



1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

Notice of Disclosure of Non-Auditor Review of the Condensed Interim Consolidated Financial Statements for the Three and Six Months Ended January 31, 2022 and 2021.

Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 - Continuous Disclosure Obligations, issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of 1933 Industries Inc. (the "Company" or "1933 Industries") for the interim period ended January 31, 2022 and 2021, have been prepared in accordance with the International Accounting Standard 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of these condensed interim consolidated financial statements.

March 30, 2022

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars) - Unaudited

	Note	January 31, 2022	July 31, 2021
		\$	\$
ASSETS			
Current			
Cash		803,187	4,405,849
Receivables	4	1,593,818	934,109
Inventory	5	5,921,642	4,199,850
Biological assets	6	824,900	865,953
Loan receivable	7	350,029	-
Prepaid expenses and deposits	8	930,686	743,455
		10,424,262	11,149,216
Property and equipment	9	18,366,492	18,677,577
Goodwill	10	15,847,232	15,527,023
Total assets		44,637,986	45,353,816
LIABILITIES			
Current			
Accounts payable and accrued liabilities		2,633,007	1,381,208
Income tax payable		498,982	488,899
Current portion of lease liability	11	469,619	459,553
Warrant liability	12	10,146	380,146
Current portion of convertible debentures	13	4,391,178	-
		8,002,932	2,709,806
Lease liability	11	13,108,424	13,176,655
Convertible debentures	13	-	4,234,819
Total liabilities		21,111,356	20,121,280
Shareholders' equity			
Share capital	14	81,855,012	81,817,159
Reserves	14(d)	10,170,419	10,145,449
Accumulated other comprehensive loss		(1,293,266)	(1,320,710)
Deficit		(66,435,993)	(64,649,281)
Equity attributable to shareholders of the Company		24,296,172	25,992,617
Non-controlling interest	15	(769,542)	(760,081)
Total shareholders' equity		23,526,630	25,232,536
Total liabilities and shareholders' equity		44,637,986	45,353,816

Events after the reporting period (note 23)

Approved on behalf of the Board of Directors and authorized for issuance on March 30, 2022:

“Signed”
 Brian Farrell, Director

“Signed”
 Paul Rosen, Director

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

1933 INDUSTRIES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS**

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Three months ended		Six months ended	
		2022	2021	2022	2021
		\$	\$	\$	\$
Revenues		3,208,082	3,406,826	5,674,146	6,094,342
Cost of sales	5	2,086,774	1,844,687	3,911,137	3,690,498
Gross margin, excluding fair value adjustments		1,121,308	1,562,139	1,763,009	2,403,844
Fair value adjustment on sale of inventory	6	(391,727)	(138,862)	(1,112,477)	(805,801)
Fair value adjustment on biological assets	6	740,705	271,717	1,922,856	825,651
Gross margin		1,470,286	1,694,994	2,573,388	2,423,694
Expenses (income)					
General and administration	18,20	327,219	314,093	697,353	1,022,995
License fees, taxes, and insurance		1,030,808	620,061	1,537,044	1,139,726
Management and consulting fees	18	107,677	115,142	214,677	194,647
Wages and benefits	18	256,218	492,251	546,164	1,058,390
Professional fees	18	333,000	320,018	546,761	531,060
Share-based compensation	14(f)	7,753	360,947	25,648	614,629
Interest expense	11,13	473,733	433,375	895,093	1,140,920
Accretion expense	13	-	34,630	10,434	74,752
Depreciation	9	112,876	462,467	193,336	925,893
Change in fair value of warrant liability	12	(295,508)	-	(370,000)	-
Foreign exchange loss (gain)		51,022	(48,830)	45,517	(54,171)
		2,404,798	3,104,154	4,342,027	6,648,841
Loss from continuing operations before income taxes		(934,512)	(1,409,160)	(1,768,639)	(4,225,147)
Current income tax recovery		114,698	-	-	-
Net loss from continuing operations		(819,814)	(1,409,160)	(1,768,639)	(4,225,147)
Net income (loss) from discontinued operations	21	-	97	-	(2,493)
Net loss for the period		(819,814)	(1,409,063)	(1,768,639)	(4,227,640)
Net income (loss) from continuing operations attributable to:					
Shareholders of the Company		(833,913)	(1,409,160)	(1,786,712)	(4,089,824)
Non-controlling interest		14,099	-	18,073	(135,323)
Net income (loss) attributable to:					
Shareholders of the Company		(833,913)	(1,409,063)	(1,786,712)	(4,092,317)
Non-controlling interest		14,099	-	18,073	(135,323)
Net loss from continuing operations per share					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Net loss from discontinued operations per share					
Basic and diluted		-	(0.00)	-	0.00
Net loss per share					
Basic and diluted		(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of shares outstanding					
Basic and diluted		450,699,319	339,996,131	450,669,946	336,493,777

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

1933 INDUSTRIES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

For the three and six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net loss for the period	(819,814)	(1,409,063)	(1,768,639)	(4,227,640)
Other comprehensive income (loss)				
Foreign currency translation adjustment (Item that will be subsequently reclassified to profit or loss)	171,835	(1,336,024)	(90)	(1,446,570)
Comprehensive loss for the period	(647,979)	(2,745,087)	(1,768,729)	(5,674,210)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	(833,913)	(1,409,063)	(1,786,712)	(4,092,317)
Translation adjustment – Shareholders of the Company	191,354	(1,336,025)	27,444	(1,437,454)
Comprehensive loss attributable to shareholders of the Company	(642,559)	(2,745,088)	(1,759,268)	(5,529,771)
Non-controlling interest	14,099	-	18,073	(135,323)
Translation adjustment – Non-controlling interest	(19,519)	1	(27,534)	(9,116)
Comprehensive loss attributable to Non-controlling interest	(5,420)	1	(9,461)	(144,439)
	(647,979)	(2,745,087)	(1,768,729)	(5,674,210)

