CALIFORNIA GOLD MINING INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED MAY 31, 2019 and 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of California Gold Mining Inc. have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, Expressed in Canadian Dollars)

		May 31 2019		August 31 2018
ASSETS				
Current assets				
Cash	**$**	**241,319**	$	825,051
HST recoverable, accrued interest and amounts receivable		**19,330**		62,320
Prepaid expenses		**219,478**		368,398
Total current assets		**480,127**		1,255,769
Other assets				
Property, plant and equipment (note 4)		**6,543,642**		6,322,245
Total assets	**$**	**7,023,769**	$	7,578,014
EQUITY AND LIABILITIES				
Current liabilities				
Amounts payable and other liabilities (notes 10)	**$**	**438,529**	$	290,487
Total current liabilities		**438,529**		290,487
Equity				
Share capital (note 5)		**23,756,151**		22,692,596
Reserves (note 11)		**11,535,715**		11,416,585
Accumulated other comprehensive loss		**185,217**		(33,709)
Accumulated deficit		**(28,891,843)**		(26,787,945)
Total equity		**6,585,240**		7,287,527
Total equity and liabilities	**$**	**7,023,769**	$	7,578,014

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

Nature of operations and going concern (note 1)

Subsequent Events (note 13)

Approved on behalf of the Board:

Signed “*Vishal Gupta*”, Director

Signed “*Pat Cronin* “, Director

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited, Expressed in Canadian Dollars)

	Three months ended May 31		Nine months ended May 31	
	2019	**2018**	**2019**	**2018**
Operating expenses	**$**	**$**	**$**	**$**
Exploration costs expensed (note 3)	**25,739**	536,958	**303,845**	1,914,821
Investor relations	**84,720**	147,212	**256,258**	547,608
Property taxes	**3,320**	607	**80,234**	81,055
Professional fees	**267,847**	70,888	**653,626**	208,198
Salaries and wages	**26,499**	35,277	**73,570**	174,168
Management fees (note 10)	**61,750**	61,750	**185,250**	185,251
Occupancy costs	**45,349**	41,264	**123,445**	146,259
Share-based payments (note 6 and 10)	**95,050**	-	**285,150**	-
Shareholder information and compliance	**21,607**	17,132	**64,638**	88,399
Interest and bank charges	**10,004**	1,098	**14,836**	17,316
Depreciation (note 4)	**10,077**	10,488	**28,135**	31,041
Insurance	**8,570**	7,936	**25,710**	23,290
Other general and administrative	**1,317**	(1,029)	**4,429**	16,386
Loss on foreign exchange	**(3,430)**	10,268	**4,772**	28,043
Net loss for the period	**(658,419)**	(939,849)	**(2,103,898)**	(3,461,835)
Other comprehensive loss for the period				
Items that will be reclassified to profit or loss				
Foreign exchange translation	**165,315**	11,840	**218,926**	136,509
Net comprehensive loss for the period	**(493,104)**	(928,009)	**(1,884,972)**	(3,325,326)
Basic and diluted net loss per share (note 7)	**(0.01)**	(0.02)	**(0.04)**	(0.08)
Weighted average number of common shares outstanding (basic and diluted)	**55,262,846**	47,601,005	**55,052,387**	43,253,912

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

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, Expressed in Canadian Dollars)

	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Operating activities		
Net loss for the period	**$ (2,103,898)**	$ (3,461,835)
Adjustments for non-cash items:		
Depreciation	**28,135**	31,041
Share-based compensation	**285,150**	-
Changes in non-cash working capital		
HST recoverable, accrued interest and amounts receivable	**42,990**	(30,343)
Prepaid expenses	**148,918**	(41,544)
Amounts payable and other liabilities	**148,042**	(484,253)
Net cash used in operating activities	**(1,450,663)**	(3,986,934)
Investing activity		
Purchase of property, plant and equipment	**(24,334)**	-
Net cash used in investing activity	**(24,334)**	-
Financing activity		
Issue of securities, net of costs	**897,535**	4,697,086
Loan proceeds (repayment)	**-**	(400,000)
Subscription proceeds received	**-**	(205,000)
Net cash provided by financing activity	**897,535**	4,092,086
Net change in cash and cash equivalents	**(577,462)**	105,152
Effect of foreign currency translation	**(6,270)**	(63,521)
Cash and cash equivalents, beginning of the period	**825,051**	218,493
Cash and cash equivalents, end of the period	**$ 241,319**	$ 260,124

