CubicFarm Systems Corp.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

Page

Independent Auditor's Report

To the Shareholders of CubicFarm Systems Corp.:

Opinion

We have audited the consolidated financial statements of CubicFarm Systems Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

MNP LLP

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ronald D. Miller.

MNP LLP

Vancouver, British Columbia

November 14, 2019 Chartered Professional Accountants

CubicFarm Systems Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	June 30, 2019	June 30, 2018
		$	$
Assets			
Current			
Cash & Cash Equivalent	7	9,900,987	2,509,946
Restricted Cash	7.1	310,000	-
Trade & Other Receivables	8	969,920	15,682
Inventory	9	225,635	1,524,701
Prepaid expenses & Deposits	10	1,699,048	429,244
		13,105,590	4,479,573
Non-current			
Property, Plant and Equipment	11	3,132,936	98,295
Promissory note, associate	12	269,132	-
Investment in Associate	12	546,541	-
Intangible Assets	13	1,048,295	50,000
Total assets		18,102,494	4,627,868
Liabilities			
Current			
Trade & Other Payables	14	1,259,761	255,177
Customer Deposits	16	2,280,305	883,692
Warranty Provision		388,649	-
Total liabilities		3,928,715	1,138,869
Equity			
Share Capital	21	22,740,341	5,622,938
Shares issuable		-	-
Equity Reserves		1,411,110	213,109
Deficit/Surplus		(9,977,672)	(2,347,048)
Total equity		14,173,779	3,488,999
Total liabilities and equity		18,102,494	4,627,868
Commitments	19		
Subsequent events	26		

Approved on behalf of the Board

"John Hoekstra"
Director

"Daniel Burns"
Director

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

(Expressed in Canadian dollars)

	Notes	For the year ended June 30, 2019	June 30, 2018
		$	$
Sales			
Systems		**5,356,031**	-
Cost of sales			
Systems		**4,076,833**	-
Gross margin		**1,279,198**	-
Operating and General Admin expenses	17	**4,119,200**	1,073,646
Warranty expense		**468,108**	-
Selling expenses		**127,211**	21,041
Research & Development		**2,458,234**	59,965
Share based compensation	22	**481,480**	213,109
		7,654,233	**1,367,761**
Loss before other income (expense)		**(6,375,035)**	(1,367,761)
Other income (expense)			
Finance income		**75,732**	-
Finance expense		**(15,984)**	(583)
Foreign exchange gain(loss)		**4,713**	(26,552)
Gain on disposal of PPE		**8,967**	-
Loss on investment in associate		**(22,051)**	-
Public listing		**(560,587)**	-
Bad Debt expense		**(746,379)**	-
		(1,255,589)	(27,135)
Total loss and comprehensive loss for the period		**(7,630,624)**	(1,394,896)
Earnings (loss) per share	25		
Basic		**$ (0.11)**	$ (0.02)
Diluted		**$ (0.11)**	$ (0.02)

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

CubicFarm Systems Corp.

Consolidated Statements of Changes in Equity

For the year ended June 30, 2019 and June 30, 2018

(Expressed in Canadian dollars)

	Common Share capital	*Preferred Share capital*	*Equity Reserves*	*Deficit*	*Total equity*
Balance, June 30, 2017	**$ 402,971**	**$ 575,029**	**$ -**	**$ (952,152)**	**$ 25,848**
Net loss for the period				$ (1,394,896)	$ (1,394,896)
Share-based payments			$ 213,109		$ 213,109
Issuance of shares, net of share issuance costs	$ 1,695,163	$ 2,949,775			$ 4,644,938
Balance, June 30, 2018	**$ 2,098,134**	**$ 3,524,804**	**$ 213,109**	**$ (2,347,048)**	**$ 3,488,999**
Net loss for the period	-		-	$ (7,630,624)	$ (7,630,624)
Share-based payments	-		$ 1,584,668	-	$ 1,584,668
Conversion of Preferred Shares	$ 3,524,804	$ (3,524,804)			
Issuance of shares to settle accounts payable	2,402,740		-	-	2,402,740
Issuance of shares, net of share issuance costs	$ 14,714,663		$ (386,667)	-	$ 14,327,996
Balance, June 30, 2019	**$ 22,740,341**	**$ -**	**$ 1,411,110**	**$ (9,977,672)**	**$ 14,173,779**

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

CubicFarm Systems Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	For the Year ended June 30, 2019	June 30, 2018
	$	$
Cash provided by (used for) the following activities		
Operating activities		
Total loss for the period	**(7,630,624)**	(1,394,896)
Depreciation & Amortization	**381,924**	18,128
Gain on disposal of property, plant and equipment	**(8,967)**	-
Provision for bad debt and bad debt written off	**747,890**	
Non-cash Research and COGS	**1,265,930**	-
Provision on long term associate	**10,600**	-
Share-based payments	**1,304,353**	213,109
Increase in restricted cash	**(310,000)**	-
Loss on investment in associate	**22,051**	-
Interest income	**(75,732)**	-
	(4,292,575)	(1,163,659)
Changes in working capital accounts		
Trade and other receivables	**(1,684,119)**	(14,145)
Inventories	**(225,635)**	(1,524,701)
Prepaid expenses and deposits	**(1,269,804)**	(429,244)
Trade and other payables	**1,004,584**	49,820
Customer deposits	**1,396,613**	883,692
Warranty provision	**388,649**	-
	(389,712)	(1,034,578)
Investing activities		
Purchases of property, plant, and equipment	**(1,482,077)**	(13,298)
Intangible assets	**-**	(50,000)
Promissory note, associate	**(848,323)**	-
Interest Income	**75,732**	
	(2,254,668)	(63,298)
Financing activities		
Shares issued for cash, net of share issue costs	**14,327,996**	4,644,938
Proceeds from Demand Loan	**1,605,000**	
Payment of Demand Loan	**(1,605,000)**	
	14,327,996	4,644,938
Increase (decrease) in cash and cash equivalents	**7,391,041**	2,383,403
Cash and cash equivalents, beginning of period	**2,509,946**	126,543
Cash and cash equivalents, end of period	**9,900,987**	2,509,946

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

CubicFarm Systems Corp.

Notes to Consolidated Financial Statements

For the year ended June 30, 2019 and June 30, 2018

1. Reporting entity

CubicFarm Systems Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on October 8, 2015. The Company is domiciled in Canada and its principal address is 9449-202 Street, Unit 117, Langley, BC, V1M 4A6.

The Company is a start-up agriculture technology and vertical farming company. The Company, through its subsidiaries, develops and employs a modular growing system with patented technology (the "System") to provide high-quality, predictable crop yields for farms around the world. In addition, the Company leverages its technology by creating joint ventures with partner farms and by operating its own facility in Pitt Meadows, British Columbia.

2. Statement of compliance

These consolidated financial statements for the year ended June 30, 2019 & June 30, 2018 have been prepared in accordance with Part I of the chartered Professional Accountants of Canada (CPA) Handbook-International Financial Reporting Standard (IFRS). The consolidated financial statements comply with IFRS as issued by International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issuance by the Board of directors of the company on November 14, 2019.

3. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings or issue equity from third parties sufficient to meet current and future obligations. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the company were unable to continue its operations.

4. Basis of preparation

Basis of measurement

The consolidated financial statements are presented in Canadian dollars. They are prepared on a historical cost basis, with the exception of Promissory note, associate, which is measured at fair value (note 12).

Certain prior period numbers have been reclassified in order to conform to current period presentation. All amounts are presented in Canadian dollars, unless otherwise stated.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollar, which is the functional currency of the Company and each of its subsidiaries. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(Expressed in Canadian dollars, unless otherwise stated.)