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

1933 INDUSTRIES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the six months ended January 31, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	Note	2021	2020
		\$	\$
Operating activities			
Loss from continuing operations		(1,768,639)	(4,225,147)
Adjustments to non-cash items:			
Fair value adjustment on sale of inventory	6	1,112,477	805,801
Fair value adjustment on growth of biological assets	6	(1,922,856)	(825,651)
Share-based compensation	14(f)	25,648	614,629
Accretion expense	13	10,434	74,752
Depreciation	9	659,729	925,893
Change in fair value of warrant liability	12	(370,000)	443,625
Interest expense on convertible debentures	13	183,100	697,295
Warrants issued for professional fees	14(e)	-	22,160
Gain on lease termination	9	(11,976)	-
Unrealized foreign exchange gain		(538,238)	(407,378)
Changes in non-cash working capital items			
Receivables		(623,218)	(648,548)
Inventory		(1,632,839)	285,414
Biological assets		851,432	108,938
Prepaid expenses and deposits		(171,868)	(141,327)
Accounts payable and accrued liabilities		1,207,271	664,523
Net cash used in operating activities of continuing operations		(2,989,543)	(1,605,021)
Net cash used in operating activities of discontinued operations		-	(2,493)
Investing activities			
Purchase of property and equipment	9	(14,786)	(204,703)
Advance of loan receivable		(350,029)	-
Net cash used in investing activities of continuing operations		(364,815)	(204,703)
Financing activities			
Common shares issued for cash - private placement	14	-	1,706,973
Share issue costs	14	-	(202,067)
Repayment of lease obligation	11	(162,108)	(660,528)
Net cash (used in) provided by financing activities		(162,108)	844,378
Effect of exchange rate changes on cash		(86,196)	(105,953)
Change in cash		(3,602,662)	(1,073,792)
Cash, beginning of period		4,405,849	2,761,542
Cash, end of period		803,187	1,687,750

Supplemental disclosure with respect to cash flows (note 19)

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

1933 INDUSTRIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except share numbers) - Unaudited

	Note	Number	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Non-controlling interest	Total shareholders' equity
			\$	\$	\$	\$	\$	\$
Balance, July 31, 2020		305,647,546	70,887,770	6,653,522	817,190	(57,996,162)	(910,138)	19,452,182
Shares issued - conversion of convertible debentures \$0.10	13,14	30,489,128	2,994,041	(47,766)	-	-	-	2,946,275
Shares issued – private placement	14	24,430,040	1,211,988	494,985	-	-	-	1,706,973
Share-based compensation	14,18	-	-	614,629	-	-	-	614,629
Share issue costs	14	-	(202,903)	836	-	-	-	(202,067)
Purchase of non-controlling interest	-	-	-	-	(1,437,703)	-	(9,116)	(1,446,819)
Non-controlling interest	-	-	-	182,703	-	(1,237,280)	1,054,577	-
Translation adjustment	-	-	-	-	-	-	(135,323)	(135,323)
Net loss for the period	-	-	-	-	-	(4,092,317)	-	(4,092,317)
Balance, January 31, 2021		360,566,714	74,890,896	7,898,909	(620,513)	(63,325,759)	-	18,843,533
Shares issued - conversion of convertible debentures \$0.10	13,14	44,714,010	4,580,480	(96,717)	-	-	-	4,483,763
Shares issued - Private Placement	14	45,045,929	2,817,363	1,751,810	-	-	-	4,569,173
Share-based compensation	14	-	-	410,445	-	-	-	410,445
Share issue costs	14	-	(471,580)	181,002	-	-	-	(290,578)
Purchase of non-controlling interest	15	-	-	-	-	-	(1,054,577)	(1,054,577)
Non-controlling interest	-	-	-	-	-	-	192,109	192,109
Translation adjustment	-	-	-	-	(700,197)	-	102,387	(597,810)
Net loss for the period	-	-	-	-	-	(1,323,522)	-	(1,323,522)
Balance, July 31, 2021		450,326,653	81,817,159	10,145,449	(1,320,710)	(64,649,281)	(760,081)	25,232,536
Shares issued - conversion of convertible debentures \$0.10	13,14	372,666	37,853	(678)	-	-	-	37,175
Share-based compensation	14	-	-	25,648	-	-	-	25,648
Non-controlling interest	-	-	-	-	-	-	18,073	18,073
Translation adjustment	-	-	-	-	27,444	-	(27,534)	(90)
Net loss for the period	-	-	-	-	-	(1,786,712)	-	(1,786,712)
Balance, January 31, 2022		450,699,319	81,855,012	10,170,419	(1,293,266)	(66,435,993)	(769,542)	23,526,630

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

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

1. NATURE OF OPERATIONS

1933 Industries Inc. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of Alberta and later continued into the Province of British Columbia. The Company is a publicly traded corporation with its registered office located at 300 – 1055 West Hastings Street, Vancouver, British Columbia, Canada. The Company's common shares are listed under the symbol "TGIF" on the Canadian Securities Exchange and under the symbol "TGIF" on the OTCQX.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as (i) a cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. On November 4, 2021, the Company acquired the remaining 9% interest in AMA Production LLC ("AMA Pro") from the holders to make the Company's share in AMA Pro 100% (note 15). Infused Mfg ("Infused"), a 100% owned subsidiary of the Company, is focused on developing, and manufacturing hemp and cannabidiol ("CBD") infused products and brands for retail sale and use in jurisdictions where permitted. On April 1, 2020, the Company acquired the remaining 9% interest in Infused from the holder to make the Company's share in Infused 100%.

