WILDFLOWER BRANDS INC.
(FORMERLY WILDFLOWER MARIJUANA INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2020 and 2019
(Expressed in Canadian dollars, Unless Noted Otherwise)

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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
(Expressed in Canadian dollars, Unless Noted Otherwise)

	March 31, 2020	June 30, 2019 Restated (Note 3)
Assets		
Current		
Cash	$ **284,840**	$ 1,556,883
Amounts Receivable – Note 4	**1,909,771**	3,108,059
Loans Receivable – Note 5	**502,157**	–
Marketable Securities – Note 6	**–**	10,150
Due from related parties – Note 17	**6,720**	6,720
Inventory – Note 7	**2,056,172**	1,471,912
Prepaid and Deposits	**1,380,997**	1,692,897
	6,140,657	7,846,621
Property and Equipment – Note 8	**3,335,106**	1,509,618
Right-of-use Assets – Note 9	**8,680,330**	3,338,096
Intangible Assets – Note 10	**33,208**	25,139
Deferred tax assets	**72,781**	72,781
Licenses – Note 11(i)	**9,870,710**	9,870,710
Goodwill – Note 11(ii)	**37,871,710**	37,871,710
	$ **66,004,502**	$ 60,534,675
Liabilities		
Current		
Accounts payable and accrued liabilities – Note 12	$ **4,054,385**	$ 3,605,727
Obligations under capital lease – Note 13	**34,112**	69,821
Obligations under industrial lease – Note 13	**649,201**	–
Obligations under real estate lease – Note 13	**1,067,504**	251,088
Loans payable – Note 19	**513,726**	425,514
Promissory notes – Note 14, Note 18	**281,166**	1,576,326
Convertible debenture – Note 15	**2,145,811**	2,519,459
Due to related parties – Note 17	**385,460**	256,997
	9,131,365	8,704,932
Obligations under industrial lease – Note 13	**2,429,468**	2,507,405
Obligations under real estate lease – Note 13	**5,942,374**	584,261
Convertible debenture – Note 15	**3,583,277**	1,785,782
	21,086,484	13,582,380
Shareholders' Equity		
Share capital – Note 16	**60,085,165**	59,078,074
Subscription received – Note 16, Note 18	**462,487**	462,487
Stock option reserve – Note 17	**6,861,256**	3,787,506
Share purchase warrants reserve – Note 16, Note 18	**6,175,096**	6,708,177
Equity component of convertible debenture – Note 15	**1,012,973**	820,202
Accumulated other comprehensive income	**(1,619,283)**	(321,616)
Deficit	**(28,059,676)**	(23,582,535)
	44,918,018	46,952,295
	$ 66,004,502	$ 60,534,675

Nature of Operations and Going Concern – Note 1
Contingency – Note 19
Commitments – Note 20

"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
(Expressed in Canadian dollars, Unless Noted Otherwise)

	Three months ended March 31, 2020	2019 Restated (Note 3)	Nine months ended March 31, 2020	2019 Restated (Note 3)
Sales	**$ 5,301,762**	$ 2,547,230	**$ 17,175,356**	$ 4,959,644
Cost of goods sold	**2,616,540**	1,494,760	**8,836,155**	2,772,477
Gross margin	**2,685,222**	1,052,470	**8,339,201**	2,187,167
Administrative expenses				
Accretion	**113,756**	89,672	**332,603**	259,274
Advertising and marketing	**11,910**	157,823	**290,926**	529,284
Bank charges and interest	**71,790**	28,291	**205,342**	72,234
Consulting and management fees – Note 8	**88,477**	167,537	**1,054,791**	537,895
Depreciation	**614,376**	44,633	**1,851,042**	173,094
Equipment lease	**–**	–	**–**	3,941
Filing and transfer agent fees	**23,083**	9,529	**70,026**	30,612
General office and miscellaneous	**202,186**	91,635	**729,591**	207,617
Investor relations and shareholder communication	**144,435**	2,177	**364,674**	377,913
Professional fees	**241,011**	42,001	**585,192**	131,676
Rent	**26,962**	45,493	**63,321**	178,227
Share-based payment expense	**–**	224,783	**2,875,025**	331,736
Travel and accommodation	**35,157**	46,711	**207,376**	97,328
Wages and benefits	**1,428,157**	726,961	**3,113,506**	1,277,024
Website design and hosting	**309**	369	**1,313**	1,620
	(3,001,609)	(1,677,615)	**(11,744,728)**	(4,209,475)
Loss before other items	**(316,387)**	(625,145)	**(3,405,527)**	(2,022,308)
Other items:				
Foreign exchange gain (loss)	**1,190,901**	(177,284)	**1,005,547**	269,853
Financing costs – Note 10(b)	**–**	(27,757)	**–**	(93,517)
Write off of prepaid subscription	**(123,489)**	–	**(123,489)**	–
Gain on sale of marketable securities	**–**	–	**12,000**	–
Unrealized gain on marketable securities	**–**	–	**–**	4,900
Write off of loan receivable – Note 5	**(40,257)**	–	**(116,910)**	–
Interest expense – Notes 10, 11, 16	**(620,882)**	(189,676)	**(1,871,860)**	(552,590)
Rent received	**11,549**	–	**23,098**	33,309
Net gain (loss) for the period	**101,435**	(1,019,862)	**(4,477,141)**	(2,360,353)
Other Comprehensive income				
Exchange difference on translating foreign operations	**(1,331,016)**	198,126	**(1,619,283)**	(706,549)
Comprehensive loss for the period	**$ (1,229,581)**	$ (821,736)	**$ (6,096,424)**	$ (3,066,902)
Basic and diluted gain (loss) per share	**0.0007**	(0.0158)	**(0.0327)**	(0.0368)
Weighted average number of shares outstanding	**137,605,265**	64,660,312	**137,042,928**	64,222,945

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

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Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Comprehensive Income and Accumulated Other Comprehensive Income
(Expressed in Canadian dollars, Unless Noted Otherwise)

	Three months ended March 31,		**Nine months ended March 31,**	
	2020	2019 Restated (Note 3)	**2020**	2019 Restated (Note 3)
	$	$	**$**	$
Accumulated Other Comprehensive Income, Beginning	**(288,267)**	(901,525)	**(321,616)**	(451,507)
Effect of exchange difference on translating foreign operations	**(1,331,016)**	198,126	**(1,297,667)**	(251,892)
Accumulated Other Comprehensive Income, Ending	**(1,619,283)**	(703,399)	**(1,619,283)**	(703,399)

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

Wildflower Brands Inc.
(Formerly Wildflower Marijuana Inc.)
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars, Unless Noted Otherwise)