4. Basis of preparation (continued)

Significant accounting judgements, estimates and assumptions

The preparation of the company's consolidated financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements and accompanying notes.

Areas involving significant estimates and judgements are the estimated fair value of long-term note receivable, useful life of property, plant and equipment and intangible assets, provision for warranty claims, provision for bad debts, classification of joint arrangements, and assumptions in respect to Black-Sholes option pricing model inputs in calculating share-based compensation expense.

Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

5. Summary of significant accounting policies

Except as noted below, the following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Basis of consolidation

These consolidated financial statements incorporate the financial information of the Company and its subsidiaries as at June 30, 2019 & June 30, 2018. Subsidiaries are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

All significant intercompany amounts and transactions between the Company and its subsidiaries have been eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Total comprehensive income is attributed to the owners of the parent and to the non controlling interests even if this results in the non-controlling interests having a deficit balance.

The principal subsidiaries of the Company and joint arrangements to which it is a party were as follows at June 30, 2019:

Subsidiary name	Location	Interest	Classification and accounting method	Principal activity
CubicFarm Manufacturing Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Manufacture of cubic farming systems
CubicFarm Innovation Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Research on new technologies for cubic farming systems
CubicFarm Produce Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Growth and sale of produce
CubicFarm Services Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Purchase of materials for growth and sale of produce
CubicFarm Capital Corp.	BC, Canada	100%	Subsidiary; Consolidation method	Investment company
Swiss Leaf Farms Ltd.	AB, Canada	50%	Equity method	Growth and sale of produce

The accounting policies applied by the Company in these consolidated financial statements are the same as those applied by the Company in its audited consolidated financial statements as at and for the year ended June 30, 2018,

(Expressed in Canadian dollars, unless otherwise stated.)

5. Summary of significant accounting policies (continued)

except for the adoption of new standards and interpretations effective as at July 1, 2018 as disclosed in note 6 and including the following:

Revenue recognition

The Company adopted IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The Company applied the modified retrospective method for adopting IFRS 15 and, therefore, the comparative information has not been restated and continues to be reported under IAS 18 *Revenue*. Under the modified approach, the cumulative effect of initially applying IFRS 15 was not material and therefore resulted in no adjustment to the opening retained earnings.

The Company changed its accounting policy for revenue recognition upon adoption of IFRS 15 as detailed below.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by First In First Out (FIFO) method. Cost comprises all costs of purchases, cost of conversion and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling costs.

Accounts receivable

Accounts receivable are reviewed for collectability at each reporting period. If it is determined that it is probable that the receivable will not be collected, an allowance for doubtful accounts is recognized and bad debt expense is charged to income.

Property, plant, and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. All assets having limited useful lives are depreciated using either the declining balance method or the straight-line method over their estimated useful lives. Internally constructed assets are depreciated from the time an asset is available for use. Half year rule has been applied to the assets acquired in the current year.

The methods of depreciation and depreciation rates applicable to each class of asset during the current and comparative period are as follows:

	Method	**Rate**
Equipment	Declining balance	15%
Production equipment (Containers)	Straight line	10 years
Other Production Equipment (Non-Containers)	Straight line	3 years
Leasehold Improvement	Straight line	5 years
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%

5. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets include patents and development costs. The development costs are being amortized straight-line over the first 500 units produced. Patent is amortized over the useful life of individual patent. The range of useful life is from 13 to 16 years

Foreign currency translation

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share based compensation

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Warranty provision

The company provides warranties for defects in material and workmanship for the Systems it sells. The estimated costs related to warranties are accrued at the time the Systems are sold. These estimates are established using historical information from similar industries on the nature, frequency, and average cost of claims of each product and assumptions about future activity and events. Revisions are made when necessary and are based on changes in these factors.

Income tax & deferred tax

Taxation on the profit or loss for the year comprises of current and deferred tax.

Taxation is recognized in profit or loss except to the extent that the tax arises from a transaction or even which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the year end and includes any adjustments to tax payable in respect of previous years.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Where an asset has no deductible or depreciable amount for income tax purposes but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

5. Summary of significant accounting policies (continued)

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets are reviewed at each statement of financial position and adjusted to the extent that it is no longer probable that the related tax benefit will be realized.

Any changes in deferred tax assets or liabilities are recognized as part of tax expense or income in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity in which case the related deferred tax is also recognised in other comprehensive income (loss) or equity, respectively.

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows). If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

Impairment of financial asset

The company recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contact and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Related parties' transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be

5. Summary of significant accounting policies (continued)

related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

6. Adoption of new and amended accounting standards

IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes related to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgement to assess the effectiveness of a hedging relationship. Special transactional requirements have been set for the application of the new general hedging model.

The Company adopts IFRS 9 in its financial statements for the annual period beginning on July 1, 2018. New requirements for the classification and measurement of financial assets and financial liabilities in IFRS 9 did not have a major impact on the Company's consolidated financial statements.

The classification changes are summarized in the following table:

			IFRS 9 Carrying value as at July 1, 2018
	IAS 39	IFRS 9	$
Financial assets			
Cash and cash equivalents	Loans and receivables	Amortized cost	2,509,946
Accounts receivable	Loans and receivables	Amortized cost	15,682
Financial liabilities			
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost	255,177

Derecognition of financial assets and financial liabilities

Financial assets

The Company 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 statements of loss and comprehensive loss.

Financial liabilities

The Company 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

6. Adoption of new and amended accounting standards (continued)

Derecognition of financial assets and financial liabilities (continued)

the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The Company applied the modified retrospective method for adopting IFRS 15 and, therefore, the comparative information has not been restated and continues to be reported under IAS 18 *Revenue*. Under the modified approach, the cumulative effect of initially applying IFRS 15 was not material and therefore resulted in no adjustment to the opening retained earnings.

The Company changed its accounting policy for revenue recognition upon adoption of IFRS 15 as detailed below.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

Sale of goods and services

Revenue from the sale of goods and/or services is in general recognized when the Company satisfies a performance obligation and control of the goods and/or services is transferred from the seller to the buyer. A performance obligation is a good or service or a series of goods and services that are distinct.

A contract with various distinct goods and services is considered to have multiple performance obligations for which revenue is recognized as each performance obligation is satisfied. In determining satisfaction of the performance obligation and point of revenue recognition, the Company considers the terms of the underlying contract including, but not limited to, shipping terms, transfer of title and risk of loss, and acceptance.

Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time the product is shipped.

Standards issued by not yet effective

The IASB periodically issues new standards and amendments to existing standards. The following new accounting standards are those that the Company considers relevant to the Company now or in the future. It is not intended to be a complete list of new pronouncements made.

IFRS 16 Leases

IFRS 16, issued in January 2016, introduces a single lessee accounting model that 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. The standard will supersede IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements.

(Expressed in Canadian dollars, unless otherwise stated.)

6. Adoption of new and amended accounting standards (continued)

IAS 28 Investment in associates with joint ventures

Amendments to IAS 28 were issued in October 2017 to clarify the accounting for long-term interests in associates or joint ventures. The amendments clarify that IFRS 9 *Financial Instruments,* including its impairment requirements, apply to long-term interests in an associate or joint venture to which the equity method is not applied. The amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not expect the amendments to have a material impact on its consolidated financial statements.

7. Cash & cash equivalent

	June 30, 2019	June 30, 2018
	$	$
Cash & Cash Equivalent	**9,900,987**	2,509,946
	9,900,987	2,509,946

7.1 Restricted Cash

Company has restricted cash to the extent of $310,000 as on year ended June 30, 2019 which is the amount in GIC for the guarantee of Letter of Credit. The guarantee will expire on Nov 30, 2019 upon which it will be converted to cash and cash equivalent.