While some states in the United States ("U.S.") have authorized the use and sale of cannabis, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against cannabis is subject to change. Because the Company engages in cannabis related activities in the U.S., it assumes certain risks due to conflicting state and federal laws. The federal law relating to cannabis could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized. The Company may be irreparably harmed by a change in enforcement policies of the federal government depending on the nature of such change.

Given the current illegality of cannabis under U.S. federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the U.S. federal government and are thus prohibited from providing financing to companies engaged in cannabis related activities. The Company's ability to access public capital markets in the U.S. is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic. During the remainder of March 2020 and through to July 31, 2021, the COVID-19 pandemic has negatively impacted global economic and financial markets. Most industries have been impacted by the COVID-19 pandemic and are facing operating challenges associated with the regulations and guidelines resulting from efforts to contain it.

As a direct result of the COVID-19 pandemic, the Company realized significant decreases in revenues resulting from the decline in tourism to Las Vegas. The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation, and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world including in jurisdictions where the Company operates may also have potentially significant economic and social impacts. If the Company's business operations are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Company's business, results of operations and financial performance. Factors that may be impacted, among other things, are the Company's operating plan, supply chain and workforce. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

Going Concern

The Company has not yet achieved profitable operations and during the six months ended January 31, 2022, the Company incurred a net loss of \$1,768,639 (2021 - \$4,227,640) and used cash in operating activities of \$2,451,305 (2021 - \$1,197,643). In addition, the Company has accumulated deficit of \$66,435,993 (July 31, 2021 - \$64,649,281). The ability of the Company to ensure continuing operations is dependent on the Company's ability to raise sufficient funds to finance development activities and expand sales to achieve profitable operations. These circumstances may cast significant doubt about the Company's ability to continue as a going concern.

These consolidated interim consolidated financial statements ("interim financial statements") have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities. See note 23 for events after the reporting period.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim financial statements were approved by the Board of Directors and authorized for issue on March 30, 2022.

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended July 31, 2021 and 2020 ("annual financial statements").

b) Basis of measurement

These interim financial statements have been prepared in Canadian dollars on a historical cost basis except for cash and biological assets measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. References to "USD" are to United States dollars.

c) Functional and presentation currency

These interim financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

d) Basis of consolidation

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
1080034 B.C. Ltd.	0034 BC	Canada	100%	CAD	Holding company
1933 Management Services Inc.	FNM	USA	100%	USD	Holding company
1933 Legacy Inc.	Legacy	USA	100%	USD	Holding Company Hemp and CBD –
Infused Mfg LLC	Infused MFG	USA	100% ⁽¹⁾	USD	Infused products
FN Pharmaceuticals LLC	FNP	USA	100%	USD	Holding company
Alternative Medicine Association LLC	AMA	USA	91%	USD	Cannabis cultivation and production
AMA Productions LLC ⁽¹⁾	AMA Pro	USA	100% ⁽²⁾	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive

⁽¹⁾ On November 4, 2020, the Company acquired the remaining 9% interest in AMA Pro from the holders to make the Company's share in AMA Pro 100% (note 15).

e) Reclassification of prior year amounts

The Company has reclassified inventory and biological assets on the condensed interim consolidated statements of cash flows to improve clarity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual financial statements.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

4. RECEIVABLES

	January 31, 2022	July 31, 2021
	\$	\$
Trade receivables	1,420,703	796,390
GST receivable	131,378	95,837
Other	41,737	41,882
	1,593,818	934,109

Goods and Services Tax ("GST") receivable include input tax credits receivable from the Government of Canada.

5. INVENTORY

	January 31, 2022	July 31, 2021
	\$	\$
Harvested cannabis and trim	4,517,729	2,466,382
Cannabis oil and equivalent	149,534	87,712
Finished goods	692,064	1,107,313
Raw materials	562,315	538,443
	5,921,642	4,199,850

Inventories expensed to cost of sales during the three and six months ended January 31, 2022, was \$2,086,774 and \$3,911,137, respectively (2021 - \$1,844,687 and \$3,690,498 respectively).

6. BIOLOGICAL ASSETS

	January 31, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	865,953	810,332
Production costs capitalized	2,819,643	4,946,872
Change in fair value less costs to sell due to biological transformation	1,922,856	3,154,163
Transferred to inventory upon harvest	(4,809,558)	(7,894,046)
Foreign exchange gain (loss)	26,006	(151,368)
Balance, end of period	824,900	865,953

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market.

Biological assets are measured at fair value less costs to sell until harvest. All production costs are capitalized. As at January 31, 2022, the carrying value of biological assets consisted entirely of live cannabis plants. On average, the grow cycle is approximately 17 weeks.