	Three months ended March 31,		Nine months ended March 31,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash provided by (used in)				
Operating activities				
Gain (loss) for the period	**101,435**	(1,019,862)	**(4,477,141)**	(2,360,353)
Items not involving cash:				
Accretion	**113,756**	89,672	**332,603**	259,274
Accrued interest	**609,035**	193,358	**1,860,014**	552,590
Depreciation	**614,376**	44,633	**1,851,042**	173,094
Share-based payment expense	**–**	224,783	**2,875,025**	331,736
Shares issued for services	**–**	20,456	**–**	599,303
Write off of loan receivable	**40,257**	–	**116,910**	–
Write off of prepaid subscription	**123,489**	–	**123,489**	–
Gain on sale of marketable securities	**–**	–	**(12,000)**	–
Unrealized gain on marketable securities	**–**	–	**–**	(4,900)
Changes in non-cash working capital items:				
Amounts receivable	**(282,640)**	(1,142,499)	**1,198,288**	(2,013,418)
Purchase of inventory	**(135,057)**	75,182	**(584,260)**	205,432
Prepaid expenses	**183,706**	(193,395)	**188,409**	(350,262)
Accounts payable and accrued liabilities	**266,198**	961,277	**448,658**	1,158,741
Cash provided by (used in) operating activities	**1,634,555**	(746,395)	**3,921,037**	(1,448,763)
Financing activities				
Shares issued for cash, net	**362,184**	1,830,768	**672,734**	2,138,773
Loans payable	**70,254**	(16,002)	**70,254**	6,004
Promissory notes repaid	**–**	(139,704)	**(1,364,838)**	(1,539,124)
Obligations under capital lease	**(2,225)**	(21,947)	**(40,664)**	97,516
Obligations under industrial lease	**383,396**	–	**571,266**	–
Obligations under real estate lease	**(770,552)**	–	**4,719,758**	–
Convertible debentures issued	**–**	–	**1,325,000**	2,000,000
Convertible debentures interest payments	**(109,987)**	–	**(421,558)**	–
Share subscriptions	**–**	(25,500)	**–**	(39,000)
Advance from/(to) related parties	**6,136**	10,117	**128,463**	46,429
Cash provided by (used in) financing activities	**(60,794)**	1,637,732	**5,660,415**	2,710,598
Investing activity				
Loan receivable	**(40,105)**	–	**(619,066)**	–
Purchase of equipment	**(306,170)**	(32,092)	**(2,097,269)**	(254,834)
Proceeds from sale of marketable securities	**–**	–	**22,150**	–
Right-of-use assets	**(691)**	–	**(6,921,495)**	–
Intangible assets	**–**	(341)	**(8,070)**	(341)
Cash used in investing activities	**(346,966)**	(32,433)	**(9,623,750)**	(255,175)
Increase (decrease) in cash during the period	**1,226,795**	858,904	**(42,298)**	1,006,660
Effect of foreign currency translation	**(1,319,026)**	149,598	**(1,229,745)**	(300,420)
Cash and cash equivalents, beginning of period	**377,071**	115,793	**1,556,883**	418,055
Cash and cash equivalents, end of period	**284,840**	1,124,295	**284,840**	1,124,295
Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure				
Interest received (paid)	**(109,987)**	(79,408)	**(421,558)**	(237,304)
Income taxes received (paid)	**–**	–	**–**	–
Fair value of warrants issued for services	**–**	–	**–**	569,303
Shares issued for services	**–**	–	**–**	30,000

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
As at March 31, 2020 and 2019
(Expressed in Canadian dollars, Unless Noted Otherwise)

	Number of Shares	Share Capital	Stock option reserve	Share purchase warrant reserve	Share subscription	Equity component of convertible debenture	Accumulated Other Comprehensive Income *Restated (Note 3)*	Deficit *Restated (Note 3)*	Total
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	–	–	–	–	–	–	–	(2,360,353)	(2,360,353)
Shares issued for cash	3,908,040	1,793,258	–	461,515	(39,000)	–	–	–	2,215,773
Shares 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)	–	–	–	–	–
Warrants issued for services	–	–	–	20,456	–	–	–	–	20,456
Equity portion of convertible debenture	–	–	–	–	–	338,994	–	–	338,994
Share-based payments	–	–	331,736	–	–	–	–	–	331,736
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**	**$ (703,399)**	**$ (20,895,590)**	**$ 6,053,762**
Balance at June 30, 2019	**134,898,891**	**$ 59,078,074**	**$ 3,787,506**	**$ 6,708,177**	**$ 462,487**	**$ 820,202**	**$ (321,616)**	**$ (23,582,535)**	**$ 46,952,295**
Comprehensive loss for the year	–	–	–	–	–	–	–	(4,477,141)	(4,477,141)
Shares issued for cash	2,414,562	314,909	–	47,275	–	–	–	–	362,184
Shares issued pursuant to option exercises	2,016,500	784,932	(381,631)	–	–	–	–	–	403,301
Share issuance costs	–	(92,750)	–	–	–	–	–	–	(92,750)
Expiration of warrants	–	–	580,356	(580,356)	–	–	–	–	–
Equity portion of convertible debenture	–	–	–	–	–	192,771	–	–	192,771
Share-based payments	–	–	2,875,025	–	–	–	–	–	2,875,025
Effect of exchange difference on translating foreign operations	–	–	–	–	–	–	(1,297,667)	–	(1,297,667)
Balance at March 31, 2020	**139,329,953**	**$ 60,085,165**	**$ 6,861,256**	**$ 6,175,096**	**$ 462,487**	**$ 1,012,973**	**$ (1,619,283)**	**$ (28,059,676)**	**$ 44,918,018**

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. This is a sector that has been legalized by certain U.S. states but remains federally illegal and is subject to legislative uncertainty.

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, 2020, the Company has working capital deficiency of $2,990,708 (June 30, 2019: working capital deficiency of $607,223) and has accumulated a deficit of $28,059,676 (June 30, 2019: $23,582,535) 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 29, 2020.

2. Basis of Presentation

a) Statement of compliance

These consolidated 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").

b) Basis of measurement

The consolidated 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 consolidated 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 consolidated financial statements incorporate the financial statements of the Company and its 100% owned Washington state subsidiary, WMI Consulting Ltd., its 100% owned California subsidiary, Wildflower Brands US, Inc., its 100% owned Canadian subsidiary, City Cannabis Corp., and City Cannabis Corp.'s 100% owned Canadian subsidiary, 1081014 B.C. Ltd.

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, City Cannabis Corp. and 1081014 BC Ltd. is the Canadian dollar. The functional currency of WMI Consulting Ltd. and Wildflower Brands US, Inc. 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.

(Expressed in Canadian dollars, Unless Noted Otherwise)

2. Basis of Presentation (continued)

d) Use of estimates and judgments (continued)

(iv) The discount rates applied to the Company's right-of-use assets and related lease liabilities and related interest expense included in the Statement of Operations and Deficit.