8. Accounts receivable

As is typical in the agriculture sector, the Company may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue, as well as an analysis of overdue amounts.

	June 30, 2019	June 30, 2018
	$	$
Trade accounts receivable	**362,588**	15,682
Note receivable	**205,874**	-
Interest receivable	**12,352**	-
Less: Provision for loss on Note Receivable & Interest Receivable	**(218,226)**	-
Goods and services tax receivable	**231,881**	-
Other Receivable	**375,451**	
	969,920	15,682

Out of this receivable 50% is receivable from Nu Skin Enterprise Inc. ("Nu Skin"). Other Receivable consists of reimbursement of expenses by the customer.

In January 2019, the Company accepted a short-term promissory note in the amount of $205,874 from its associate (note 12) in exchange of the same amount of accounts receivable from associate. The note is payable in full on February 1, 2020 and bears an interest rate of 1% per month. The company has fully provided for the short-term

(Expressed in Canadian dollars, unless otherwise stated.)

8. Accounts receivable (continued)

receivable from associate and related interest receivable on it considering the inability of the associate to pay off by the due date of loan.

The amount of $49,548 was provided for allowance for bad debt related to related party & $849 for other customers. Further $479,267 was written-off for customers.

9. Inventory

	June 30, 2019	June 30, 2018
	$	$
Systems – in progress	140,604	1,524,701
Seeds and other supplies	47,720	-
Packaging and other	37,311	-
	225,635	**1,524,701**

System – in progress is the container in hand available for sale by the company. Other inventory consists of seeds and other supplies and packaging materials for sale of produce.

10. Prepaid expenses

	June 30, 2019	June 30, 2018
	$	$
Deposits for Systems inventory	1,648,288(i)	429,244
Prepaid expenses and deposits, other	50,759	-
	1,699,048	**429,244**

(i) Current practice of company is to send deposit to company's supplier of container and only after deposit is paid in full the shipment of containers is done by the supplier. The balance in the account is related to that. There is no critical terms and this deposit does not expire.

(Expressed in Canadian dollars, unless otherwise stated.)

11. Property, plant, and equipment

	Production Equipment	Other Production Equipment	Leasehold Improvement	Furniture and fixtures	Other equipment	Construction In Progress	Computer Equipment	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance June 30, 2018	-	-	-	13,299	121,405	-	-	134,704
Additions	1,534,779 (ii)	599,483 (ii)	165,980 (ii)	23,529	181,190	677,780(i)	104,351	3,287,092
Disposals	-	-	-	(13,299)	-	-	-	(13,299)
Balance June 30, 2019	**1,534,779**	**599,483**	**165,980**	**23,529**	**302,595**	**677,780**	**104,351**	**3,408,497**
Accumulated depreciation								
Balance June 30, 2018	-	-	-	2,660	33,749	-	-	36,409
Depreciation	71,096	109,390	16,598	3,949	26,737		15,638	243,408
Disposals	-	-	-	(4,256)		-	-	(4,256)
Balance June 30, 2019	**71,096**	**109,390**	**16,598**	**2,353**	**60,486**	-	**15,638**	**275,561**
Net book value, June 30, 2019	**1,463,683**	**490,093**	**149,382**	**21,176**	**242,109**	**677,780**	**88,713**	**3,132,936**
Net book value, June 30, 2018	**0**	**0**	**0**	**10,639**	**87,656**	**0**	**0**	**98,295**

(i) Construction in progress is the work in progress existing on the containers to be installed in Pitt Meadows facility as expansion.

(ii) The Company reassigned the use of Systems in progress from inventory to property, plant and equipment with a total value of $1,524,701. Also $280,315 was the share-based compensation pertaining to a vendor related to systems in progress allocated to Production Equipment.

12. Investment in associate

During the year months ended June 30, 2019, the Company acquired 50% of the shares of Swiss Leaf Farms Ltd. ("Swiss Leaf"). Swiss Leaf is a farming operation in Alberta committed to growing fresh, clean, pesticide free produce.

The Company contributed $848,323 in total, which consisted of $120 in share capital and balance in shareholder loan. The shareholders loan is in a form of an unsecured, non-interest-bearing promissory note, repayable in full on February 1, 2024. The fair value of the promissory note at June 30, 2019 was determined to be $269,132. The rate of 25% is considered as the discounting rate as the promissory note is related to the unsecured loan and 25% is considered a required rate of return any venture capital investor will want on their investment. Allowance of $10,600 has also been provided for the promissory note.

The investment in associate has been accounted for by the equity method and as such was initially recognized at cost. The carrying amount was then adjusted to recognize the Company's share of the net income in Swiss Leaf subsequent to the acquisition. At June 30, 2019, the investment in Swiss Leaf has a carrying amount of $546,541.

(Expressed in Canadian dollars, unless otherwise stated.)

13. Intangible assets

Intangible assets include patents and development costs. During the year ended June 30, 2019, the Company capitalized $1,136,810 of development costs related to the production of the molds for manufacturing of the Systems. These development costs are being amortized straight-line over the first 500 units produced. The company recorded $131,870 of amortization expense in relation to development cost. Patent is amortized over the useful life of individual patent.

	Patent	Development Assets	Total
Cost	**$**	**$**	**$**
30-Jun-18	0	0	0
Additions	50,000	1,136,810	1,186,810
Disposals	0	0	0
30-Jun-19	**50,000**	**1,136,810**	**1,186,810**
Accumulated Amortization			
30-Jun-18	0	0	0
Amortization	6,645	131,870	138,515
Disposals	0	0	0
30-Jun-19	**6,645**	**131,870**	**138,515**
Net book value, June 30, 2019	**43,355**	**1,004,940**	**1,048,295**

14. Trade and other payables

Trade and other payables consist of:

	June 30, 2019	June 30, 2018
	$	**$**
Trade Payable	769,596	256,716
GST Payable	0	(1,539)
WCB Payable	10,838	-
PST Payable	10,002	-
Accrued Expenses	469,325	-
Ending balance	**1,259,761**	**255,177**

No single vendor is more than 11% of total trade and other payable balance so there is no concentration on a single vendor.

15. Demand loan

The Company had secured debt facilities with BMO – Bank of Montreal of $1,605,000. The facilities bear interest at prime plus 0.5% (prime at March 31, 2019 - 3.95%). As at May 8, 2019 it was paid in full. The facility was guaranteed by certain directors of the company.

(Expressed in Canadian dollars, unless otherwise stated.)

16. Customer deposits

Customer deposits consist of funds paid by customers for Systems based on the sales agreement. The customer may cancel the order prior to shipping of the equipment, subject to the following restocking fees. If the customer cancels the order prior to manufacturing of the equipment has commenced, the customer shall pay a restocking fee equal to ten percent (10%) of the purchase price. If the customer cancels the order thereafter and prior to shipping of the equipment, the customer shall pay a restocking fee equal to twenty percent (20%) of the purchase price. The order shall not be cancellable after shipping of the equipment. However, there is no external restriction on the use of these deposits and the Company can use this money for any purpose, so it is not reclassed as restricted cash.