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

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, Expressed in Canadian Dollars)

Equity attributable to shareholders

	Number of shares	Share capital	Reserves (note 11)	Accumulated other comprehensive income(loss)	Accumulated deficit	Total equity
	#	$	$	$	$	$
Balance August 31, 2017	**32,178,949**	**17,846,354**	**10,336,355**	**(287,338)**	**(22,722,456)**	**5,172,915**
Private placements (note 5 (i),(ii) and (iii))	17,662,500	4,866,000	-	-	-	4,866,000
Valuation of warrants	-	(869,000)	869,000	-	-	-
Transaction costs	-	(206,319)	22,405	-	-	(183,914)
Net loss and comprehensive loss of period	-	-	-	136,509	(3,461,835)	(3,325,326)
Balance, May 31, 2018	**49,841,449**	**21,637,035**	**11,227,760**	**(150,829)**	**(26,184,291)**	**6,529,675**
Private placements (note 5 (iv))	5,202,000	1,300,500	-	-	-	1,300,500
Valuation of warrants	-	(177,720)	177,720	-	-	-
Transaction costs	-	(67,219)	11,105	-	-	(56,114)
Net loss and comprehensive loss of period	-	-	-	117,120	(603,654)	(486,534)
Balance, August 31, 2018	**55,043,449**	**22,692,596**	**11,416,585**	**(33,709)**	**(26,787,945)**	**7,287,527**
Exercise of warrants (note 5 (v))	1,795,070	897,535	-	-	-	897,535
Fair market value from exercise of warrants		166,020	(166,020)	-	-	-
Share-based payments	-	-	285,150	-	-	285,150
Net loss and comprehensive loss of period	-	-	-	218,926	(2,103,898)	(1,884,972)
Balance, May 31, 2019	**56,838,519**	**23,756,151**	**11,535,715**	**185,217**	**(28,891,843)**	**6,585,240**

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

1. Nature of operations and going concern

California Gold Mining Inc. ("California Gold" or the "Corporation"), which, prior to April 11, 2013 was named Upper Canada Gold Corporation and prior to January 29, 2010 was named Washmax Corp. On February 9, 2010, the Corporation's shares commenced trading on the TSX Venture Exchange under the symbol "UCC" and on April 15, 2013, the Corporation's symbol was changed to "CGM". Effective June 2, 2016, the Corporation continued to the Business Corporations Act (Ontario) from the Business Corporations Act (Alberta) where the Corporation was initially incorporated on September 17, 1998. On March 25, 2019, the Company's common shares begin trading under symbol "CGM" on the Canadian Stock Exchange and ceased trading on the TSX Venture Exchange. The Corporate office is located at Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, Canada, M5X 1E3.

On January 29, 2010, the Corporation acquired the Dingman Property and became a junior exploration company engaged in the acquisition, exploration and development of mineral resource properties. On March 1, 2013, the Corporation purchased a fee simple interest (subject to a 3% net smelter royalty) in approximately 3,351 acres of land located 15 miles north of the town of Mariposa, California which the Corporation has previously referred to as the Pine Tree Property and that is now referred to as the Fremont Property (note 3(b)). The Corporation has not earned any income from operations.

For the nine months ended May 31, 2019, the Corporation incurred a loss of $2,103,898 and had an accumulated deficit of $28,891,843. As at May 31, 2019, the Corporation had working capital of $41,598. These factors indicate the existence of material uncertainties that cast significant doubt regarding the Corporation's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Corporation may need to raise additional financing. These condensed interim consolidated financial statements have been prepared on the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Corporation be unable to continue operations.

2. Significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements of the Corporation have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation reported in Note 2 in its audited annual consolidated financial statements for the year ended August 31, 2018. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The accounting policies have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements were authorized by the Board of Directors on July 26, 2019.

(b) Basis of presentation

These condensed interim consolidated financial statements are presented in Canadian dollars. The condensed interim consolidated financial statements are prepared on the historical cost basis.

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(Unaudited, Expressed in Canadian Dollars)

(c) Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Corporation and its subsidiaries: Washmax (Weston) Ltd, California Gold Mines (US) Inc. and Fremont Gold Mining LLC. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Corporation. All significant intercompany transactions and balances have been eliminated on consolidation.

(d) New accounting standards and interpretations

Recent accounting pronouncements
IFRS 16 – Leases (IFRS 16) was issued in January 2016 by the IASB. IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

(e) Adoption of IFRS 9 – Financial Instruments ("IFRS 9")

The Corporation adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of September 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Corporation's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of reserves on September 1, 2018.

The table below shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/ liabilities	**Original Classification IAS 39**	**New classification IFRS 9**
Cash	Loans and receivables	Financial asset at amortized cost
Receivables	Loans and receivables	Financial asset at amortized cost
Trade payables	Other financial liability	Financial liability at amortized cost

The following is the Corporation's new accounting policy for financial instruments under IFRS 9:

Classification
The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Corporation determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Corporation's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Corporation has opted to measure them at FVTPL.

Measurement

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains or losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the condensed interim consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the condensed interim consolidated statements of comprehensive loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Corporation measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Corporation shall recognize in the condensed interim consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Corporation derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the condensed interim consolidated statements of comprehensive loss.

Financial liabilities

The Corporation derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the condensed interim consolidated statements of comprehensive loss.

(Unaudited, Expressed in Canadian Dollars)

3. Exploration and evaluation expenditures on mineral properties

a) Dingman Property:

Costs incurred on the mineral interests for the Dingman Property for the nine months ended May 31, 2019 and 2018 are summarized as follows:

	2019	2018
Exploration costs	$ 2,700	$ 5,982

Total cumulative costs incurred on the Dingman Property as of May 31, 2019 are summarized as follows:

Acquisition costs	$ 2,139,055
Exploration costs	1,220,227
Land access fees	85,500
Finder fee	25,000
	$ 3,469,782

b) Fremont Property

On March 1, 2013, the Corporation completed the acquisition of a fee simple interest (subject to a 3% net smelter royalty) of 3,351 acres of land in Mariposa County, California known as the Fremont Property. The purchase was completed through the Corporation's wholly owned subsidiary, Fremont Gold Mining LLC. The purchase price consisted of aggregate consideration to the Vendor of US$5,120,000 of which US$4,999,949 was paid on closing. The Corporation also paid a third party an aggregate finder's fee of US$303,600 of which US$253,600 was paid on closing. On the basis of an appraisal commissioned by the Corporation and dated June 20, 2013, the purchase price paid upon closing of US$4,999,949 was allocated as follows:

Land	US$4,650,000
Building	US$160,000
Acquisition expense	US$189,949

Costs incurred on the fee simple interest for the Fremont Property for the nine months ended May 31, 2019 and 2018 are summarized as follows:

		2019		2018
Exploration and development expenditures	$	301,145	$	1,908,839

Total cumulative costs incurred on the Fremont Property as of May 31, 2019 are summarized as follows:

Acquisition and improvement costs	$	5,885,901
Exploration and development costs		9,824,199
	$	15,710,100

(Unaudited, Expressed in Canadian Dollars)