(v) The Company maintains an allowance for doubtful accounts for the loss that would be incurred if a customer was unable to pay amounts due. The Company initially estimates the allowance required at the time of revenue recognition based on historical experience and makes changes to the allowance based on various factors, including changes in the customer's financial condition or payment patterns.

(vi) This is the first set of the Company's financial statements in which IFRS 16, *Leases*, has been applied. Changes to significant accounting policies and estimates are described in Note 3.

3. Transition to Recent Accounting Pronouncements

The transition to IFRS 9 resulted in the following changes to the Company's statement of financial position as at March 31, 2019:

	AOCI $	**Deficit** $
Previously reported	(698,499)	(20,900,490)
Unrealized gain on marketable securities	(4,900)	4,900
Restated	**(703,399)**	**(20,895,590)**

The transition to IFRS 9 resulted in the following changes to the Company's statement of operations and comprehensive loss for the nine months ended March 31, 2019:

	Net loss $	**Loss per share** $
Previously reported	(2,365,253)	(0.0368)
Unrealized gain on marketable securities	4,900	–
Restated	**(2,360,353)**	**(0.0368)**

<u>IFRS 9</u>

IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39, *Financial Instruments: Recognition and Measurement* and became effective for the Company on July 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting.

IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of the standard was applied retrospectively.

(Expressed in Canadian dollars, Unless Noted Otherwise)

3. Transition to Recent Accounting Pronouncements

IFRS 9 (Continued)

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Amortized cost	Amortized cost
Marketable securities	Available-for-sale	FVTPL
Due from related parties	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Obligations under capital lease	Amortized cost	Amortized cost
Obligations under industrial lease	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Promissory notes payable	Amortized cost	Amortized cost
Convertible debenture	Amortized cost	Amortized cost

The only change in classification was to the Company's marketable securities which were previously classified as available-for-sale. Since the available-for-sale classification already required the marketable securities to be recorded on the statement of financial position at fair value, there was no adjustment to the carrying value of the marketable securities.

The change in classification will result in past and future unrealized gains and losses on the marketable securities being recorded in profit and loss before tax instead of in other comprehensive income and loss net of tax. The accumulated unrealized gains and losses on the marketable securities will be included in deficit instead of accumulated other comprehensive income and loss.

IFRS 15

The IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15") in May 2014. The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise judgment and make estimates that affect revenue recognition. The standard requires revenue to be recognized in a manner that depicts the transfer of goods or services to the customer at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. IFRS 15 is effective for annual periods commencing on July 1, 2018. The adoption of IFRS 15 did not result in any changes to the Company's accounting policies for revenue recognition and therefore did not result in any transitional adjustments to the Company's financial statements.

IFRS 16

In January 2016, the IASB issued IFRS 16, *Leases*, which sets out a new model for lease accounting replacing IAS 17, *Leases*, and related interpretations. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as finance and operating leases. Other areas of the lease accounting model have been impacted, including the definition of a lease. IFRS 16 became effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard using the modified retrospective method, with the cumulative effect initially recognized in retained earnings, with no restatement of prior comparative period.

(Expressed in Canadian dollars, Unless Noted Otherwise)

3. Transition to Recent Accounting Pronouncements

IFRS 16 (Continued)

Substantially all of the Company's existing leases are real estate leases for its retail stores, distribution centers and support offices and all were classified as operating leases prior to adoption of IFRS 16. The Company recognized right-of-use assets and lease liabilities for leases previously classified as operating leases under IAS 17. The depreciation expense on the right-of-use assets and the finance charge on the lease liabilities substantially replaced the lease-related expenses recorded in general and administrative expenses, previously recognized on a straight-line basis over the lease term under IAS 17. Variable lease payments and non-lease components are expensed as incurred.

The new standard does not change the amount of cash transferred between the lessor and lessee, but changes the presentation of the operating and financing cash flows presented on the Company's consolidated statement of cash flows. The Company has elected to apply the following recognition exemptions and practical expedients, as described under IFRS 16:

- recognition exemption of short term leases;
- recognition exemption of low-value leases;
- grandfather prior conclusions on contracts containing leases on transition;
- a single discount rate was applied to a portfolio of leases with similar characteristics on transition;
- initial direct costs were excluded in the measurement of the right-of-use assets on transition; and
- hindsight was used in determining lease term at the date of transition.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The right-of-use assets were measured as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application. The cumulative adjustment was recognized directly to retained earnings.

The following tables summarize the adjustments to opening balances resulting from the initial adoption of IFRS 16, with the effects on transition being recognized directly to retained earnings:

	Previously reported $	IFRS 16 Adjustments $	Balance, June 30, 2019 $
Assets			
Right-of-use assets	2,598,663	739,433	3,338,096
Total impact on assets	2,598,663	739,433	3,338,096
Liabilities			
Obligations under real estate lease	–	835,349	835,349
Total impact on liabilities	–	835,349	835,349
Shareholder's Equity			
Retained earnings	(23,486,619)	(95,916)	(23,582,535)
Total impact on shareholder's equity	(23,486,619)	(95,916)	(23,582,535)

Upon adoption of IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at the inception of the contract. Leases are recognized as a right-of-use asset and corresponding lease liability at the lease commencement date. The lease liability is measured at the present value of the future fixed payments and variable lease payments that depend on an index or rate over the lease term, less any lease incentives receivable, discounted using the lessee's incremental borrowing rate, unless the implicit rate interest rate in the lease can be easily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

(Expressed in Canadian dollars, Unless Noted Otherwise)

3. Transition to Recent Accounting Pronouncements

IFRS 16 (Continued)

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured (with a corresponding adjustment to the right-of-use asset) when there is a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determined those payments, or when the lease contract is modified and the lease modification is not accounted for as a separate lease.

The right-of-use assets include the initial measurement of the corresponding lease liabilities, lease payments at or before the commencement date, any initial direct costs, less any lease incentives received before the commencement date. The right-of-use assets are subsequently measured at cost and are depreciated on a straight-line basis from the date the underlying asset is available for use over the lease term.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities and are recognized in general and administrative expenses as incurred.

4. Amounts Receivable

The Company's amounts receivable is comprised of the following sources:

		March 31, 2020		June 30, 2019
Trade receivables (1)	**$**	**658,367**	$	355,529
Third-party payment processor receivable (2)		**1,011,740**		928,275
Subscriptions receivable		**239,664**		1,818,005
Other		**-**		6,250
	$	**1,909,771**	$	3,108,059

(1) Trade receivables are broken down as follows:

		March 31, 2020		June 30, 2019
Current trade receivables	**$**	**658,367**	$	710,332
Less: allowance for doubtful accounts		**-**		(354,803)
Current trade receivables, net		**658,367**		355,529
Non-current trade receivables		**-**		245,346
Less: allowance for doubtful accounts		**-**		(245,346)
	$	**658,367**	$	355,529

(2) Third-party payment processor receivables are net of an allowance for doubtful accounts of $Nil (June 30, 2019: $549,419) as the recoverability of any additional amount is uncertain.

