.20
300,000	0.20	2.19	0.20
450,000	0.22	2.54	0.22
200,000	0.61	3.11	0.61
250,000	0.50	3.34	0.50
300,000	0.40	3.59	0.40
300,000	0.62	3.66	0.62
200,000	1.55	3.84	1.55
950,000	1.35	4.15	1.35
100,000	1.35	4.27	1.35
400,000	0.70	4.90	0.70
6,700,000		**2.19**	**0.47**

During the period ended March 31, 2019, the Company granted a total of 500,000 (2018: 1,250,000) stock options with an aggregate fair value of the vested options determined to be $331,736 (2018: $763,037). Using the Black-Scholes option pricing model to estimate the fair value of stock options granted as at the date of grant, the Company determined the weighted average fair value of each option to be $0.66 (2018: $0.61) per share.

14. Share Capital (continued)

e) Share-based payments and warrants (continued)

The fair values of the options were determined using the Black-Scholes option pricing model using the following assumptions:

	Risk-free interest rate	Dividend yield	Volatility factor	Expected option life
March 31, 2019	1.79% - 2.04%	0%	154.50% - 158.23%	5 years
March 31, 2018	1.55% - 2.08%	0%	165.42% - 190.75%	5 years

Share purchase warrants

The following table summarizes share purchase warrant transactions during the period ended March 31, 2019 and year ended June 30, 2018:

	Number of Warrants	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Life In Years**
Outstanding, June 30, 2017	4,898,661	0.19	0.16
Issued	6,142,955	2.23	2.69
Expired	(183,333)	0.29	–
Exercised	(4,760,328)	0.21	–
Balance, June 30, 2018	**6,097,955**	**2.23**	**2.69**

	Number of Warrants	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Life In Years**
Outstanding, June 30, 2018	6,097,955	2.23	2.44
Issued	3,077,791	1.10	1.46
Expired	(10,000)	0.25	–
Balance, March 31, 2019	**9,165,746**	**2.15**	**2.24**

The following table summarizes the share warrants outstanding and exercisable at March 31, 2019:

Number of Warrants Outstanding	**Number of Warrants Exercisable**	**Exercise Price $**	**Weighted Average Life to Expiry In Years**
910,244	910,244	0.75	0.40
666,666	666,666	1.50	0.86
2,680,000[(1)]	2,680,000[(1)]	2.735	4.02
1,663,730	1,663,730	2.50	0.05
31,000[(2)]	31,000[(2)]	2.50	0.05
132,315	132,315	2.50	0.10
4,000[(2)]	4,000[(2)]	2.50	0.10
800,000[(3)]	400,000	1.50	0.28
15,000	15,000	1.50	0.30
362,359	362,359	1.50	1.54
15,000	15,000	1.50	1.54
1,742,840	1,742,840	0.85	1.95
142,592[(4)]	142,592	0.85	1.95
9,165,746	**8,765,746**	**1.85**	**2.24**

14. Share Capital (continued)

e) Share-based payments and warrants (continued)

(1) During the year ended June 30, 2018, the Company issued 2,680,000 finder's warrants in connection with the capital commitment agreement (Note 16). The fair value of the finder's warrants issued was $1.28.

(2) During the year ended June 30, 2018, the Company issued 35,000 finder's warrants in connection with private placements. The fair value of the finder's warrants issued was $0.33.

(3) During the period ended March 31, 2019, the Company issued 800,000 share purchase warrants in connection with an agreement for services. Of these 800,000 warrants, 200,000 are exercisable upon closing of the agreement; 200,000 are exercisable six months for closing; and 400,000 are exercisable after twelve months.

(4) During the period ended March 31, 2019, the Company issued 142,592 finder's warrants in connection with private placements. The fair value of the finder's warrants issued was $0.26.

15. Related Party Transactions

The Company incurred the following charges from directors of the Company, companies controlled by directors of the Company or companies with common directors for management and consulting fees, directors fees, and salaries:

	Nine months ended March 31, **2019**		Nine months ended March 31, 2018	
William MacLean (CEO)	**$**	**135,000**	$	90,000
Nash Meghji (director, former CEO)	**$**	**9,000**	$	9,000
Stephen Pearce (CFO, director)	**$**	**18,000**	$	18,000
Danna Baillie (former director)	**$**	**-**	$	9,000
Alfred Kee (COO)	**$**	**112,500**	$	-
Justin Turnquist (director)	**$**	**9,000**	$	-
	$	**283,500**	$	126,000

The Company had the following amounts due from directors of the Company, companies controlled by directors of the Company or companies with common directors for prepaid rent and expenses:

	Nine months ended March 31, 2019		Year ended June 30, 2018	
Flying A Petroleum Ltd.	**$**	**(6,720)**	$	(6,720)
	$	**(6,720)**	$	(6,720)

The Company had the following amounts due to directors and former directors of the Company:

	Nine months ended March 31, 2019		Year ended June 30, 2018	
William MacLean (CEO)	**$**	**18,500**	$	18,500
Stephen Pearce (CFO, director)	**$**	**86,279**	$	72,776
Nash Meghji (director, former CEO)	**$**	**57,000**	$	48,000
Danna Baillie (former director)	**$**	**-**	$	45,000
Alfred Kee (COO)	**$**	**455**	$	1,795
Justin Turnquist (director)	**$**	**12,000**	$	3,000
SAN Management Ltd. (company controlled by CFO)	**$**	**71,266**	$	10,000
	$	**245,500**	$	199,071

15. Related Party Transactions (continued)

During the period ended March 31, 2019, the Company granted 500,000 stock options (2018: Nil) to directors and officers of the Company. The fair value of these stock options was $611,428 (2018: $Nil).

16. Capital Commitment

On April 5, 2018, the Company entered into a capital commitment agreement with an investor for a maximum investment of $10,000,000. The Company has a right to draw-down under the capital commitment for a term of 2 years. Shares will be issued to the investor at a price equal to higher of a floor-price set by the Company and a 10% discount to the market price of the Company's common shares on the immediately-preceding 15-day volume weighted average price during the acceptance period. The investor will hold freely-trading common shares of the Company through a share-lending facility provided by certain shareholders. The Company paid the following finder's fees on the agreement:

- Issued a promissory note in the amount of $125,000 (Note 11).
- Issued 2,680,000 share purchase warrants (Note 15).

During the year ended June 30, 2018, the Company received $462,487 from the investor pursuant to the agreement. The balance has been included in subscriptions received as shares have not been issued. The agreement is currently under dispute as the Company believes a breach of contract has occurred.

17. Contingency

On September 5, 2018, the Company received a court order in relation to commission payable on the purchase of the Los Angeles License (Note 9(ii)). The finder alleged breach of contract, fraud, negligent misrepresentation, intentional interference with contractual relations, breach of covenant and false advertising. The claims total US$775,000 plus 7% interest from April 20, 2018, plus damages in the amount of US$4,350,000. The dispute was submitted to the Superior Court of the State of California and a demurrer has been filed. The Company has included $400,890 (US $300,000) plus $26,602 (US$19,907) in interest payable as this was the legal counsel's estimate of the outcome of the lawsuit.

18. Commitments

On January 5, 2018, the Company entered into an amended rental agreement for the use of office premises in Vancouver, BC, Canada until April 30, 2023. The amount of the remaining rent payments committed is $229,373 (June 30, 2018: $329,716) to be paid over the remaining lease term.

19. Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks.

In the management of capital, the Company includes the components of shareholders' equity and short- term liabilities, as well as cash and cash equivalents and investments.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company is not subject to any capital requirements imposed by a regulator. The Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments, with maturities 90 days or less from the original date of acquisition.

20. Financial Instruments

a) Fair value measurements

IFRS 7 - Financial Instruments: Disclosures ("IFRS 7"), establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – 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 direct (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
June 30, 2018				
Cash	433,178	-	-	433,178
Marketable Securities	3,150	-	-	3,150
Convertible debentures	-	2,161,436	-	2,161,436
	436,328	2,161,436	-	2,597,764

	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
March 31, 2019				
Cash	1,124,295	-	-	1,124,295
Marketable Securities	8,050	-	-	8,050
Convertible debentures	-	4,233,317	-	4,233,317
	1,132,345	4,233,317	-	5,365,662

The fair value of cash and marketable securities are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. The fair value of convertible debentures is determined based on level 2 inputs and estimated using the fair value of a similar liability that does not have an equity conversion option. As at March 31, 2019, the Company believes that the carrying values of accounts receivable, due from related parties, accounts payable and accrued liabilities, due to related parties, and promissory notes payable approximate their fair values because of their nature and relatively short maturity dates or durations.

b) Financial risks

<u>Credit risk</u>
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company's cash is held primarily through large Canadian financial institutions. Short-term investments consist of Guaranteed Investment Certificates, which have an original maturity of 90 days or less from the date of purchase and are readily convertible into a known amount of cash.

<u>Liquidity risk</u>
The Company manages liquidity risk by attempting to maintain sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. The Company has insufficient working capital to fund its operating requirements for the next 12 months.