	June 30, 2019	June 30, 2018
	$	**$**
Opening balance	883,692	-
Plus deposits received	4,129,699	883,692
Less deposits recognized into revenue	(2,733,086)	-
Less deposits refunded	-	-
Ending balance	**2,280,305**	883,692

17. Operating & general admin expenses

	June 30, 2019	**June 30, 2018**
	$	**$**
Depreciation and Amortization	381,924	18,128
Consulting	1,531,320	349,688
Insurance	13,700	0
Operational Supplies	37,622	0
Salary, Wages and benefits	1,045,866	160,462
Travel & Accommodation	170,197	0
Repair and Maintenance	149,801	2,792
Office & general	198,611	101,315
Professional fees	305,884	310,574
Marketing & advertising	177,538	86,225
Travel & investor relations	91,039	44,462
Regulator Fees	15,698	0
	4,119,200	**1,073,646**

18. Related party transactions

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

Transactions with entities with significant influence over the Company

Rent was paid to Bevo Farms with significant influence over the Company in the amount of $132,784.72 for the year ended June 30, 2019. For the year end June 30, 2018 rent paid was $58,600.

(Expressed in Canadian dollars, unless otherwise stated.)

18. Related party transactions (continued)

Key management compensation

Key management of the Company are members of the board of directors and officers of the company. The company paid and/or accrued the following compensation to key management during the reporting periods:

	Year Ended June 30, 2019	Year Ended June 30, 2018
	$	$
Wages and consulting fees	626,410	223,500
Share-based compensation	397,456	208,665
	1,023,219	432,165

Company has made 50% investment in Swiss Leaf Farms Ltd. Details of the investment is provided in Note 12. The accounts receivable with Swiss Leaf is $3,001 and $6,994 is payable to Swiss Leaf

On January 28, 2019 the Company completed a private placement with a strategic investor - Nu Skin. Nu Skin purchased 9,953,913 of the Company's common shares at a price of $1.00463 per share for total gross proceeds of $10,000,000. The Company incurred share issuance costs of $34,048 in legal fees and $601,199 for strategic advisory services in connection with the Nu Skin private placement.Pursuant to the Investment Agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest, this right is available to Nu Skin for so long as it owns not less than 8% of the Company's shares. On May 8, 2019 Nu Skin agreed an additional purchase of 767,503 shares at price of $1.00463.

Accounts Receivable & Other Receivable from Nu Skin total to $487,254 and there is nothing payable to Nu Skin.

19. Commitments

As at June 30, 2019, the Company had contractual obligations as follows:

	Within 1 year	**1-5 years**	**Over 5 years**	**Total**
	$	$	$	$
Purchase orders, Systems	458,716	-	-	458,716
Corporate operating leases	93,727	30,000	-	123,727
	552,443	**30,000**	**-**	**582,443**

20. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, trade payables, customers deposits, demand loan and amounts due from an associate. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

20. Financial instruments (continued)

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

Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at June 30, 2019, the Company did not have any financial instruments measured at fair value, except for long-term note receivable from an associate (note 9), categorized within Level 2 of the fair value hierarchy. The Company did not have any financial instruments measured at fair value at June 30, 2018.

The Company is exposed to certain risks relating to its financial instruments. The Company does not use derivative financial instruments to manage these risk exposures. As at June 30, 2019 the primary risks were as follows:

Interest rate risk

The Company has no loan with floating rate. So, interest rate risk is Nil to the company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets it financial obligations as they fall due. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company manages liquidity risk by maintaining enough cash balances to enable settlement of transactions on the due date. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining enough cash to meet anticipated needs.

Credit risk

Credit risk is the risk of loss if a third party to a financial instrument fails to meet its commercial obligations. As at June 30, 2019, one customer accounted for 50% of the accounts receivable. The Company believes there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments on its customers and provides allowances for potentially uncollectible accounts receivable.

Foreign currency risk

The Company enters into transactions denominated in US dollars for which the related revenues, expenses, accounts receivable, and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2019, the following items are denominated in US dollars:

	June 30, 2019	June 30, 2018
	$	$
Cash	**455,646**	1,316
Accounts receivable	**492,431**	-
Accounts payable	**(43,205)**	(332)
Customer deposits	**(585,600)**	(417,200)
Net exposure	**319,151**	(416,216)

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the only foreign currency the company transacts in is USD and it is not

(Expressed in Canadian dollars, unless otherwise stated.)

20. Financial instruments (continued)

Foreign currency risk (continued)

subject to significant variance, the company has not made any special arrangements to reduce the related currency risk. Net exposure is negative as on June 30, 2019 as compared to previous year.

A 10% increase or decrease in the US dollar exchange rate would not have a material impact on the Company's net loss.

21. Share capital

On December 19, 2018, the Company completed an approved share subdivision of the Company's issued and outstanding common and preferred shares on the basis of one pre-subdivision common shares to forty-six post-subdivision shares. The share subdivision affects all issued and outstanding common and preferred shares & share purchase options. All information relating to basic and diluted loss per share (note 25), issued and outstanding common and preferred shares, share purchase options (note 22), and per share amounts in these consolidated financial statements have been adjusted retrospectively to reflect the share subdivision

(a) Issued and outstanding shares

Common shares have no par value, carry one vote per share and carry a right to dividends.

		June 30, 2019		June 30, 2018	
	Number of authorized shares	**Number of shares**	**$**	**Number of shares**	**$**
Common shares	Unlimited	**84,179,714**	**22,740,341**	60,103,186	2,098,134
Convertible Preferred shares	Unlimited	**-**	**-**	4,266,868	3,524,804
Total		**84,179,714**	**22,740,341**	64,370,054	5,622,938

(b) Issued and outstanding common shares

	Number of shares	Share capital
Common shares		**$**
Balance at June 30, 2018	**60,103,186**	**2,098,134**
Private placements (i), (ii)	13,462,691	13,525,038
Cash share issuance costs	-	(43,343)
Options exercised (iii)	2,300,000	447,500
Net proceeds from issuance of common shares	-	16,027,329
Preferred shares converted to common shares	7,175,448	5,927,544
Shares issued for services	1,138,389	1,000,000
Non-cash share issuance costs		(601,199)
Transfer from equity reserves		386,667
Balance June 30, 2019	**84,179,714**	**22,740,341**

(Expressed in Canadian dollars, unless otherwise stated.)

21. Share capital (continued)

(i) Financing arrangement with Nu Skin referred to in Note 18.

(ii) On March 15, 2019 the Company completed a private placement of 2,741,275 common shares at a price of $1.00463 per share for aggregate proceeds of $2,753,982. The Company incurred share issuance costs of approximately $9,295 in legal fees.

(iii) On March 15, 2019, the company issued 2,300,000 shares pursuant to an exercise of 2,300,000 share purchase options at $0.195

(b) Issued and outstanding preferred shares
All the preference shares were converted to common shares during the period.

	Number of shares	Share capital
Preferred shares		**$**
Balance at June 30, 2018	**4,266,868**	**3,524,804**
Issued during the period	**2,908,580**	**2,402,740**
Converted to equity Shares during the period	**(7,175,448)**	**(5,927,544)**
Balance June 30, 2019	**0**	**0**

22. Stock options

The Company has an ownership-based compensation plan (“Option Plan”) for key management personnel and employees of the Company. The compensation plan as approved by the shareholders provides the key management personnel and employees with the option to purchase ordinary shares at an exercise price as listed below.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of the options granted is calculated in accordance with the various employee and contractor arrangements. The formula rewards key management personnel and certain contractors to the extent of the Company’s and individual/contractor achievement against qualitative and/or quantitative criteria from including some of the following financial and customer service measures:

- Improvement in share price
- Improvement in EBITDA
- Shipment of Cubic Systems
- Meeting sales targets
- Years of service with the Company.

All options are to be settled by physical delivery of shares.

(Expressed in Canadian dollars, unless otherwise stated.)