During the period ended March 31, 2020, the Company wrote-off trade receivables of $Nil (June 30, 2019: $38,437) as they were not collectible.

During the period ended March 31, 2020, the Company wrote-off subscriptions receivable of $Nil (June 30, 2019: $33,369) as collectability was not certain.

(Expressed in Canadian dollars, Unless Noted Otherwise)

5. Loans Receivable

During the period ended March 31, 2020, the Company issued loans of $502,157 (June 30, 2019: $179,867) 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 period ended March 31, 2020, the Company wrote off $116,910 (2019: $Nil) in loans as their recoverability was questionable.

6. Marketable Securities

	March 31, 2020			June 30, 2019		
	Number of Shares		**Amount**	Number of Shares		Amount
BTU Capital Corp.	**Nil**	**$**	**Nil**	70,000	$	10,150

The Company received 70,000 shares of BTU Capital Corp. as a bonus and classified these marketable securities as FVTPL. The securities are measured at fair market value each reporting period with any change in fair value recognized in profit or loss. The original value of these shares was $16,100.

During the period ended March 31, 2020, the Company sold 70,000 shares of BTU Capital Corp. for gross proceeds of $22,150. The Company recorded a gain on the sale of the shares of $12,000 (2019: $Nil).

7. 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, 2020 is comprised of:

		March 31, 2020		June 30, 2019
Finished goods	**$**	**95,238**	$	110,193
Product for resale		**1,960,934**		1,361,719
	$	**2,056,172**	$	1,471,912

8. Property and Equipment

Costs										
		Automobile		**Building (2)**		**Computers & software**		**Furniture & equipment**		**Lab equipment (2)**
Balance June 30, 2018	$	31,744	$	410,509	$	23,796	$	7,515	$	482,088
Additions		-		-		15,825		21,315		16,020
Disposals		-		(410,509)		-		-		(350,020)
City Cannabis acquisition		-		-		72,038		69,457		-
Balance June 30, 2019		31,744		-		111,659		98,287		148,088
Additions		-		-		182,420		50,259		44,668
Balance March 31, 2020	**$**	**31,744**	**$**	**-**	**$**	**294,079**	**$**	**148,546**	**$**	**192,756**

(Expressed in Canadian dollars, Unless Noted Otherwise)

8. Property and Equipment (Continued)

Costs

	Land (2)	Leasehold Improvements	Leaseholds – new facility (1)	Total
Balance June 30, 2018	$ 1,178,557	$ 63,741	$ 33,133	$ 2,231,083
Additions	-	65,185	391,928	510,273
Disposals	(1,178,557)	-	-	(1,939,086)
City Cannabis acquisition	-	194,683	510,226	846,404
Balance June 30, 2019	-	323,609	935,287	1,648,674
Additions	-	1,227,957	591,965	2,097,269
Balance March 31, 2020	**$ -**	**$ 1,551,566**	**$ 1,527,252**	**$ 3,745,943**

Accumulated Depreciation

	Automobile	Building (2)	Computers & software	Furniture & equipment	Lab equipment (2)
Balance June 30, 2018	$ (1,604)	$ (2,124)	$ (6,663)	$ (1,977)	$ (56,311)
Additions	(6,192)	(14,160)	(7,516)	(3,261)	(116,894)
Disposals	-	16,284	-	-	101,171
Balance June 30, 2019	(7,796)	-	(14,179)	(5,238)	(72,034)
Additions	(3,673)	-	(58,061)	(14,869)	(29,816)
Disposals	-	-	-	-	-
Balance March 31, 2020	**$ (11,469)**	**$ -**	**$ (72,240)**	**$ (20,107)**	**$ (101,850)**

Accumulated Depreciation

	Land (2)	Leasehold Improvements	Leaseholds – new facility (1)	Total
Balance June 30, 2018	$ -	$ (16,633)	$ -	$ (85,312)
Additions	-	(23,176)	-	(171,199)
Disposals	-	-	-	117,455
Balance June 30, 2019	-	(39,809)	-	(139,056)
Additions	-	(165,362)	-	(271,782)
Balance March 31, 2020	**$ -**	**$ (205,171)**	**$ -**	**$ (410,838)**

Net Carrying Amount

	Automobile	Building (2)	Computers & software	Furniture & equipment	Lab equipment (2)
Balance June 30, 2019	$ 23,948	$ -	$ 97,480	$ 93,049	$ 76,054
Balance March 31, 2020	**$ 20,275**	**$ -**	**$ 221,839**	**$ 128,439**	**$ 90,906**

Net Carrying Amount

	Land (2)	Leasehold Improvements	Leaseholds – new facility (1)	Total
Balance June 30, 2019	$ -	$ 283,800	$ 935,287	$ 1,509,618
Balance March 31, 2020	**$ -**	**$ 1,346,395**	**$ 1,527,252**	**$ 3,335,106**

(Expressed in Canadian dollars, Unless Noted Otherwise)

8. Property and Equipment (Continued)

1. Leasehold Improvements – new facility - $Nil (June 30, 2019: $510,226) relates to new dispensary locations in BC and $591,965 (June 30, 2019: $425,061) relate to a new production and distribution facility in Washington, USA. These facilities were not available for use at March 31, 2020 so no depreciation was taken.

2. On April 17, 2019 the Company signed an industrial lease and revised purchase agreement for the Licenses in Los Angeles and California dispensary which resulted in disposal of the land, building and lab equipment. The Company leased these assets pursuant to the industrial lease agreement (Note 9, 11, 13).

9. Right-of-use Assets

The following table reconciles the change in right-of-use assets for the period ended March 31, 2020 and year ended June 30, 2019:

Costs

	Land & Building – California (1)	Lab equipment	Real estate leases	Total
Balance, June 30, 2018	$ -	$ -	$ -	$ -
Additions	2,537,322	150,007	1,037,741	3,725,070
Balance June 30, 2019	2,537,322	150,007	1,037,741	3,725,070
Additions	-	-	6,921,494	6,921,494
Balance, March 31, 2020	$ 2,537,322	$ 150,007	$ 7,959,235	$ 10,646,564

Accumulated Depreciation

	Land & Building – California (1)	Lab equipment	Real estate leases	Total
Balance, June 30, 2018	$ -	$ -	$ -	$ -
Additions	(27,896)	(60,770)	(298,308)	(386,974)
Balance June 30, 2019	(27,896)	(60,770)	(298,308)	(386,974)
Additions	(127,769)	(69,584)	(1,381,907)	(1,579,260)
Balance, March 31, 2020	$ (155,665)	$ (130,354)	$ (1,680,215)	$ (1,966,234)

Net Carrying Amount

	Land & Building – California (1)	Lab equipment	Real estate leases	Total
Balance June 30, 2019	$ 2,509,426	$ 89,237	$ 739,433	$ 3,338,096
Balance, March 31, 2020	$ 2,381,657	$ 19,653	$ 6,279,020	$ 8,680,330

(1) The Company recognized a gain of $810,262 in relation to the revision of the purchase agreement setup of a right-of-use asset during the year ended June 30, 2019, representing the difference in book value of the property and equipment deemed to have been disposed of under an industrial lease agreement (Note 13), and the present value of the lease obligations for same property and equipment.