20. Financial Instruments (continued)

b) Financial risks (continued)

The Company's continued operations will remain dependant on external sources of financing until such time it can internally generate sufficient income from cannabis sales to service its on-going operating cost requirements. The Company is significantly exposed to liquidity risk.

Market risk
Interest rate risk

At March 31, 2019, the Company had a promissory note in the amount of $125,000 bearing interest at a rate of 5% above the base rate of Barclays Bank PLC per annum. The Company's other loans had fixed rates of interest. Interest rate risk is minimal.

Foreign currency risk
The parent company's functional currency is the Canadian dollar. At March 31, 2019, $Nil of the parent Company's cash balance and $4,233,317 of the parent Company's liabilities are in US funds. A 1% change in the Canadian/US dollar exchange rate would result in a $42,333 net impact on the Company's foreign exchange gain or loss. The functional currency of the Company's subsidiaries is the US dollar. The subsidiaries have a low foreign exchange risk and they operate primarily in the US. At March 31, 2019 the Company is moderately exposed to foreign exchange risk.

Price risk
The Company's financial assets and liabilities are not exposed to price risk with respect to commodity prices.

21. Subsequent Events

a. On April 1, 2019, the Company filed documentation to amend the terms of an aggregate of 1,663,750 common share purchase warrants issued pursuant to a non-brokered private placement which closed on April 17, 2018. The warrants originally issued are exercisable into common stock of the Company at an exercise price of $2.50 per common share, with the warrants expiring on April 17, 2019. These warrants will be amended by extending the expiry date of the warrants to April 14, 2021. In addition, the Company filed documentation to amend an additional 132,315 warrants issued pursuant to a non-brokered private placement which closed on May 7, 2018. The warrants originally issued are exercisable into common shares at an exercise price of $2.50, with the warrants expiring on May 7, 2019. These warrants will be amended by extending the expiry date of the warrants to April 17, 2021. In additional, each of the warrants will have an accelerated expiry clause such that upon the Company's shares trading at or above $3.50 for 20 consecutive trading days, the Company will give notice that the warrants will expire 30 days from the date of providing such notice.

b. Subsequent to March 31, 2019, 35,000 share purchase warrants with an exercise price of $2.50 expired unexercised.

c. On April 3, 2019, the Company entered into a non-binding letter of intent to acquire City Cannabis Corp. ("City Cannabis"), in exchange for common shares of the Company. Pursuant to the letter of intent, the Company will acquire 100% of the issued and outstanding common shares in the capital of City Cannabis in exchange for the issuance of 60,000,000 common shares of the Company at a deemed price of $0.75 for aggregate consideration of $45,000,000. The final structure of the acquisition will be determined following receipt of tax, corporate, and securities law advice. On May 28, 2019, the Company executed a share purchase agreement with City Cannabis.

21. Subsequent Events (continued)

d. Subsequent to March 31, 2019, the Company entered into a brokered syndicated “best efforts” private placement for the sale of up to 20,000,000 subscription receipts at a price of $0.75 per receipt. The Company has granted an over-allotment option to the agents, for the purchase of up to an additional 15% of the receipts sold by the agents at any time until the closing date of the placement. Upon successful completion of the City Cannabis acquisition (note 21(c)) and certain other conditions, each subscription receipt will be deemed to be exchanged for one unit of the Company, whereby each unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant shall entitle the holder to purchase one additional common share of the Company for a period of 12 months following successful completion of the acquisition and other conditions, at a price of $1.00 per share. The Company has agreed to pay the agents a cash fee of (a) 7.0% of the gross proceeds of the private placement, other than purchasers identified on a president’s list; and (b) 3.0% of the gross proceeds of the purchasers on the president’s list. Additionally, the Company has agreed to grant the agents compensation options entitling the agents to subscribe for the number of units as is equal to 7.0% of the total number of subscriptions receipts sold, excluding the purchasers on the president’s list, and 3% of the total number of subscription receipts sold to the purchasers on the president’s list. These options will be exercisable to acquire one unit at an exercise price of $0.75 for a period of two years following successful completion of the acquisition and other conditions.

e. Subsequent to March 31, 2019, the Company amended the terms of the purchase agreement entered into on April 30, 2018 to acquire multiple California cannabis licenses in the City of Los Angeles and State of California. Under the terms of the revised purchase agreement, the Company shall pay US$1,103,371, representing the remaining principal of the note, by June 30, 2019, and shall pay US$25,000 per month in interest until such time that the note is paid in full.