22. Stock options (continued)

Share purchase options continuity schedule:

	Number of share purchase options	Weighted average exercise price
		$
Balance, June 30, 2017	-	-
Granted	20,300,766	0.19
Balance, June 30, 2018	20,300,766	0.19
Granted	13,265,000	0.85
Exercised	(2,300,000)	0.19
Surrendered	(1,380,000)	0.83
Forfeited	(230,000)	0.83
Balance, June 30, 2019	**29,655,766**	

The weighted average price of share when it was exercised was $1.00463

Share purchase options outstanding at June 30, 2019:

Grant date - Expiry date	Options Outstanding (#)	Contractual life of options - years	Exercise price $	Options Exercisable (#)
May 3, 2017-April 1 2027	14,130,096	10	0.19	5,434,624
November 1, 2017 - January 30, 2023	230,000	5	0.19	92,000
November 1, 2017 - January 30, 2023	282,670	5	0.19	55,200
November 1, 2017 - January 30, 2023	1,610,000	5	0.19	920,000
November 1, 2017 - January 30, 2023	230,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	230,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	57,500
November 1, 2017 - January 30, 2023	184,000	5	0.19	92,000
November 1, 2017 - January 30, 2023	184,000	5	0.19	46,000
March 20, 2018 - March 30, 2023	115,000	5	0.19	23,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
July 15, 2018 – July 15, 2023	10,120,000	5	0.83	1,030,400
October 15, 2018 – December 15, 2019	46,000	1	0.83	46,000
October 15, 2018 – December 15, 2020	46,000	2	0.83	0
October 15, 2018 – December 15, 2021	46,000	3	0.83	0
October 15, 2018 – December 15, 2022	46,000	4	0.83	0
October 15, 2018 – December 15, 2023	46,000	5	0.83	0
June 18, 2019 –September 15, 2020	300,000	1	1.00	0
June 18, 2019 –September 17, 2020	100,000	1	1.00	25,000
June 18, 2019 – December 15, 2023	905,000	5	1.00	226,667
Total share purchase options	**29,655,766**			**8,600,391**

(Expressed in Canadian dollars, unless otherwise stated.)

22. Stock options (continued)

The fair value of the share purchase options granted during the year months ended June 30, 2019 was calculated using the Black-Scholes option valuation model at the grant date, with the following weighted average assumptions: share price volatility – 75% for all options granted in FY 2018-19, Risk free interest rate – 2.03% (for options granted on 15 July 2018) & 1.33% other options granted in the year, expected dividend yield - $nil, expected forfeiture rate – 20% for employee and -25% for board of directors. For the shares granted in FY 2017-18 share price volatility – 120% Risk free interest rate – 2%, expected dividend yield - $nil, expected forfeiture rate –0% for employee and 0% for board of directors the price range rate for the shares is from $0.19 to $1.00463.

The share-based compensation for the year was $1,584,668 as compare to $213,109 in previous year. Company has appropriately reclassed the amount of share-based compensation related to vendors amounting to $822,873 in income statement, $280,315 in property plant and equipment and the balance of $481,480 is the share-based compensation related to employees and directors of the Company, which is presented in the face of the FS.

23. Deferred tax assets and liability

Tax note for the year ended June 30, 2019

A reconciliation between the effective tax rate on losses from continuing operations and the statutory tax rate is as follows:

	June 30, 2019	June 30, 2018
	$	$
Net loss before tax	(7,630,624)	(1,394,896)
Statutory tax rate	27.0%	26.5%
Expected income tax (recovery)	(2,060,268)	(369,647)
Increase (decrease) in income tax recovery resulting from		
Non-deductible items	314,961	492
Change in tax rates	(0)	16,485
Deferred tax assets not recognised	1,745,307	352,670
Total income tax expense (recovery)	$ -	$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) at June 30, 2019 and 2018 are comprised of the following:

	June 30, 2019	June 30, 2018
	$	$
Non-capital losses carry forward	18,941	-
Promissory note, associate	45,908	
Investment in associate	(45,908)	
Property, plant, and equipment	(18,941)	-
Net deferred tax asset	$ -	$ -

The unrecognized deductible temporary difference at June 30, 2019 and 2018 are comprised of the following:

(Expressed in Canadian dollars, unless otherwise stated.)

23. Deferred tax assets and liability (continued)

Tax note for the year ended June 30, 2019 (continued)

	June 30, 2019	June 30, 2018
	$	$
Non-capital losses	8,432,617	2,215,027
Share issuance costs	964,103	
Property, plant, and equipment	-	59,548
Promissory note, associate	239,234	-
Warranty provision	388,649	-
Intangible assets	103,450	-
	$	$
Total unrecognized deductible temporary differences	10,128,053	2,274,575

The Company has non-capital loss carry forwards of approximately $8,432,617 (2018 - $2,215,027) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Canadian EXPIRY	2019 FS	Total
	2036	24,402	24,402
	2037	838,250	838,250
	2038	1,346,858	1,346,858
	2039	6,223,107	6,223,107
TOTAL		8,432,617	8,432,617

24. Capital management

The company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustment to it considering changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The company monitors capital based on the net equity. Net equity is calculated as total assets less total liabilities.

During the year, the company's strategy, which was unchanged from the prior year, was to maintain net equity as a positive amount. The net equity at June 30, 2019 and June 30, 2018 were as follows:

	2019	2018
Total Assets	**18,102,494**	4,627,868
Total Liabilities	**(3,928,715)**	(1,138,869)
Net Equity	**14,173,779**	3,488,999

(Expressed in Canadian dollars, unless otherwise stated.)

25. Earning per share

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year adjusting for the effect of dilutive convertible preferred shares and share options.

The earnings used in the calculation for all diluted earnings per share measures are the same as those for the equivalent basic earnings per shares measures, as outlined below.

The weighted average numbers of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

At year end diluted earnings per share is reported at the same value as basic earnings per share due to the anti-dilutive effect as the company is in a loss position.

	June 30, 2019	**June 30, 2018**
	$	**$**
Numerator:		
Net Income	(7,630,624)	(1,394,896)
Denominator:		
Weighted-average basic shares outstanding	72,494,921	60,085,752
Effect of dilutive securities (nil due to anti-dilutive nature)	0	0
Weighted-average diluted shares	72,494,921	60,085,752
Basic earnings per share	(0.11)	(0.02)
Diluted Earnings per share	(0.11)	(0.02)

26. Events occurring after the reporting period

(a) On July 9, 2019 the company was listed in TSX Venture Exchange (“TSX.V”) with symbol CUB.

Management's Discussion and Analysis

For the year ended June 30, 2019

Dated: November 14, 2019

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of the operations of CubicFarm Systems Corp., (the "Company" or "CubicFarms") constitutes management's review of the factors affected the Company's financial and operating performance as at and for the year ended June 30, 2019 and June 30, 2018. This MD&A is prepared by management and should be read in conjunction with the Company's audited consolidated financial statements and notes thereto related to the year ended June 30, 2019 and June 30, 2018.

The effective date of this MD&A is on November 14, 2019.

Unless otherwise specified, all financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts herein are expressed in Canadian dollars unless stated otherwise.

In this discussion, unless otherwise indicated, a reference to the business and operations of the Company includes the business and operations of CubicFarm Systems Corp. and its wholly owned subsidiaries: CubicFarm Manufacturing Corp., CubicFarm Innovation Corp., CubicFarm Services Corp., CubicFarm Produce (Canada) Corp., and CubicFarm Capital Corp.