10. Intangible Assets

As of March 31, 2020 and June 30, 2019, intangible assets consisted of the following:

	March 31, 2020	June 30, 2019
Trademarks	**$** 33,208	$ 25,139
Total Intangible Assets	**$ 33,208**	**$ 25,139**

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.

(Expressed in Canadian dollars, Unless Noted Otherwise)

11. Acquisitions

(i) 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 19), $395,040 (US$300,000) of which remained payable as at June 30, 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 September 15, 2018. During the year ended June 30, 2019, the Company entered into a new promissory note for the second payment of US$1,050,000 plus accrued interest. The new note was issued with a balance of US$1,103,371 and a maturity date of June 30, 2019. The Company paid US$1,003,371 of the new note balance during the period ended March 31, 2020.

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**

(ii) City Cannabis Corp.

On June 28, 2019, the Company closed its acquisition of City Cannabis Corp. ("City Cannabis") pursuant to the terms of a definitive share purchase agreement announced on May 28, 2019. The Company acquired all of the issued and outstanding shares of City Cannabis in exchange for 60,000,000 common shares (the "Consideration Shares") of the Company at a price of $0.65 per Consideration Share, for aggregate consideration of $39,000,000. The primary reason for the acquisition was to become a significantly scaled, cross-border cannabis-focused company.

Total transaction costs of $412,138 were expensed as legal fees in the statement of financial position for the year ended June 30, 2019.

In advance of closing the arrangement, the Company provided short term loans to City Cannabis totalling $523,590. The short-term loans were eliminated on consolidation.

(Expressed in Canadian dollars, Unless Noted Otherwise)

11. Acquisitions (Continued)

(ii) City Cannabis Corp. (Continued)

The transaction met the definition of a business combination pursuant to IFRS 3. Therefore, the identifiable assets acquired and liabilities assumed have been measured at their acquisition date fair values. The excess of the consideration transferred over the net assets acquired has been allocated to Goodwill.

The following table summarizes the fair value of the total consideration paid and aggregate fair value of the identified assets acquired, liabilities assumed, and goodwill:

Consideration paid:		
Common shares issued	**$**	**39,000,000**
Net assets acquired:		
Cash		403,505
Accounts receivable		2,500
Inventory		376,765
Prepaids and deposits		966,847
Equipment		846,404
Deferred income tax asset		72,781
Trade and other payables		(1,540,512)
		1,128,290
Goodwill		**37,871,710**
	$	**39,000,000**

Goodwill consists of the following benefits achieved by the acquisition: (i) cross-border presence in establishing a retail brand (ii) business poised for further expansion into Canada (iii) status as a government-licensed cannabis retailer in BC (iv) City Cannabis branding – an established dispensary chain in the city of Vancouver, BC (v) a highly complementary combination of assets.

Revenue and net income of City Cannabis since acquisition on June 28, 2019 included in the statement of operations and comprehensive loss for the year ended June 30, 2019 are as follows:

		June 30, 2019
Revenue	$	**115,437**
Gross margin		**58,204**
Net income	$	**8,803**

Consolidated revenue and net loss of the Company had the acquisition of City Cannabis occurred at the beginning of the year ended June 30, 2019 are as follows:

		June 30, 2019
Revenue (unaudited)	$	**17,475,025**
Gross margin (unaudited)		**7,072,803**
Net income (unaudited)	$	**(5,262,738)**

12. Accounts Payable

		March 31, 2020	June 30, 2019
Trade payables	$	**2,688,826**	$ 2,030,263
Payroll liabilities payable		**257,011**	236,688
Sales taxes payable		**785,786**	961,416
Corporate taxes payable		**33,036**	60,934
Subscriptions refundable		**7,500**	7,500
Accrued liabilities		**282,226**	308,926
	$	**4,054,385**	$ 3,605,727

13. Lease Obligations

		Capital Lease		Industrial Lease		Real Estate Leases		Total
Carrying value, June 30, 2018	**$**	**-**	**$**	**-**		**-**	**$**	**-**
Fair value, initial measurement		109,184		2,537,322		1,037,741		3,684,247
Interest accrued		11,559		122,085		243,564		377,208
Lease payments		(51,518)		(96,630)		(445,956)		(594,104)
Exchange adjustment		596		(55,372)		-		(54,776)
Carrying value, June 30, 2019		**69,821**		**2,507,405**		**835,349**		**3,412,575**
Fair value, initial measurement		-		-		6,921,494		6,921,494
Interest accrued		6,279		403,069		1,050,377		1,459,725
Lease payments		(44,814)		(42,561)		(1,845,177)		(1,932,552)
Exchange adjustment		2,826		210,756		47,835		261,417
Carrying value, March 31, 2020	**$**	**34,112**	**$**	**3,078,669**	**$**	**7,009,878**	**$**	**10,122,659**
Current portion of lease liability	$	34,112		649,201		1,067,504		1,750,817
Long-term portion of lease liability		-		2,429,468		5,942,374		8,371,842
	$	**34,112**	**$**	**3,078,669**	**$**	**7,009,878**	**$**	**10,122,659**

Capital lease

On November 1, 2018, the Company entered into a 20-month lease agreement to lease equipment. The lease is denominated in US dollars and the Capital lease obligations are payable in monthly instalments of $6,443 (US$4,865), due at the beginning of each month. At the end of the 20-month term, there is a buy-out option on the equipment for US$1. The Company intends to exercise the buy-out option.

The Company has recorded this lease as a right-of-use asset and lease liability in the statement of financial position as at March 31, 2020. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The Capital lease obligation is secured by the related equipment, having a net book value of $67,503 as at March 31, 2020 (June 30, 2019: $87,381).