The fair value measurements for biological assets have been categorized as Level 3 (as defined in note 16). These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in gain or loss on biological assets in future periods.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of the model:

- Estimated Sales price per gram - calculated as the weighted average selling price for all expected grades and strains of cannabis based on estimates published by the State of Nevada of the fair value of various cannabis forms on a per pound basis.
- Weighted average stage of growth - represents the weighted average number of weeks out of the expected 17 week growing cycle that cannabis plants have reached as of the measurement date.
- Expected yields by plant strain - represents the number of grams of finished cannabis that are expected to be obtained from each harvested cannabis plant.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

6. BIOLOGICAL ASSETS (continued)

- Wastage - represents the weighted average percentage of cannabis plants expected to fail to mature to the point of harvest based upon historical actual results.
- Post-harvest processing cost - calculated as the cost per gram of harvested cannabis to convert into finished dry bulk flower ready to be packaged into finished goods

The following table quantifies each significant unobservable input used in the model to calculate fair value less costs to sell of cannabis plants:

Assumption	January 31, 2022	July 31, 2021
Estimated sales price per gram	USD\$ 2.89	USD\$ 3.65
Weighted average stage of growth	9 weeks	9 weeks
Expected yields by plant strain	194 grams	116 grams
Wastage	2.73%	1.56%
Post-harvest processing cost per gram	USD\$ 0.83	USD\$ 0.83

Increases in cost required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets.

The following table provides the impact that a 10% increase/decrease in each input would have on net loss and comprehensive loss.

Assumption	January 31, 2022	July 31, 2021
Estimated sales price per gram	91,016	112,162
Weighted average stage of growth	64,856	102,569
Expected yields by plant strain	64,856	102,569
Wastage	(4,209)	(4,417)
Post – harvest cost per gram	(26,161)	(9,594)

7. LOAN RECEIVABLE

On December 9, 2021, the Company entered into a Loan Agreement (the “Agreement”) where the Company has agreed to loan up to \$636,400 (USD \$500,000) through a line of credit. The line of credit is non-interest bearing under January 31, 2022. Subsequent to January 31, 2022, any borrowing will accrue interest at a rate of 10% per annum until paid in full. Any principal together with all accrued interest and fees thereon, is due and payable on or before December 31, 2022. Up until the principal, together with all accrued interest and fees thereon, is paid back in full, the Company has an absolute right to convert any or all of the principal balance, and any accrued amounts of interest and fees thereon, into shares of common stock of borrower. Such conversion to equity shall be based upon borrower’s valuation of \$5,727,600 (USD\$4,500,000).

During the six months ended January 31, 2022, the Company advanced \$350,029 (USD\$275,000) pursuant to the Agreement. The Company has not accrued interest on the advance which remains outstanding as at January 31, 2022.

8. PREPAID EXPENSES AND DEPOSITS

	January 31, 2022	July 31, 2021
Prepaid expenses	\$ 817,990	\$ 660,839
Security deposit	112,696	82,616
	930,686	743,455

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

9. PROPERTY AND EQUIPMENT

	Land	Construction in Progress	Leasehold Improvements	Production Equipment	Office Equipment	Right of Use	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, July 31, 2020	1,150,943	3,210,246	944,599	4,992,047	280,217	15,088,260	25,666,312
Additions	-	-	-	306,299	150,061	-	456,360
Impairment	-	-	-	(427,459)	-	-	(427,459)
Effects of movement in foreign exchange	(80,885)	(225,608)	(66,384)	(350,829)	(16,385)	(1,060,366)	(1,800,457)
Balance, July 31, 2021	1,070,058	2,984,638	878,215	4,520,059	413,893	14,027,894	23,894,756
Additions	-	-	-	14,668	118	-	14,786
Termination of lease	-	-	-	-	-	(107,898)	(107,898)
Effects of movement in foreign exchange	22,067	61,551	18,111	93,216	7,565	289,293	491,803
Balance, January 31, 2022	1,092,125	3,046,189	896,326	4,627,943	421,576	14,209,289	24,293,447
Accumulated depreciation							
Balance, July 31, 2020	-	-	223,432	838,077	183,415	2,326,546	3,571,470
Depreciation	-	-	88,257	551,686	20,152	333,212	993,307
Effects of movement in foreign exchange	-	-	15,971	441,574	6,234	188,624	652,403
Balance, July 31, 2021	-	-	327,660	1,831,337	209,801	2,848,382	5,217,180
Depreciation	-	-	14,308	132,921	6,583	505,917	659,729
Termination of lease	-	-	-	-	-	(56,383)	(56,383)
Effects of movement in foreign exchange	-	-	9,498	45,301	4,341	47,290	106,430
Balance, January 31, 2022	-	-	351,466	2,009,559	220,725	3,345,206	5,926,956
Carrying amount							
Balance, July 31, 2021	1,070,058	2,984,638	550,555	2,688,722	204,092	11,179,512	18,677,577
Balance, January 31, 2022	1,092,125	3,046,189	544,860	2,618,384	200,851	10,864,083	18,366,492

Total depreciation expense for the three and six months ended January 31, 2022 was \$289,340 and \$659,729, respectively (2021 - \$462,467 and \$925,893, respectively). Of the total expense, \$176,464 and \$466,393, respectively was allocated to inventory (2021 - \$nil and \$nil, respectively).

During the year ended July 31, 2021, the Company recorded an impairment expense of \$427,459 related to production equipment which was not in use. Prior to recognizing the impairment expense, the Company had taken no depreciation against the production equipment.

The Company terminated an Infused office lease. As a result of the lease termination, the Company derecognized the right-of-use asset with a cost of \$107,898, accumulated amortization of \$56,383 and lease liability of \$63,491 resulting in a gain on lease termination of \$11,976 representing the undepreciated portion of the right-of-use asset above the lease liability. The gain is included in general and administration expense on the condensed interim consolidated statements of loss and comprehensive loss.