Additional information, including news releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available under the Company's profile at www.sedar.com

Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements. These statements are based on the beliefs of management as well as assumptions made by and information currently available to the Company. When used in this document, the words "plans", "forecasts", "budgets" "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or management, are intended to identify forward-looking statements. Such forward-looking statements include, but are not limited to statements related to future sales of machines (in particular under the heading "Forward-Looking Guidance", statements regarding the Company's ability to close sales in the current sales pipeline, continue generating revenues, scale its operations, available funds and use and principal purpose of available funds, and its ability to raise sufficient financing, if and when necessary, to continue its operations. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors including, but not limited to, financial, operational, environmental and political risks, general equity and market conditions. The outcome of these factors may cause the actual results and performance of the Company to be materially different from any plans or results expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, however, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward looking information will not be updated unless required by law or securities regulations. For a comprehensive list of the risks and uncertainties applicable to the Company, refer to Item 21 of the Company's application for the listing of its common shares on the TSX Venture Exchange ("TSXV") available at www.sedar.com.

About the Company and Nature of Business

The Company was incorporated under the Business Corporations Act of British Columbia on October 8, 2015. The Company is domiciled in Canada and its principal address is 9449-202 Street, Unit 117, Langley, BC, V1M 4A6.

The Company listed its common shares of the Company on the TSXV as a Tier 1 in July 2019. The Company's common shares trade on the TSXV in Canada under the symbol "CUB".

The Company is an agriculture technology and vertical farming company and through its wholly owned subsidiaries, develops, employs and sells modular growing systems with patented technology (the "System") to provide high-quality, predictable crop yields for farms around the world. In addition, the Company leverages its technology by creating joint ventures with partner farms and by operating its own facility in Pitt Meadows, British Columbia. CubicFarms' System addresses the two most difficult challenges in the vertical farming industry - high electricity and labor costs - using unique undulating path technology.

The System is a low-cost solution that enables farmers to grow high value crops, year-round, in close proximity to consumers, even in areas with limited access to water and arable land. The System uses less water, labour and land than traditional farming. The Company believes that the System grows better crops with higher yields at lower cost, delivering better profit margins and profits for farmers. Through this proprietary technology and its time-tested industry expertise, the Company helps its partner farms develop a sustainable local competitive advantage while providing consumers with fresh locally grown vegetables and other products.

Highlights Subsequent to the Year Ended June 30, 2019

On November 6, 2019, the Company announced that it has entered into a global Reseller Agreement (the "Agreement") with Groviv, a leader in the science and technology of controlled-environment agriculture (CEA). Groviv, a division of Nu Skin Enterprises - a minority investor in CubicFarms - will lead global sales for CubicFarms and has appointed Joe Huston, its Vice President of Business Development to direct the effort. Mr. Huston has extensive retail sales and distribution experience, working with brands such as Walmart, Kroger and Costco.

On October 28, 2019, the Company announced that its ZenCube, its vertical-farming machine for growing hemp and cannabis, is fully operational at a showcase and R&D facility in Langley, Canada.

On October 8, 2019, the Company announced that finalized an agreement for the sale of a large scale commercial CubicFarm system in Montana, USA and received the initial deposit from the customer. CubicFarms is pleased to announce the sale of its second commercial-scale farm in the US, in the State of Montana. The system's plan includes 18 CubicFarms patented growing machines, 2 patented germination machines, along with Cubic's proprietary supporting irrigation system. At approximately $3 million USD, this represents the second-largest sale to date.

On September 24, 2019, the Company welcomed Rodrigo Santana as its interim CFO. Supported by the rest of the CubicFarms finance team, Rodrigo will continue his role as Chief Operating Officer. Rodrigo is very experienced in the dual role of COO and CFO where he held both positions in his previous employment at Sacré-Davey Engineering.

On July 11, 2019 the Company announced that the Company signed an agreement for a large scale commercial CubicFarm system in the Calgary, AB area and received a deposit from the customer. The agreement and deposit cover the Calgary region where this customer will be the exclusive CubicFarm licensee.

On July 9, 2019 the Company's common shares commenced trading on the TSX Venture Exchange as a Tier One issue under the symbol "CUB"

<u>Operational Highlights</u>

During the year ended June 30, 2019, the Company sold and installed four Systems – (i) a 14-machine System at Swiss Leaf Ltd. ("Swiss Leaf"), Edmonton, Alberta, (ii) a 14-machine System at Del Fresco Produce Ltd. ("Del Fresco"), Kingston, Ontario , (iii) a 7-machine System at Nu Skin Enterprises Inc. ("Nu Skin"), Vineyard, Utah, USA and (iv) a 1-machine System to Zenabis Global Inc. ("Zenabis") located at 7170 Glover Road, Langley, British Columbia.

In addition, in September 2018, the Company deployed a 11-growing machine System at the Company's Pitt Meadows site, British Columbia; this is the first operational System. It serves as a research and development facility and a sales demonstration System.

In October 2018, the Company began delivering produce from its Pitt Meadows System to local grocery stores under the Company's trademarked produce brand "Thriiv Local Garden".

In December 2018, the Company signed a System sale agreement and received a deposit from a third party for a 12 machine System in the Greater Vancouver area, British Columbia. In January 2019, the third party provided two deposits for a total of $1,250,000.

In January 2019, concurrent with the Nu Skin Private Placement (see section Corporate Highlights for details), the Company executed a binding term sheet with Nu Skin which outlines the business arrangement under which Nu Skin and the Company intend to market and sell CubicFarms' Systems in China.

In January 2019, the Company and Zenabis agreed to terminate their Joint Venture Agreement and replace it with a License Agreement. This License Agreement provides Zenabis with exclusive access to the Company's technology for cannabis so long as Zenabis satisfies annual machine purchase thresholds.

In May 2019, the Company started early works for the expansion of its Pitt Meadows facility with an estimated budget of $2,500,000.

Corporate Highlights

In September 2018, the Company obtained a debt facility with a total authorization of $1,605,000 and utilized $802,500 for general working capital. The outstanding balance of this facility was paid off as at May 8, 2019.

On October 10, 2018, the Company entered into an agreement to convert indebtedness in the amount of $2,402,780 into 2,908,580 Class B Preferred shares. All Class B Preferred shares were converted into common shares during the year ended June 30, 2019.

In October 2018, the Company acquired 25% of the shares of Swiss Leaf, an Alberta based company, and provided $0.4 million by way of a shareholder loan. In January 2019, the Company increased its equity holding in Swiss Leaf to 50% and provided an additional shareholder loan of $0.5 million in cash to Swiss Leaf.

On December 19, 2018, the Company completed a share subdivision of the Company's issued and outstanding common and preferred shares based on one pre-subdivision common share to forty-six post-subdivision shares. All information relating to basic and diluted loss per share, issued and outstanding common and preferred shares, share purchase options and share purchase warrants and per share amounts in this MD&A and the Company's condensed interim consolidated financial statements have been adjusted retrospectively to reflect the share subdivision. This share split was done to facilitate the distribution of the Company's common shares to the former shareholders of Bevo Agro Inc. ("Bevo") in connection with the reverse take-over transaction of Bevo to form Zenabis.

On January 28, 2019, the Company completed a private placement, pursuant to an Investment Agreement with a strategic investor - Nu Skin - and raised $10,000,000 in gross proceeds by way of the issuance and sale of common shares at a price of $1.00463 per ("Nu Skin Private Placement") share for general corporate purposes, investment in joint ventures and installation of the Company-owned machines. Pursuant to the Investment Agreement, Nu Skin has the pre-emptive right to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest, which right is available to Nu Skin for so long as it owns not less than 8% of the Company's shares. The Company incurred share issuance costs of approximately $658,668 for strategic advisory service in connection with the Nu Skin Private Placement, which were payable in common shares, and approximately $35,000 in legal fees.