4. Property, plant and equipment

Cost	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	$	$	$	$	$	$	$	$	$
Balance, August 31, 2017	**14,216**	**8,927**	**19,687**	**18,804**	**49,723**	**129,504**	**220,029**	**5,842,256**	**6,303,146**
Disposal	-	-	-	-	(43,592)	-	-	-	(43,592)
Effect of foreign exchange adjustment	137	-	294	263	1,107	5,324	9,109	241,874	258,108
Balance, August 31, 2018	**14,353**	**8,927**	**19,981**	**19,067**	**7,238**	**134,828**	**229,138**	**6,084,130**	**6,517,662**
Disposal	-	-	-	-	24,334	-	-	-	24,334
Effect of foreign exchange adjustment	124	-	268	239	739	4,842	8,284	216,970	231,466
Balance, May 31, 2019	**14,477**	**8,927**	**20,249**	**19,306**	**32,311**	**139,670**	**237,422**	**6,301,100**	**6,773,462**

Accumulated depreciation	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	$	$	$	$	$	$	$	$	$
Balance, August 31, 2017	**6,177**	**8,927**	**13,167**	**13,635**	**38,683**	**57,604**	**46,006**	**-**	**184,199**
Disposal	-	-	-	-	(36,814)	-	-	-	(36,814)
Depreciation	1,606	-	1,979	1,565	3,377	21,982	8,409	-	38,918
Effect of foreign exchange adjustment	80	-	164	210	872	2,837	4,951		9,114
Balance, August 31, 2018	**7,863**	**8,927**	**15,310**	**15,410**	**6,118**	**82,423**	**59,366**	**-**	**195,417**
Depreciation	1,165	-	1,248	1,079	3,907	12,002	8,734	-	28,135
Effect of foreign exchange adjustment	82	-	181	204	298	3,188	2,315		6,268
Balance, May 31, 2019	**9,110**	**8,927**	**16,739**	**16,693**	**10,323**	**97,613**	**70,415**	**-**	**229,820**

Net carrying value	Furniture and Fixtures	Leasehold improvements	Computer equipment	Computer Software	Vehicles	Field equipment	Building	Land	Total
	$	$	$	$	$	$	$	$	$
August 31, 2017	**8,039**	**-**	**6,520**	**5,169**	**11,040**	**71,900**	**174,023**	**5,842,256**	**6,118,947**
August 31, 2018	**6,490**	**-**	**4,671**	**3,657**	**1,120**	**52,405**	**169,772**	**6,084,130**	**6,322,245**
May 31, 2019	**5,367**	**-**	**3,510**	**2,613**	**21,988**	**42,057**	**167,007**	**6,301,100**	**6,543,642**

5. Share capital

a) Authorized share capital

Unlimited number of voting common shares
Unlimited number of non-voting first preferred shares
Unlimited number of non-voting second preferred shares

b) Equity activity

(i) On September 21, 2017, the Corporation completed a non-brokered private placement consisting of a total of 8,000,000 units ("Units") at a price of $0.25 per Unit, for gross proceeds of $2,000,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. The fair value of common share purchase warrants issued in this placement was estimated at $380,000.

The Corporation incurred cash transaction costs of $82,682. Finders fees associated with this financing included $28,700 in cash and 114,800 warrants valued at $10,905. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. Of the gross proceeds received, $205,000 was received before August 31, 2017 and were presented as subscription proceeds received as at August 31, 2017.

Insiders subscribed for a total of 2,090,000 Units as part of this offering.

(ii) On November 20, 2017, the Corporation completed a non-brokered private placement consisting of a total of 3,002,500 units ("Units") at a price of $0.40 per Unit, for gross proceeds of $1,201,000. Each Unit is comprised of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.75. The fair value of common share purchase warrants issued in this placement was estimated at $285,240

The Corporation incurred cash transaction costs of $51,108. Finder's fees associated with this financing included an aggregate of $9,170 in cash and 22,925 warrants valued at $2,180. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.75.

Insiders subscribed for a total of 1,250,000 Units as part of this offering.