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10. GOODWILL

	January 31, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	15,527,023	16,700,708
Effects of movement in foreign exchange	320,209	(1,173,685)
Balance, end of period	15,847,232	15,527,023

11. LEASE LIABILITY

	January 31, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	13,636,208	14,821,569
Repayment of lease obligation	(874,101)	(1,474,861)
Interest expense	711,993	1,365,022
Termination of lease	(63,491)	-
Effects of movement in foreign exchange	167,434	(1,075,522)
Balance, end of period	13,578,043	13,636,208
Less: Non-current portion	13,108,424	13,176,655
Current portion of lease liability	469,619	459,553

Total expenses relating to short-term leases and low-value leases during the three and six months ended January 31, 2022 totaled \$3,323 and \$9,604, respectively (2021 - \$17,108 and \$22,225, respectively).

12. WARRANT LIABILITY

Certain warrants are classified as a financial instrument under the principles of IFRS 9, as the exercise price is in US dollars while the functional currency of the Company is the Canadian dollar. Accordingly, warrants are remeasured to fair value at each reporting date with the change in fair value charged to change in fair value of warrant liability in the condensed interim consolidated statement of loss and comprehensive loss.

	Exercise Price (\$)	Warrants #	Warrant Liability \$
Balance, July 31, 2020		-	-
Issued	0.10 (USD0.08)	13,920,000	385,879
Gain on change in fair value of warrant liability		-	(5,733)
Balance, July 31, 2021	0.10 (USD0.08)	13,920,000	380,146
Gain on change in fair value of warrant liability		-	(370,000)
Balance, January 31, 2022	0.10 (USD0.08)	13,920,000	10,146
Less: Current portion of warrant liability		-	10,146
Non-current portion of warrant liability		-	-

The following table summarizes the warrants outstanding and exercisable as at January 31, 2022:

Expiry date	Number of warrants	Weighted average exercise price (\$)	Weighted average remaining life (in years)
May 3, 2022	13,920,000	0.10 (USD0.08)	0.25
	13,920,000	0.10 (USD0.08)	0.25

On November 3, 2020, pursuant to a non-brokered private placement, the Company issued 13,920,000 units. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.106 (US\$0.08) per unit for a period of 18 months from the closing date (note 14(c)).

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13. CONVERTIBLE DEBENTURES

	January 31, 2022	July 31, 2021
	\$	\$
Balance, beginning of period	4,234,819	10,923,172
Interest expense	183,100	634,492
Accretion expense	10,434	107,194
Converted to common shares	(31,909)	(6,733,724)
Interest paid – shares	(5,266)	(696,315)
Balance, end of period	4,391,178	4,234,819
Less: non-current portion	-	4,234,819
Current portion of convertible debentures	4,391,178	-

\$17,250,000 convertible debenture units

On September 14, 2018, the Company closed a short form prospectus offering of convertible debenture units raising gross proceeds of \$17,250,000. Pursuant to the offering, the Company issued an aggregate of 17,250 debenture units at a price per debenture unit of \$1,000. Each debenture unit consisted of: (i) one 10.0% unsecured convertible debenture of the Company in the principal amount of \$1,000 convertible into common shares at a conversion price of \$0.45 per common share at the option of the holder, with interest payable semi-annually in arrears on June 30 and December 31 of each year and maturing on September 14, 2021; and (ii) 2,222 common share purchase warrants expiring September 14, 2021.

Each warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.65 per share until September 14, 2021, subject to adjustment in certain events.

The Company paid cash fees of \$1,668,014 in payment of the Agent's commission, corporate finance fees and other expenses of which \$45,000 was paid prior to July 31, 2020 and recorded as a transaction cost. In addition, the Agent received options (the "September 2018 Agent's Options") to acquire 3,066,666 units of the Company at an exercise price of \$0.45 per unit. Each unit is comprised of one common share and one common share purchase warrant exercisable at a price of \$0.65 per share subject to the same terms and conditions as the warrants. The fair value of the September 2018 Agent's Options was \$738,547 and was recorded as a transaction cost. The fair value of the September 2018 Agent's Options was determined using the Black-Scholes Valuation Model using the following assumptions: risk free interest rate 1.25%, expected life of 3 years, volatility of 75%.

The Company may force the conversion of the principal amount of the then outstanding convertible debentures at the conversion price on not less than 30 days' notice should the daily volume weighted average trading price of the common shares be greater than \$0.70 for any 10 consecutive trading days.

On June 28, 2020, the Company amended the terms of the convertible debentures. The following were the significant amendments:

- the conversion price applicable to the debentures was amended from \$0.45 per common share to \$0.10 per common share;
- the price at which the Company may require a forced conversion of the debentures is amended from \$0.70 per common share to \$0.15 per common share, with any such conversion to be made at the amended conversion price of \$0.10 per common share;
- the Company is authorized, at its discretion, to pay interest due on the debentures in cash or through the issuance of its common shares, at a price of \$0.10 per common share; and
- payment of interest is amended from being payable semi-annually in arrears on the last day of June and December in each year to being payable at the maturity date of the debentures.

The equity component of the \$17,250,000 convertible debenture was initially determined to be \$2,505,099 net of transaction costs of \$406,151. At June 28, 2020, the remaining equity component of the original convertible debenture was \$1,805,415. The Company determined that the June 28, 2020 modification was a substantial modification as defined by IFRS 9, *Financial Instruments*, and as a result derecognized the debt obligation and equity component (conversion option). The equity component of the remaining principal balance of the convertible debentures of \$12,432,007 was determined to be \$263,220. The Company did not incur any transaction costs associated with the amendment. As a result of the amendment, the Company recognized a gain on debt modification of \$185,327 which is the result of the amendment to the equity component of \$1,542,195 less the amendment to the debt obligation of \$1,356,868.