On March 29, 2019, the Company completed a private placement and raised an aggregate of $2,753,982 in gross proceeds by way of the issuance and sale of common shares at a price of $1.00463 per share for general corporate purposes, investment in joint ventures and installation of the Company-owned machines. The Company incurred share issuance costs of approximately $9,295 in legal fees.

On May 8, 2019, Nu Skin exercised its pre-emptive right in connection with common shares issued during the quarter ended March 31, 2019 and the Company issued 767,503 common shares to Nu Skin at a price of $1.00463 per share for aggregate proceeds of $771,057.

On May 13, 2019, the Company submitted a listing application to the TSXV, seeking listing of its shares under the symbol CUB and received a conditional approval on May 30, 2019 and successfully completed the TSXV listing on July 9, 2019.

During the year ended June 30, 2019, the Company continued to strengthen its leadership team. The Company appointed two additional independent directors to its board of directors (the "Board of Directors").

Financial Results

Year ended June 30, 2019 and 2018

Revenue for the year ended June 30, 2019 was $5,356,031 of which revenue from Systems sales was $5,201,198 and revenue from other sales was $154,833. The Company did not record any revenues from Systems sales during the year period ended June 30, 2018.

Gross margin for the year ended June 30, 2019 was $1,279,198 (24%) and Nil for the year ended June 30, 2018.

Selling expenses, which include commissions and freight, were $127,211 compared to $21,041 for the year ended June 30, 2018.

Total operating and general administrative expenses significantly increased during the year ended June 30, 2019 – to $4,119,200 compared to $1,073,646 for the same period in the previous year. This is in line with the Company's continued expansion of its business and building up its team. Total operating expenses for the year include a depreciation expense of $381,924 ($18,128 - year ended June 30, 2018).

The Company's operating results in the twelve months ended June 30, 2019 have been impacted significantly by an increase in research and development activities. During the year ended June 30, 2019, the Company incurred research expenses in the amount of $2,458,234 in connection with the further automation of its Systems, growth of new crops in the Systems and further transformation of these crops through juicing. These costs include salaries, materials, parts and consumables related to research activities. Research costs for the twelve months in the previous year were $59,965.

Net loss and comprehensive loss for the year ended June 30, 2019 were $7,630,624 or $0.11 loss per share, compared to $1,394,896 or $0.02 loss per share in the same period of the previous year.

(Expressed in Canadian dollars)

	For the year ended June 30, 2019	2018	2017
Sales	**$ 5,356,031**	**$ -**	**$ -**
Cost of sales	**$ 4,076,833**	**$ -**	**$ -**
Gross margin	**$ 1,279,198**	**$ -**	**$ -**
OPEX, SG&A	**$ 7,654,233**	**$ 1,367,761**	**$ 851,458**
Loss before other income (expense)	**$ (6,375,035)**	**$ (1,367,761)**	**$ (851,458)**
Total Other income (expense)	**$ (1,255,589)**	**$ (27,135)**	**$ -**
Total loss and comprehensive loss for the period	**$ (7,630,624)**	**$ (1,394,896)**	**$ (851,458)**
Earnings (loss) per share			
Basic	**$ (0.11)**	**$ (0.02)**	**$ (0.02)**
Diluted	**$ (0.11)**	**$ (0.02)**	**$ (0.02)**

For the three months ended June 30, 2019 and 2018

Revenue for the three months ended June 30, 2019 was $24,110. The Company did not record any revenues during the three months ended June 30, 2018.

Selling expenses, which include commissions and freight, were $69,183 compared to $5,217 for the three months ended June 30, 2018.

Total operating and general administrative expenses significantly increased during the three months ended June 30, 2019 – $2,393,750 compared to $391,352 for the same period in the previous year. This is in line with the Company's continued expansion of its business and building up its team. Total operating expenses for the three months include a depreciation expense of $179,603 ($4,532 – three months ended June 30, 2018).

During the three months ended June 30, 2019, the Company incurred research expenses in the amount of $313,867 in connection with the further automation of its Systems, growth of new crops in the Systems and further transformation of these crops through juicing. These costs include salaries, materials, parts and consumables related to research activities. Research costs for the three months in the previous year were $15,977.

Net loss and comprehensive loss for the three months ended June 30, 2019 were $3,153,030, compared to $433,864.

Selected Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements prepared by management.

Period	Revenues	Income (loss) for the period $	Basic and fully diluted income (loss) per share $
4th Quarter 2019	24,110	(3,153,030)	(0.04)
3rd Quarter 2019	1,461,226	(1,669,517)	(0.02)
2nd Quarter 2019	3,870,694	(2,339,301)	(0.04)
1st Quarter 2019	Nil	(468,777)	(0.01)
4th Quarter 2018	Nil	(433,864)	(0.01)
3rd Quarter 2018	Nil	(358,109)	(0.01)
2nd Quarter 2018	Nil	(308,542)	(0.01)
1st Quarter 2018	Nil	(294,380)	(0.00)

Selected Annual Information

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended June 30, 2019, 2018 and 2017.

	2019 $	2018 $	2017 $
Revenues	5,356,031	-	-
Loss for the year	(7,630,624)	(1,394,896)	(851,458)
Loss per share (basic and diluted)	(0.11)	(0.02)	(0.02)
Total assets	18,102,494	4,627,868	231,204
Total liabilities	3,928,715	1,138,869	205,356
Dividends declared	Nil	Nil	Nil

Liquidity and Capital Resources

The Company's source of financing to date has been equity financings and sales of Systems and produce.

As at June 30, 2019, the Company had cash and cash equivalents of $9,900,987 (June 30, 2018 - $2,509,946) and working capital of $9,176,875 (June 30, 2018 - $3,340,704). Current liabilities that are to be settled in cash as at June 30, 2019 include trade and other payables, customer deposits and warranty provision.

The Company used $4,682,287 in cash for operating activities and $2,254,668 in cash for investing activities during the year ended June 30, 2019. The Company received an aggregate net cash of $14,327,996 from its financing activities.

During the year ended June 30, 2019, the Company raised gross proceeds of $13,525,038 from issuance of shares, of which $10,000,000 originated from the private placement with Nu Skin, $2,753,982 from an additional private placement, and $447,500 from an exercise of 2,300,000 share purchase options. The Company incurred cash share issuance costs of $43,343 in professional fees and non-cash share issuance costs of $601,199 in strategic advisory service in relation to the private placements. In addition, on May 8, 2019, Nu Skin exercised its pre-emptive right to top-up its equity of the Company, and the Company issued 767,503 shares to Nu Skin for gross proceeds of $771,057.

As at June 30, 2019, the Company has commitments in the amount of $458,716 for purchase orders in respect to Systems inventory and $93,727 in respect to corporate operating leases that are due within the next six to twelve months.

Management expects that the Company's existing cash and cash equivalents balance will be adequate to meet the Company's expansion of facilities and operational activities for the next twelve months. However, the Company may seek additional financings through issuance of equity to support further expansion, joint-venture partnerships and research and development activities.

Forward-Looking Guidance

Systems

The Company has received deposits on three more commercial scale systems in Canada and the US for a total of approximately 69 of its growing machines which it expects to install by Spring 2020. The Company has entered into sales discussions with various other companies across Canada and has developed customer interest for the purchase of additional machines. It also expects to expand at least one current customer in the coming year. The Company sales pipeline currently includes numerous individuals and companies across Canada, Ireland, the United States, Africa, Puerto Rico, Europe. Middle East, and China. There can be no assurances that any of these pipeline opportunities will lead to sales of Systems or identification of partner farms.