(iii) On March 12 and April 27, 2018, the Corporation completed two tranches of a non-brokered private placement for a total of 6,660,000 units ("Units") at a price of $0.25 per Unit, for gross proceeds of $1,665,000. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. The fair value of common share purchase warrants issued in this placement was estimated at $230,620.
The Corporation incurred cash transaction costs of $50,123. Finder's fees associated with this financing included an aggregate of $38,924 in cash and 153,200 warrants valued at $10,650. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50.

Insiders subscribed for a total of 2,000,000 Units as part of this offering.

(Unaudited, Expressed in Canadian Dollars)

(iv) On August 14 and August 30, 2018, the Corporation completed two tranches of a non-brokered private placement for a total of 5,202,000 units ("Units") at a price of $0.25 per Unit, for gross proceeds of $1,300,500. Each Unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50. The fair value of common share purchase warrants issued in this placement was estimated at $177,720.

The Corporation incurred cash transaction costs of $67,219. Finder's fees associated with this financing included an aggregate of $45,236 in cash and 168,940 warrants valued at $11,105. Each whole warrant is exercisable into one common share of the Corporation for a period of 24 months from the date of issue at an exercise price of $0.50.

(v) On May 7, 2019, the Company announced that it accelerated the expiry dates of all outstanding common share purchase warrants of the company issued pursuant to the financings of the Company that were completed on March 12, 2018, April 28, 2018, August 14, 2018, and August 30, 2018.

The total number warrants exercised during the period May 7, 2019 to May 31, 2019 were 1,795,070. A total of 1,795,070 common shares were issued which generated gross proceeds of $897,535. The fair market value adjustment from the exercise of warrants was $166,020 which increased the share capital and decreased warrant reserves.

Refer to Subsequent Events Note 13 for total warrants exercised up to the accelerated expiry date of June 6, 2019.

6. Stock options

On May 14, 2018, the shareholders of the Corporation approved an amendment to its stock option plan (the "Plan") whereby the Corporation is authorized to grant options to purchase up to 10% of the issued and outstanding shares of the Corporation to directors, senior officers, full time employees and/or consultants of the Corporation. The terms of the awards under the Plan are determined by the Board of Directors.

	Number of stock options	Weighted average exercise price) ($)
Balance, August 31, 2017	**1,230,000**	**0.75**
Expired	(450,000)	0.75
Balance, August 31, 2018	**780,000**	**0.75**
Expired	(100,000)	0.75
Granted (i)	4,340,000	0.50
Balance, May 31, 2019	**5,020,000**	**0.53**

(Unaudited, Expressed in Canadian Dollars)

The following table reflects the actual stock options issued and outstanding as of May 31, 2019:

Expiry date	Exercise price[(ii)] ($)	Options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable	Grant date fair value ($)
July 27, 2021	0.75	300,000	2.16	300,000	177,000
July 27, 2021	0.75	20,000	2.16	20,000	11,600
July 27, 2021	0.75	240,000	2.16	240,000	136,800
March 30, 2022	0.75	120,000	2.83	120,000	45,600
November 30, 2023	0.50	4,340,000	4.51	1,446,667	1,140,567
		5,020,000	4.20	2,126,667	1,511,567

(i) On November 30, 2018, the Corporation announced that it granted 4,340,000 options to officers, directors, employees and consultants of the Corporation. Each option is exercisable into one common share at an exercise price of $0.50, vest over a period of two years and has a term of five years. The fair value of the stock options has been determined to be $1,140,560 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 2.27%, dividend yield of 0%, expected stock volatility of 141% and expected life of 5 years.