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13. CONVERTIBLE DEBENTURES (continued)

During the six months ended January 31, 2022, convertible debentures with a principal balance of \$32,000 and interest payable of \$5,267 were converted into 372,666 common shares of the Company (note 14(c)). The principal and interest balance outstanding as at January 31, 2022 was \$3,662,007 and \$729,171, respectively.

14. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series. As of January 31, 2022, there were 450,699,319 common shares outstanding (July 31, 2021 - 450,326,653).

b) Escrow shares

The Company does not have any shares subject to escrow restrictions.

c) Issued common shares

The Company had the following common share transactions during the six months ended January 31, 2022:

- The Company issued 372,666 common shares pursuant to the conversion of \$32,000 of convertible debentures and interest payable on the convertible debentures of \$5,267.

The Company had the following common share transactions during the year ended July 31, 2021:

- On September 4, 2020, pursuant to the closure of its private placement, the Company issued 10,510,040 units at a price of \$0.075 per unit for gross proceeds of \$788,253. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.125 per unit until September 4, 2022. Share issue costs included cash payment for finders' fees of \$6,037 and the issuance of 40,250 share purchase warrants valued at \$836 using the Black-Scholes option pricing model with the following assumptions: a two-year expected average life, share price of \$0.06; 100% volatility; risk-free interest rate of 0.25%; and an expected dividend yield of 0%. Consideration of \$109,106 was recorded to warrant reserve and the residual amount of \$679,147 was recorded to share capital.
- On November 3, 2020, pursuant to a non-brokered private placement, the Company issued 13,920,000 units at a price of \$0.066 (US\$0.05) per unit for gross proceeds of \$918,720 (US\$696,000). All proceeds were raised and paid in US dollars. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.106 (US\$0.08) per unit for a period of 18 months from the closing date. The units shall be subject to a four month and one day hold period, expiring on March 4, 2021. Consideration of \$385,879 was recorded to warrant liability and the residual amount of \$532,841 was recorded to share capital.
- On March 4, 2021, pursuant to the closure of a brokered private placement, the Company issued 45,045,929 units at a price of \$0.11 per unit for gross proceeds of \$4,955,052. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable to acquire one common share at an exercise price of \$0.16 per common share until March 4, 2023. The units will be subject to a four month and one day hold period expiring on July 5, 2021. Share issue costs included cash payments of \$467,444 comprised of 7% broker commission plus legal fees and the issuance of 3,153,214 Agent Options valued at \$181,002 using the Black-Scholes option pricing model with the following assumptions: a 2-year expected average life, share price of \$0.11; 100% volatility; risk-free interest rate of 0.28%; and an expected dividend yield of 0%. Consideration of \$2,137,689 was recorded to warrant reserve and the residual amount of \$2,817,363 was recorded to share capital.
- During the year ended July 31, 2021, the Company issued 75,203,138 common shares pursuant to the conversion of \$6,733,724 of convertible debentures and interest payable on the convertible debentures of \$696,315. In relation to the conversion \$144,483 was reallocated from reserves to share capital and \$7,574,521 was recorded as share capital representing the accreted balance of convertible debentures net of transaction costs.

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14. SHARE CAPITAL AND RESERVES (continued)**d) Reserves**

The following is a summary of changes in reserves:

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
Balance, July 31, 2020	5,028,636	222,695	1,402,191	6,653,522
Share-based compensation	1,025,074	-	-	1,025,074
Purchase of non-controlling interest	-	-	182,703	182,703
Warrants issued for share issue costs	-	-	836	836
Warrants issued on private placement	-	-	2,246,795	2,246,795
Agent Options issued on private placement	181,002	-	-	181,002
Reclassified on conversion of convertible debentures	-	(144,483)	-	(144,483)
Balance, July 31, 2021	6,234,712	78,212	3,832,525	10,145,449
Share-based compensation	25,648	-	-	25,648
Reclassified on conversion of convertible debentures	-	(678)	-	(678)
Balance, January 31, 2022	6,260,360	77,534	3,832,525	10,170,419

e) Warrants

A summary of share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	50,870,566	0.61
Issued - private placement	64,220,949	0.15
Issued - share issue cost	40,250	0.13
Issued - purchase of non-controlling interest	3,700,000	0.08
Expired	(11,670,900)	0.50
Balance, July 31, 2021	107,160,865	0.33
Expired	(39,199,666)	0.65
Balance, January 31, 2022	67,961,199	0.14

For warrants issued for services during the year ended July 31, 2020, the Company recorded an expense to professional fees during the three and six months ended January 31, 2022 of \$nil and \$nil, respectively (2021 - \$10,448 and \$22,160, respectively) on the condensed interim consolidated statement of loss for services received. On November 3, 2020, the Company cancelled the warrants and fully recognized the remaining prepaid expense \$67,629 (July 31, 2020 - \$89,789) with respect to prepaid services.