		March 31, 2020		June 30, 2019
Obligation under capital lease	**$**	**34,112**	$	69,821

13. Lease Obligations (Continued)

Capital lease (Continued)

Future minimum lease payments related to obligations under capital lease are as follows:

2020	$	20,706
less: imputed interest		(398)
	$	**20,308**

Industrial lease

On April 17, 2019, the Company entered into a 15-year lease agreement to lease a real property located in Los Angeles, California. The lease is denominated in US dollars and the Industrial lease obligations are payable in monthly instalments on the following schedule, due at the beginning of each month:

	$
Months 1 – 36	42,561
Months 37 – 72	46,817
Months 73 – 108	51,499
Months 109 – 144	56,649
Months 145 – 180	62,314

Up until July 31, 2019, there was a buy-out option on the equipment for US$2,000,000. The Company intended to exercise the buy-out but was denied due to the lessors' decision not to permit the Company to exercise its option. This is currently under arbitration (Note 19).

The Company has recorded this lease as a right-of-use asset and lease liability in the statement of financial position as at March 31, 2020. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The Industrial lease obligation is secured by a security deposit of $42,561 (US$30,000) (June 30, 2019: $39,729) and the Company's Los Angeles licenses with a book value of $9,870,710 as at March 31, 2020 (June 30, 2019: $9,870,710).

		March 31, 2020		June 30, 2019
Obligation under industrial lease	**$**	**3,078,669**	$	2,507,405

Future minimum lease payments related to obligations under industrial lease are as follows:

current	$	851,220
long-term		8,375,307
		9,226,527
less: imputed interest		(6,147,858)
	$	**3,078,669**

Real estate lease

The Company has entered into various real estate leases for its retail stores, distribution centers and support offices. These leases are secured by security deposits of $866,316 (June 30, 2019: $866,316).

		March 31, 2020		June 30, 2019
Obligation under industrial lease	**$**	**7,009,878**	$	835,349

(Expressed in Canadian dollars, Unless Noted Otherwise)

13. Lease Obligations (Continued)

Real estate lease (Continued)

Future minimum lease payments related to obligations under industrial lease are as follows:

current	$	2,337,087
long-term		9,395,827
		11,732,914
less: imputed interest		(4,723,036)
	$	**7,009,878**

14. Promissory Notes

		Promissory Note 1 (a)		Promissory Note 2 (b)		Promissory Note 3 (c)		Promissory Note 4 (d)		Total
Balance, June 30, 2018	**$**	**2,670,471**	**$**	**2,710,885**	**$**	**132,188**	**$**	**–**	**$**	**5,513,544**
Repayments		–		(1,302,356)		–		–		(1,302,356)
Transfer balance to new note		–		(1,471,015)		–		1,471,015		–
Finance cost – interest		257,194		26,712		1,693		82,621		368,220
Interest payment		(291,214)		–		–		(82,621)		(373,835)
Foreign exchange adjustment		(4,714)		35,774		–		(28,570)		2,490
Extinguishment		(2,631,737)		–		–		–		(2,631,737)
Balance, June 30, 2019		**–**		**–**		**133,881**		**1,442,445**		**1,576,326**
Repayments		–		–		–		(1,364,838)		(1,364,838)
Finance cost – interest		–		–		5,415		–		5,415
Foreign exchange adjustment		–		–		–		64,263		64,263
Balance, March 31, 2020	**$**	**–**	**$**	**–**	**$**	**139,296**	**$**	**141,870**	**$**	**281,166**

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 (the “CLLC”), as part of the terms of the agreement to acquire the Los Angeles Licenses. (Note 12(ii)). The note accrued interest at a rate of 12% per annum. Interest was payable monthly in arrears. Principal and any unpaid interest accrued on the note was due and payable on April 17, 2019. On April 17, 2019, the Company entered into an Industrial Lease agreement (Note 13) with the CLLC, and under the terms of this agreement, the promissory note was extinguished and certain property relinquished back to the CLLC. The Company recognized a gain of $830,762 (2018: $Nil) in relation to this revised agreement. During the year ended June 30, 2019, the Company recorded $257,194 as interest expense in relation to this note and paid $291,214 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 11(i)). The note accrued 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 had 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 was due and payable no later than July 31, 2018 (paid), and US$1,050,000 of the note was 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 with the initial payment of US$1,000,000, and US$25,000 with the second payment of US$1,050,000.

(Expressed in Canadian dollars, Unless Noted Otherwise)

14. Promissory Notes (Continued)

On October 9, 2018, the Company further amended the terms of the note, whereby US$1,050,000 of the note was 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$8,500.

On April 17, 2019, the Company entered into a new note for $1,471,015 (US$1,103,371), representing the balance and accrued interest of this note. During the year ended June 30, 2019, the Company recorded $26,712 as interest expense in relation to this note.

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, 2020, the Company recorded 5,415 (June 30, 2019: $1,693) as interest expense in relation to this note (Note 18).

d) On April 17, 2019, the Company entered into an unsecured promissory note agreement for $1,471,015 (US$1,103,371) with two arm's length individuals, for the balance and accrued interest of Promissory Note 2(b). The note accrues interest at a rate of 27.52% per annum. Principal and unpaid interest on the note was due and payable on June 30, 2019. During the period ended March 31, 2020, the Company recorded $Nil (June 30, 2019: $82,621) as interest expense in relation to this note and paid $Nil in accrued interest. The Company subsequently paid US$1,003,371 of this note.

15. Convertible Debenture

		March 31, 2020		June 30, 2019
Debentures issued	**$**	**1,325,000**	$	2,000,000
Less equity component		**(192,770)**		(396,459)
Liability component of debenture issued before adjustments		**1,132,230**		1,603,541
Adjustments – expensed to finance costs:				
Accretion of liability		**332,604**		363,450
Accrued interest		**372,040**		368,064
Interest paid		**(413,027)**		(191,250)
Liability component of debentures		**1,423,847**	$	2,143,805
Opening balance, liability component of debenture		**4,305,241**		2,161,436
Closing balance, liability component of debentures	**$**	**5,729,088**	$	4,305,241
Liability component of debentures, current	**$**	**2,145,811**	$	2,519,459
Liability component of debentures, non-current		**3,583,277**		1,785,782
Liability component of debentures, total	**$**	**5,729,088**	$	4,305,241

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.

15. Convertible Debenture (Continued)

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.

On August 14, 2019, the Company issued unsecured convertible debentures for gross proceeds of $1,325,000. 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 $1,325,000 debentures were as follows:

- Maturity on August 14, 2021 unless earlier redeemed or converted.
- Interest at 10% per year, calculated and paid semi-annually.
- The principal amount of the debenture is convertible into units of the Company at a price of $0.65 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 14, 2021 at a price of $1.00.
- If at any time after December 15, 2019, the daily volume weighted average trading price of the Company's common shares is greater than $1.10 per share for 10 consecutive trading days, the Company may, at its option, convert the debenture at the conversion price.