7. Net loss per common share

The calculation of basic and diluted loss per share for the nine months ended May 31, 2019 was based on the net loss attributable to common shareholders of $2,103,898 (2018 - $3,461,835) and the weighted average number of common shares outstanding of 55,052,387 (2018 – 43,253,912). For the three months ended May 31, 2019, the calculation of basic and diluted loss per share was based on the net loss attributable to common shareholders of $658,419 (2018 - $939,849) and the weighted average number of common shares outstanding of 55,262,846 (2018 – 47,601,005). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

8. Broker warrants

The following table reflects the continuity of broker warrants:

	Number of broker warrants	Grant date fair value ($)
Balance, August 31, 2017	**71,400**	**22,810**
Granted (note 5(b)((i) (ii) (iii) and (iv))	455,865	33,510
Balance, August 31, 2018	**527,265**	**56,320**
Expired	(48,300)	(9,850)
Exercised (Note 5 (v))	(110,070)	(8,038)
Balance, May 31, 2019	**368,895**	**38,432**

(Unaudited, Expressed in Canadian Dollars)

The following table reflects the actual broker warrants issued and outstanding as of May 31, 2019:

Expiry date	**Exercise price ($)**	**Broker warrants outstanding**	**Grant date fair value ($)**
September 8, 2019	1.00	23,100	12,960
September 21, 2019	0.50	104,930	9,967
November 21, 2019	0.75	22,925	2,180
April 28, 2020 (note 5 (v))	0.50	49,000	3,550
August 14, 2020 (note 5 (v))	0.50	114,200	6,600
August 30, 2020 (note 5 (v))	0.50	54,740	3,175
		368,895	38,432

9. Warrants

	Number of warrants	**Grant date fair value, net of issuance costs ($)**
Balance, August 31, 2017	**15,680,612**	**3,317,555**
Issued (notes 5(b) (i) (ii) (iii) & (iv))	12,933,500	1,046,720
Expired	(11,434,207)	(2,198,851)
Balance, August 31, 2018	**17,179,905**	**2,165,424**
Expired	(3,318,500)	(665,669)
Exercised (note 5 (v))	(1,685,000)	(157,982)
Balance, May 31, 2019	**12,176,405**	**1,341,773**

The following table reflects the actual warrants issued and outstanding as of May 31, 2019:

Expiry date	**Exercise price ($)**	**Warrants outstanding**	**Grant Date fair value, net of issuance costs ($)**
September 8, 2019	0.75	360,212	134,475
October 20, 2019	0.75	567,693	318,560
September 21, 2019	0.50	3,670,000	345,830
November 21, 2019	0.75	3,002,500	285,240
March 11, 2020 (note 5(v))	0.50	1,450,000	96,810
April 28, 2020 (note 5(v))	0.50	1,420,000	94,670
August 15, 2020 (note 5(v))	0.50	1,100,000	32,538
August 30, 2020 (note 5(v))	0.50	606,000	33,650
		12,176,405	1,341,773

The fair values of the warrants issued during the year ended August 31, 2018 were estimated using the Black-Scholes option pricing model with the following assumptions:

	Year Ended August 31, 2018
Risk free interest rate	1.45 – 2.14%
Expected dividend yield	Nil
Expected volatility	84-94%
Expected life	2 years

(Unaudited, Expressed in Canadian Dollars)

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Corporation's warrants at the date of issue.

10. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The Corporation did not have any new transactions with related parties during the nine months ended May 31, 2019 and , 2018, except for those noted in Note 5 (b) – Share Capital Transactions.

Remuneration of key management personnel of the Corporation was as follows:

	Nine months ended May 31, 2019	Nine months ended May 31, 2018
Short-term benefits	**$ 197,247**	$195,247
Share based payments	**267,300**	-
	$464,547	$195,247

As at May 31, 2019, the Corporation owed key management personnel $25,000 (May 31, 2018- $220,000) which is included in accrued liabilities.