The following table summarizes share purchase warrants outstanding as at January 31, 2022:

Expiry date	Number of Warrants	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
September 3, 2022	5,255,020	0.13	0.59
September 3, 2022	40,250	0.13	0.59
May 3, 2022	13,920,000	0.11	0.25
March 4, 2023	45,045,929	0.16	1.09
June 13, 2024	3,700,000	0.08	2.37
	67,961,199	0.14	0.95

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14. SHARE CAPITAL AND RESERVES (continued)

f) Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the exercise price permitted by the Canadian Securities Exchange ("CSE"), and all stock options granted under the plan will have a maximum term of five years. A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	17,170,000	0.40
Granted	21,250,000	0.09
Exercised	(50,000)	0.50
Cancelled	(21,190,000)	0.25
Balance, July 31, 2021	17,180,000	0.20
Expired	(1,730,000)	0.55
Cancelled	(3,100,000)	0.31
Balance, January 31, 2022	12,350,000	0.11

The following table summarizes stock options outstanding and exercisable as at January 31, 2022:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
February 15, 2023	750,000	750,000	0.35	0.54
August 6, 2025	300,000	100,000	0.075	3.52
November 8, 2025	11,300,000	7,533,333	0.10	3.77
	12,350,000	8,383,333	0.11	3.57

Share-based compensation expense recognized during the three and six months ended January 31, 2022 of \$7,753 and \$25,648, respectively (2021 - \$360,947 and \$614,629) related to options granted and vested during the period. The Company granted no stock options during the three and six months ended January 31, 2022 (2021 - 9,200,000 and 21,250,000). The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	2021	2020
Risk-free interest rate	-	0.38%
Expected life of options	-	5 years
Annualized volatility	-	100%
Dividend rate	-	0%
Weighted average fair value per option	-	\$0.05

The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected life of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from Canadian government zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

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14. SHARE CAPITAL AND RESERVES (continued)

g) Agent Options

A summary of Agent Option activity is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, July 31, 2020	2,191,112	0.45
Granted	3,153,214	0.11
Balance, July 31, 2021	5,344,326	0.25
Granted	(2,191,112)	0.45
Balance, January 31, 2022	3,153,214	0.11

The following table summarizes Agent Options outstanding and exercisable as at January 31, 2022:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Years
March 4, 2023 ⁽¹⁾	3,153,214	3,153,214	0.11	1.09
	3,153,214	3,153,214	0.11	1.09

⁽¹⁾ Each Agent Option entitles the holder to acquire one unit for \$0.11. Each unit is comprised of one common share and one share purchase warrant exercisable at \$0.16 until March 4, 2023. The Agent Option is exercisable on or after July 5, 2021.

15. NON-CONTROLLING INTEREST

On November 4, 2020, the Company acquired the remaining 9% interest in AMA Pro from the holders to make the Company's share in AMA Pro 100% through the issuance of 3,700,000 share purchase warrants (note 14(e)). The share purchase warrants were valued at \$182,703 using the Black-Scholes option pricing model with the following assumptions: a 3.59 year expected average life, share price of \$0.075; 100% volatility; risk-free interest rate of 0.25%; and an expected dividend yield of 0%. The carrying value of non-controlling interest for AMA Pro on November 4, 2020 was \$nil. The excess of consideration above the value of consideration of \$182,703 was recorded as a direct charge to deficit.

The following table presents summarized financial information for the non-wholly owned subsidiaries as at January 31, 2022 and July 31, 2021:

	January 31, 2022	July 31, 2021
	\$	\$
Assets		
Current	8,349,809	5,983,237
Non-current	18,172,383	18,246,417
	26,522,192	24,229,654
Liabilities		
Current	1,864,814	771,719
Non-current	12,962,569	12,814,254
	14,827,383	13,585,973
Net assets	11,694,809	10,643,681
Non-controlling interest	(769,542)	(760,081)
Revenues	4,666,792	9,128,004
Net loss	(201,309)	(669,039)

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16. FINANCIAL RISK MANAGEMENT

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The carrying values of cash, receivables and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments. The fair value of convertible debentures approximates fair value due to the short-term nature of the remaining term.

17. CAPITAL RISK MANAGEMENT

The Company defines capital and reserves as equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the periods presented. The Company is not subject to externally imposed capital requirement.

18. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel compensation for the three and six months ended January 31, 2022 and 2021, was as follows:

	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and consulting fees	87,020	51,900	174,020	136,200
Wages and benefits	-	63,104	48,350	199,899
Directors' fees included in general and administration expense	29,844	37,788	52,218	92,018
Share-based compensation	2,789	310,454	11,573	506,257
	119,653	463,246	286,161	934,374

Other related party transactions for the three and six months ended January 31, 2022 and 2021, were as follows:

	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Legal fees (accrual reversal)	-	(112)	-	2,232
	-	(112)	-	2,232

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19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions and supplemental disclosure for the six months ended January 31, 2022 were as follows:

- Convertible debentures of \$32,000 and interest payable on the convertible debentures of \$5,267 were converted into 372,666 common shares of the Company (notes 13 and 14(c)). In relation to the conversion \$37,853 was recorded to share capital and \$678 was reallocated from reserves to share capital.
- The Company made cash interest payments of \$nil. No income taxes were paid.

The significant non-cash transactions and supplemental disclosure for the six months ended January 31, 2021 were as follows:

- Convertible debentures of \$2,813,000 and interest payable on the convertible debentures of \$235,913 were converted into 30,489,128 common shares of the Company (notes 13 and 14(c)). In relation to the conversion \$2,994,041 was recorded to share capital and \$47,766 was reallocated from reserves to share capital.
- Share issue costs included \$836 with respect to 40,250 warrants issued as finders fees (note 14(c)).
- The Company made cash interest payments of \$nil. No income taxes were paid.