16. Share Capital

a) Authorized

100,000,000 common shares without par value

100,000,000 preferred shares

Nine months ended March 31, 2020

During the nine months ended March 31, 2020, 2,016,500 shares were issued pursuant to the exercise of incentive stock options. Said stock options were exercised for gross proceeds of $403,300.

16. Share Capital (Continued)

c) Issued (common shares)

The Company issued 2,414,562 units for gross proceeds of $362,184 pursuant to a private placement. 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 $0.30 for a period of 12 months from the date of closing of the private placement. 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 $47,275 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, 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.

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 fair value of the finder's warrants is $36,681 and was estimated using the Black-Scholes pricing model on the date of issuance The finder's warrants are exercisable for a period of two years from the date of closing at a price of $0.85.

16. Share Capital (Continued)

b) Issued (common shares) (Continued)

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.

The Company closed a non-brokered private placement, issuing 3,534,898 units at a price of $0.65 per unit for gross proceeds of $2,297,683. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of two years from the date of closing of the private placement, subject to certain acceleration and adjustment provisions. 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 $606,376 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 brokered private placement, issuing 3,561,202 subscription receipts at a price of $0.65 per unit for gross proceeds of $2,314,781. Each subscription receipt automatically converted into 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 $1.00 for a period of two years from the date of closing of the private placement, subject to certain acceleration and adjustment provisions. The Company paid cash finder's fees of $473,980, other share issuance costs of $177,635, and issued 342,915 compensation options in connection with the private placement. The compensation options are exercisable for a period of two years from the date of closing to acquire one common share and one share purchase warrant of the Company at a price of $0.65. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of two years from the date of closing. The fair value of the compensation options is $82,547 and was estimated using the Black-Scholes pricing model on the date of issuance. 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 $620,711 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.

As at March 31, 2020, there were Nil shares (June 30, 2019: 2,769,231 shares) issued that were not fully paid for subscriptions receivable of $Nil (June 30, 2019: $1,818,005) in relation to the private placements (Note 4).

c) Escrow

As at March 31, 2020, the Company's transfer agent held 25,000 (June 30, 2019: 25,000) shares in escrow. The release of these shares is subject to regulatory approval.

d) Subscription received and refundable

As at March 31, 2020, the Company received $Nil (June 30, 2019: $462,487) from an investor pursuant to a capital commitment agreement (Note 18) for which shares have not been issued at March 31, 2020. The balance of $462,487 (June 30, 2019: $462,487) remains as subscriptions received.

As at March 31, 2020, the Company had a subscription refundable of $7,500 (June 30, 2019: $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

Share-based payments

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.

(Expressed in Canadian dollars, Unless Noted Otherwise)

16. Share Capital (Continued)

e) Share-based payments and warrants (Continued)

Share-based payments (Continued)

The following tables summarize stock option transactions during the period ended March 31, 2020 and year ended June 30, 2019:

	Number of Options	Weighted Average Exercise Price $
Outstanding, June 30, 2018	6,200,000	0.51
Granted	500,000	0.83
Exercised	(150,000)	0.20
Cancelled	(625,000)	0.59
Outstanding, June 30, 2019	**5,925,000**	**0.50**
Exercisable, June 30, 2019	**5,925,000**	**0.50**

	Number of Options	Weighted Average Exercise Price $
Outstanding, June 30, 2019	5,925,000	0.50
Granted	7,150,000	0.65
Exercised	(2,016,500)	0.20
Expired	(568,500)	0.15
Outstanding, March 31, 2020	**10,490,000**	**0.68**
Exercisable, March 31, 2020	**9,680,000**	**0.62**

The following table summarizes the stock options outstanding at March 31, 2020:

Number of Options Outstanding	Ranges of Exercise Price $	Weighted Average Life to Expiry In Years	Weighted Average Exercise Price $
675,000	0.20	0.61	0.20
300,000	0.20	1.19	0.20
450,000	0.22	1.54	0.22
200,000	0.61	2.11	0.61
300,000	0.40	2.59	0.40
300,000	0.62	2.66	0.62
200,000	1.55	2.84	1.55
800,000	1.35	3.15	1.35
100,000	1.35	3.27	1.35
200,000	0.70	3.90	0.70
6,965,000	0.65	4.29	0.65
10,490,000		**3.58**	**0.68**

During the period ended March 31, 2020, the Company granted a total of 7,150,000 (2018: 100,000) stock options with an aggregate fair value of the vested options determined to be $2,875,025 (2018: $106,953).

(Expressed in Canadian dollars, Unless Noted Otherwise)

16. Share Capital (Continued)

e) Share-based payments and warrants (Continued)

Share-based payments (Continued)

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 $0.45 (2018: $1.07) per share. 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, 2020	1.51%	0%	128.22%	5 years
March 31, 2019	1.79% - 2.04%	0%	154.50% - 158.23%	5 years

Share purchase warrants

The following tables summarize share purchase warrants during the period ended March 31, 2020 and year ended June 30, 2019:

	Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life In Years
Outstanding, June 30, 2018	6,097,955	2.23	1.69
Issued	10,173,888	1.03	1.76
Cancelled	(800,000)	1.50	–
Expired	(45,000)	2.00	–
Balance, June 30, 2019	**15,426,843**	**1.48**	**2.06**

	Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life In Years
Outstanding, June 30, 2019	15,426,843	1.48	1.43
Issued	2,414,562	0.30	0.93
Expired	(1,591,911)	0.76	–
Balance, March 31, 2020	**16,249,494**	**1.34**	**1.42**

The following table summarizes the share warrants outstanding and exercisable at March 31, 2020:

Number of Warrants Outstanding and Exercisable	Exercise Price $	Weighted Average Life to Expiry In Years
2,680,000	2.735	3.02
1,663,730(1)	2.50	1.05
132,315(1)	2.50	1.10
362,359	1.50	0.53
15,000	1.50	0.53
1,742,837	0.85	0.95
142,592	0.85	0.95
3,534,898	1.00	1.24
3,561,201	1.00	1.25
2,414,562	0.30	0.93
16,249,494	**1.34**	**1.42**

(Expressed in Canadian dollars, Unless Noted Otherwise)

16. Share Capital (Continued)

e) Share-based payments and warrants (Continued)

Share purchase warrants (Continued)

(1) During the year ended June 30, 2019, the Company amended the terms of 1,796,045 warrants, extending the warrants expiration date by two years.