11. Reserves

As of:	**May 31, 2019**	August 31, 2018
Warrants	**$ 1,341,773**	$ 2,165,424
Broker warrants	**38,432**	56,320
Contributed surplus	**10,155,510**	9,194,841
	$11,535,715	$11,416,585

12. Financial Instruments and capital management

The Corporation is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash held in its bank account. The majority of cash is held in a bank account with a major bank in Canada. As the Corporation's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

As at May 31, 2019, the Corporation had a cash balance of $241,319 (August 31, 2018 - $825,051) to settle current liabilities of $438,529 (August 31, 2018 - $290,487). The Corporation does not have sufficient cash reserves to fund its administrative costs and fully fund all project development initiatives for the coming twelve month period, and to repay its liabilities to trade creditors and debt holders. Historically, the Corporation's source of funding has been the issuance of equity securities for cash, primarily through private placements as well as a loan facility. The Corporation's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

All of the Corporation's financial liabilities as at May 31, 2019 are due within one year of the financial period end date.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Corporation's subsidiaries located in the United States of America ("USA") are exposed to currency risk as it incurs expenditures that are denominated in USA dollars ("US$"), which is the currency in the USA while its functional currency is the Canadian dollar. The Corporation does not hedge its exposure to fluctuations in foreign exchange rates.

The following is an analysis of Canadian dollar equivalent of financial assets and liabilities that are denominated in US$:

	May 31 2019	**August 31 2018**
Cash and cash equivalents	$ 27,240	$74,025
Trade payables	(170,510)	(43,990)
Net Exposure	$ (143,270)	$30,035

Based on the above net exposures, as at May 31, 2019, a 10% change in the US$ exchange rate would impact the Corporation's net loss by $14,327 (August 31, 2018 – ($3,004)).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At May 31, 2019, the Corporation does not have any financial instruments recorded that bear interest at variable rates and therefore interest rate risk is not considered significant.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows. All of the financial assets are reflected at amortized costs:

	May 31 2019	**August 31 2018**
Financial assets at amortized cost:		
Cash	$241,319	$825,051
Receivables	$19,330	$62,320

Financial liabilities included in the statement of financial position are as follows. All of the financial liabilities are reflected at amortized costs:

	May 31 2019	**August 31 2018**
Financial liabilities at amortized cost:		
Trade payables	$438,529	$290,487

Fair value

The condensed interim consolidated statements of financial position carrying amounts for cash, receivables and trade payables, approximate fair value due to their short-term nature.

The following provides a description of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash and other receivables fall under Level 1. There were no transfers between levels during the period.

Capital Management

The Corporation's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Corporation consists of share and working capital.

There were no changes in the Corporation's approach to capital management during the year and the Corporation is not subject to any externally imposed capital requirements.

13. Subsequent Events

Warrant Exercise
On May 7, 2019, the Company announced that it accelerated the expiry dates of all outstanding common share purchase warrants of the Company issued pursuant to the financings of the Company that were completed on March 12, 2018, April 28, 2018, August 14, 2018, and August 30, 2018.

The total number warrants exercised during the period May 7, 2019 to June 6, 2019 were 4,588,070. A total of 4,588,070 common shares were issued which generated gross proceeds of $2,294,035. The warrants exercised as of May 31, 2019 which totaled 1,795,070 are included in the total above.

Purchase of Illinois land Package
On July 17, 2019, the Company announced that it had completed the purchase of a private 82.42-acre contiguous parcel of agricultural farm land in Kendall County, Illinois (the "Grove Road Farm") and has commenced outdoor cultivation of high-CBD industrial hemp biomass on approximately 40 acres. For further information please refer to the Company's Management Discussion and & Analysis and related press release.

Secured Loan
On July 17, 2019, the Company announced that the US$3.0 million credit facility previously announced in a press release on April 3, 2019 has now been secured from Toronto-based alternative credit firm Romspen Investment Corporation ("Romspen"). The credit facility is secured be a first lien against Fremont Property.

The use of proceeds from the Romspen credit facility includes an initial advance of US$1.5 million that was used to purchase of the Grove Road Farm in Kendall County, Illinois and for working capital for the outdoor cultivation operation. The remaining US$1.5 million will be used for the development of a greenhouse-based seed propagation operation on the Fremont property in Mariposa County, California. For further information please refer to the Company's Management Discussion and & Analysis and related press release.