However, including the 69 machines noted above currently under deposit, based on CubicFarms' existing pipeline opportunities, in the next 12 months, the Company expects to have order volume of approximately 150-200 machines by December 2020 (including potential outright sales and partner farms where the Company may have a minority equity interest through a joint venture). The Company considers an order to have taken place when a binding equipment purchase agreement is signed and a first deposit has been provided. This forward-looking order volume estimate is based on the Company's current sales pipeline and internal estimates of machine demand and is subject to a number of risks and uncertainties. In addition to the above, the Company has recently signed a reseller agreement with Groviv. See "Forward-Looking Statements".

Crops

CubicFarms growing machines can grow a wide variety of crops. Each new crop that is optimized presents an opportunity for a new sales vertical. To facilitate research and development on new verticals, the Company is ramping up cultivation at the Pitt Meadows facility. This will allow the Company to actively pursue new vertical business lines in the nutraceutical and cosmeceutical space, as well as testing for the animal feed space. Additionally, growing styles that accommodate different methods of automation and harvesting are also being tested.

One specific area of focus at present is fine tuning the optimal conditions for growing high gross margin crops, and additionally optimizing for automated harvesting and processing to then transform these same crops into high quality ingredients for nutraceuticals and cosmeceuticals through juicing, powdering, and/or extraction. In the next twelve months, the Company expects to develop standard operating procedures for growing and transforming into ingredients for at least five high gross margin crops and expects to secure supply contracts for the products with at least one strategic customer.

The Company is also exploring opportunities in the animal feed space to utilize the by-product of growing high gross margin crops.

Lastly the Company has entered the food sector markets for which is expected to increase the sales of leafy green from our vertical farming systems.

Transactions with Related Parties

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, noninterest bearing and have no specific terms of settlement, unless otherwise noted.

Transactions with entities with significant influence over the Company

Rent was paid to Bevo with significant influence over the Company in the amount of $132,784 for the year ended June 30, 2019 respectively and $58,600 for the previous year. Company has made 50% investment in Swiss Leaf Farms Ltd. Details of the investment is provided in Note 12 of Financial Statements. The accounts receivable with Swiss Leaf is 52,549 and $6,994 is payable to Swiss Leaf.

On January 28, 2019 the Company completed a private placement with a strategic investor - Nu Skin Enterprises Inc. ("Nu Skin"). Nu Skin purchased 9,953,913 of the Company's common shares at a price of $1.00463 per share for total gross proceeds of $10,000,000. The Company incurred share issuance costs of $34,048 in legal fees and $601,199 for strategic advisory services in connection with the Nu Skin private placement. Pursuant to the Investment Agreement, Nu Skin has the pre-emptive right to participate in future equity financings of the Company to maintain its pro rata ownership of the Company up to a maximum 12.9% ownership interest, this right is available to Nu Skin for so long as it owns not less than 8% of the Company's shares. On May 8, 2019 Nu Skin made top up purchase of 767,503 shares at price of $1.00463.

Accounts Receivable from Nuskin is $487,254 and there is nothing payable to Nuskin.

Key management compensation of the Company

Key management of the Company are officers and members of the Board of Directors the Company. The Company paid and/or accrued the following compensation to key management during the reporting periods:

	Year Ended June 30, 2019	**Year Ended June 30, 2018**
	$	$
Wages and consulting fees	626,410	223,500
Share-based compensation	397,456	208,665
	1,023,219	**432,165**

<u>Outstanding Share Data</u>

Shares outstanding as of June 30, 2019:

Class	Par Value	Number Authorized	June 30, 2019 Number Issued	June 30, 2018 Number Issued
Common Shares	No par value	Unlimited	84,179,714	60,103,186
Preferred Shares (1)	No par value	Unlimited	0	4,266,868
			84,179,714	64,370,054

(1) Converted to common shares upon listing of the Company's shares on the TSXV.

Summary of options outstanding as at June 30, 2019 & on the date of MD&A:

Grant date - Expiry date	Options Outstanding (#)	Contractual life of options - years	Exercise price $	Options Exercisable (#)
May 3, 2017-April 1 2027	14,130,096	10	0.19	5,434,624
November 1, 2017 - January 30, 2023	230,000	5	0.19	92,000
November 1, 2017 - January 30, 2023	282,670	5	0.19	55,200
November 1, 2017 - January 30, 2023	1,610,000	5	0.19	920,000
November 1, 2017 - January 30, 2023	230,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	230,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	23,000
November 1, 2017 - January 30, 2023	115,000	5	0.19	57,500
November 1, 2017 - January 30, 2023	184,000	5	0.19	92,000
November 1, 2017 - January 30, 2023	184,000	5	0.19	46,000
March 20, 2018 - March 30, 2023	115,000	5	0.19	23,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
March 20, 2018 - March 30, 2023	230,000	5	0.19	230,000
July 15, 2018 – July 15, 2023	10,120,000	5	0.83	1,030,400
October 15, 2018 – December 15, 2019	46,000	1	0.83	46,000
October 15, 2018 – December 15, 2020	46,000	2	0.83	0
October 15, 2018 – December 15, 2021	46,000	3	0.83	0
October 15, 2018 – December 15, 2022	46,000	4	0.83	0
October 15, 2018 – December 15, 2023	46,000	5	0.83	0
June 18, 2019 –September 15, 2020	300,000	1	1.00	0
June 18, 2019 –September 17, 2020	100,000	1	1.00	25,000
June 18, 2019 – December 15, 2023	905,000	5	1.00	226,667
Total share purchase options	**29,655,766**			**8,600,391**

Shares outstanding on a fully diluted basis at June 30, 2019: 113,835,480.

Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed. The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, trade payables, customers deposits, demand loan and amounts due from an associate. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The following summarizes fair value hierarchy under which the Company's financial instruments are valued:
Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at June 30, 2019, the Company did not have any financial instruments measured at fair value, except for long-term note receivable from an associate (note 9), categorized within Level 2 of the fair value hierarchy. The Company did not have any financial instruments measured at fair value at June 30, 2018.

The Company is exposed to certain risks relating to its financial instruments. The Company does not use derivative financial instruments to manage these risk exposures. As at June 30, 2019 the primary risks were as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge any obligations. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness and the loans and advances will be secured by the assets of the Company which mitigates the credit risk. As at June 30, 2019, one customer accounted for 50% of the accounts receivable. The Company believes there is no unusual exposure associated with the collection of these receivables. The Company performs regular credit assessments on its customers and provides allowances for potentially uncollectible accounts receivable.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk
At this stage the Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. Accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Foreign currency risk
The Company enters into transactions denominated in US dollars for which the related revenues, expenses, accounts receivable, and accounts payable balances are subject to exchange rate fluctuations. As at June 30, 2019, the following items are denominated in US dollars:

	June 30, 2019	**June 30, 2018**
	$	$
Cash	**455,646**	1,316
Accounts receivable	**492,431**	-
Accounts payable	**(43,205)**	(332)
Customer deposits	**(585,600)**	(417,200)
Net exposure	**319,151**	(416,216)

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the only foreign currency the company transacts in is USD and

it is not subject to significant variance; the company has not made any special arrangements to reduce the related currency risk. Net exposure is negative as on June 30, 2019 as compared to previous year.

A 10% increase or decrease in the US dollar exchange rate would not have a material impact on the Company's net loss.

Management is continuing efforts to increase sales and attract additional equity and capital investors to continue R&D activities, and, from the other side, implement effective cost control measures to maintain adequate levels of working capital.

Additional Information & Approval

Additional information relating to the Company is on SEDAR at www.sedar.com.
The Board has approved the disclosure contained in this MD&A as of November 14, 2019.