Compensation options

The following table summarizes compensation options during the period ended March 31, 2020 and year ended June 30, 2019:

	Number of Compensation Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life In Years
Outstanding, June 30, 2018	–	–	–
Issued	342,915	0.65	1.50
Balance, June 30, 2019 and March 31, 2020	**342,915**	**0.65**	**1.50**

17. Related Party Transactions

The Company incurred the following charges from directors for former 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, **2020**	Nine months ended March 31, 2019
William MacLean (CEO)	**$ 285,000**	$ 135,000
Nash Meghji (director, former CEO)	**9,000**	9,000
Stephen Pearce (CFO, director)	**168,000**	18,000
Alfred Kee (former COO)	**97,646**	112,500
Justin Turnquist (director)	**9,000**	9,000
Krystian Wetulani (director)	**90,000**	–
Myron Van Snick (COO, City Cannabis Corp.)	**90,000**	–
	$ 748,646	$ 283,500

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, 2020	Year ended June 30, 2019
	$ (6,720)	$ (6,720)
Flying A Petroleum Ltd.	**$ (6,720)**	$ (6,720)

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

	Nine months ended March 31, 2020	Year ended June 30, 2019
William MacLean (CEO)	**$ 27,731**	**$ 21,983**
Stephen Pearce (CFO, director)	**146,274**	**80,423**
Nash Meghji (director, former CEO)	**9,000**	**60,000**

(Expressed in Canadian dollars, Unless Noted Otherwise)

17. Related Party Transactions (Continued)

	Nine months ended March 31, 2020	Year ended June 30, 2019
Alfred Kee (former COO)	**–**	**1,136**
Justin Turnquist (director)	**24,000**	**15,000**
SAN Management Ltd. (company controlled by CFO)	**176,914**	**76,914**
Krystian Wetulani (City Cannabis Corp. director)	**1,541**	**1,541**
	$ 385,460	**$ 256,997**

During the period ended March 31, 2020, 4,500,000 (June 30, 2019: Nil) incentive stock options were granted to directors and officers. Of these options, 4,140,000 (June 30, 2019: Nil) have vested with a fair value of $1,877,382 (June 30, 2019: $Nil).

18. 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 14).
- Issued 2,680,000 share purchase warrants (Note 16).

At March 31, 2020, the Company held $462,487 (June 30, 2019: $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.

19. 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 11(i)). 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 $425,610 (US $300,000) (June 30, 2019: $392,610) plus $58,116 (US$40,964) (June 30, 2019: $32,904) in interest payable as this was the legal counsel's estimate of the outcome of the lawsuit.

During the year ended June 30, 2019, the Company commenced arbitration related to disagreements over the terms of various agreements entered into with respect to the Licenses acquired in Los Angeles (Note 11(i)). Claims by the vendors are considered to be without merit and the Company has made various counter claims include the vendors' decision not to permit the Company to exercise its option to purchase the property pursuant to a lease agreement where the licenses are located (Note 13). The outcome of this arbitration is not determinable and an estimate of any contingent gain/loss arising from this action cannot be made at this time.

(Expressed in Canadian dollars, Unless Noted Otherwise)

20. Commitments

The Company has entered long-term arrangements with commitments for the years ending June 30 as follows:

	2020	2021	2022	2023	2024
	$	$	$	$	$
Office rent	396,838	289,419	140,340	131,782	-
Store leases	2,111,913	2,118,244	2,150,184	2,174,000	1,501,383
Total	2,508,751	2,407,663	2,290,524	2,305,782	1,501,383

21. 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.

22. 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, 2019				
Cash	1,556,883	-	-	1,556,883
Marketable Securities	10,150	-	-	10,150
Convertible debentures	-	4,305,241	-	4,305,241
Obligations under capital lease	-	69,821	-	69,821
Obligations under industrial lease	-	2,507,405	-	2,507,405
Obligations under real estate lease				
	1,567,033	6,882,467	-	8,449,500

(Expressed in Canadian dollars, Unless Noted Otherwise)

22. Financial Instruments (Continued)

a) Fair value measurements (Continued)

	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
March 31, 2020				
Cash	284,840	-	-	284,840
Convertible debentures	-	5,729,088	-	5,729,088
Obligations under capital lease	-	34,112	-	34,112
Obligations under industrial lease	-	3,078,669	-	3,078,669
Obligations under real estate lease	-	7,009,878	-	7,009,878
	284,840	15,851,747	-	16,136,587

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, obligations under capital lease and obligations under industrial lease are 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, 2020, the Company believes that the carrying values of accounts receivable, due from related parties, accounts payable and accrued liabilities, obligations under capital lease, obligations under industrial lease, 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

Credit risk
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 maximum credit exposure at March 31, 2020 is the carrying amount of cash, amounts receivable, and due from related party.

The Company's cash is held primarily through large Canadian financial institutions.

Credit risk is generally limited for receivables from retail and online customers as most of its sales are transacted with cash or major credit cards. Credit risk from wholesale customers is assessed on a annual basis and an allowance for doubtful accounts is recorded where required. The Company assesses risk of collectability on a annual basis. Overdue amounts are balances aged over 90 days. Any overdue amounts are deemed uncollectable and considered impaired. As of March 31, 2020, $Nil (June 30, 2019: $354,803) was deemed impaired.

The Company's aging of trade receivable was as follows as of March 31, 2020 and June 30, 2019:

	March 31, 2020	June 30, 2019
0 – 30 days	**365,640**	296,458
30 – 60 days	**37,162**	63,233
61 – 90 days	**112,850**	52,999
Over 90 days	**142,715**	297,642
Less: allowance for doubtful accounts	**–**	(354,803)
	$ 658,367	$ 355,529

22. Financial Instruments (Continued)

b) Financial risks

The Company recognized further allowances on $Nil (June 30, 2019: $245,436) on long-term trade receivables and $Nil (June 30, 2019: $549,419) on a receivable due from a payment processor as their collectability is not certain.

Liquidity risk
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. 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, 2020, 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, 2020, $5,755,290 of the parent Company's liabilities are in US funds. A 1% change in the Canadian/US dollar exchange rate would result in a $57,553 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, 2020, 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.

23. Segmented Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and the executive management in assessing performance and in determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

Operating Segment
The Company's operations are limited to a single industry segment, being the acquisition, exploration and development of mineral properties.

Geographic Segments
As at March 31, 2020, the Company's operations and assets are located in Canada and the USA.

(Expressed in Canadian dollars, Unless Noted Otherwise)

23. Segmented Information (Continued)

By geographic areas, the Company's revenues for the period ended March 31, 2020 and year ended June 30, 2019 are as follows:

		March 31, 2020		June 30, 2019
Canada	**$**	**12.994.515**	$	115,437
USA		**4,180,841**		6,969,786
	$	**17,175,356**	$	7,085,223

By geographic areas, the Company's non-current assets as at March 31, 2020 and June 30, 2019 are as follows:

		March 31, 2020		June 30, 2019
Canada	**$**	**46,178,276**	**$**	38,896,477
USA		**13,685,568**		13,052,144
	$	**59,863,844**	**$**	51,948,621

24. Subsequent Events