20. GENERAL AND ADMINISTRATION EXPENSE

General and administration expense information for the three and six months ended January 31, 2022 and 2021 is as follows:

	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Advertising, promotion and selling costs	66,377	145,458	132,586	255,371
Investor relations	36,053	56,876	58,221	147,898
Office expenses and general administration	132,283	104,959	337,796	597,326
Travel and entertainment	92,506	6,800	168,750	22,400
	327,219	314,093	697,353	1,022,995

21. DISCONTINUED OPERATIONS

On August 15, 2019, the Company, through its wholly-owned subsidiary Legacy, signed a management services agreement to provide operational and accounting services, as well as general management and oversight to Green Spectrum LLC ("Green Spectrum"), a medicinal and recreational cannabis business licensee in the State of California in order to develop the Company's brands within the California market. The operation was discontinued during the year ended July 31, 2020 and as a result Legacy will have no continuing involvement with Green Spectrum LLC. The components of net loss (income) from discontinued operations included in these interim financial statements for the three and six months ended January 31, 2022 and 2021 relating to Legacy are as follows:

	Three months ended		Six months ended	
	2022	2021	2022	2021
	\$	\$	\$	\$
Management and consulting fees (accrual reversal)	-	(89)	-	2,291
General and administration (accrual reversal)	-	(8)	-	202
	-	(97)	-	2,493

22. SEGMENTED INFORMATION

The Company operates in three segments, referred to as AMA, Infused MFG, and Corporate. AMA is focused on the cultivation and sale of medical and adult use cannabis products, and Infused MFG is focused on the manufacturing of Hemp derived CBD products. The corporate head office is located in Canada while the operations of AMA and Infused MFG are located in the United States. All revenues are earned in the United States. All long-lived assets are located or owned in the United States.

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22. SEGMENTED INFORMATION (continued)

Segmented information for the six months ended January 31, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	4,666,792	1,007,354	-	5,674,146
Cost of Sales				
Inventory expensed to cost of sales	3,553,368	357,769	-	3,911,137
Gross margin, excluding fair value items	1,113,424	649,585	-	1,763,009
Fair value adjustment on sale of inventory	(1,112,477)	-	-	(1,112,477)
Fair value adjustment on growth of biological assets	1,922,856	-	-	1,922,856
Gross margin	1,923,803	649,585	-	2,573,388
Expenses				
General and administration	180,311	177,106	339,936	697,353
License fees, taxes, and insurance	988,706	19,601	528,737	1,537,044
Management and consulting fees	-	-	214,677	214,677
Wages and benefits	34,944	30,403	480,817	546,164
Professional fees	270,861	50,095	225,805	546,761
Share-based compensation	-	-	25,648	25,648
Interest expense	650,290	53,016	191,787	895,093
Accretion expense	-	-	10,434	10,434
Depreciation	-	138,567	54,769	193,336
Change in fair value of warrant liability	-	-	(370,000)	(370,000)
Foreign exchange loss	-	-	45,517	45,517
	2,125,112	468,788	1,748,127	4,342,027
(Loss) income from continuing operations before income tax	(201,309)	180,797	(1,748,127)	(1,768,639)
As at January 31, 2022				
Property and equipment	13,735,158	1,800,769	2,830,565	18,366,492
Goodwill	4,437,225	11,410,007	-	15,847,232
Total assets	26,522,192	13,926,113	4,189,681	44,637,986
Total liabilities	15,326,365	607,088	5,177,903	21,111,356

1933 INDUSTRIES INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

January 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted) - Unaudited

22. SEGMENTED INFORMATION (continued)

Segmented information for the six months ended January 31, 2021 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	4,300,840	1,793,502	-	6,094,342
Cost of Sales				
Inventory expensed to cost of sales	2,836,957	853,541	-	3,690,498
Gross margin, excluding fair value items	1,463,883	939,961	-	2,403,844
Fair value adjustment on sale of inventory	(805,801)	-	-	(805,801)
Fair value adjustment on growth of biological assets	825,651	-	-	825,651
Gross margin	1,483,733	939,961	-	2,423,694
Expenses				
General and administration	490,634	281,517	250,844	1,022,995
License fees, taxes, and insurance	717,226	27,330	395,170	1,139,726
Management and consulting fees	-	-	194,647	194,647
Wages and benefits	-	135,037	923,353	1,058,390
Professional fees	94,407	57,557	379,096	531,060
Share-based compensation	-	-	614,629	614,629
Interest expense	646,030	38,118	456,772	1,140,920
Accretion expense	-	-	74,752	74,752
Depreciation	714,538	109,699	101,656	925,893
Foreign exchange gain	-	-	(54,171)	(54,171)
	2,662,835	649,258	3,336,748	6,648,841
(Loss) income from continuing operations before income tax	(1,1179,102)	290,703	(3,336,748)	(4,225,147)
As at January 31, 2021				
Property and equipment	14,977,800	2,384,121	3,004,677	20,366,598
Goodwill	4,465,397	11,457,837	-	15,923,234
Total assets	24,191,315	15,493,682	3,815,427	43,500,424
Total liabilities	14,122,618	989,434	9,544,950	24,656,642

23. EVENTS AFTER THE REPORTING PERIOD

On February 22, 2022, the Company sold land for total net proceeds of \$1,616,456 (USD\$1,270,000). The Company completed the sale of two parcels consisting of 2.78 acres of M1 zoned land, located in Las Vegas. The Company originally purchased the lots for \$1,062,788 (USD\$835,000) in 2017.