



1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three months ended October 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 October 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.

December 27, 2022

1933 INDUSTRIES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars) - Unaudited

	Note	October 31, 2022	July 31, 2022
			\$
ASSETS			
Current			
Cash		3,316,477	363,274
Receivables	4,20	2,169,421	1,343,273
Inventory	5	5,296,986	5,861,394
Biological assets	6	1,126,155	1,311,192
Prepaid expenses and deposits	7	540,142	396,546
Assets held for sale	8	-	3,071,337
		12,449,181	12,347,016
Property and equipment	9	12,455,417	12,170,940
Goodwill	10	4,764,496	4,491,721
Total assets		29,669,094	29,009,677
LIABILITIES			
Current			
Accounts payable and accrued liabilities		2,231,962	2,755,626
Income tax payable		1,754,897	1,050,251
Current portion of lease liability	11	210,327	290,582
Current portion of convertible debentures	13	-	4,574,279
		4,197,186	8,670,738
Lease liability	11	13,591,031	12,816,214
Convertible debentures	13	4,620,292	-
Total liabilities		22,408,509	21,486,952
Shareholders' equity			
Share capital	15	81,901,880	81,855,012
Reserves	15(d)	10,273,038	10,157,141
Accumulated other comprehensive loss		(316,131)	(1,034,349)
Deficit		(83,520,285)	(82,456,203)
Equity attributable to shareholders of the Company		8,338,502	8,521,601
Non-controlling interest	16	(1,077,917)	(998,876)
Total shareholders' equity		7,260,585	7,522,725
Total liabilities and shareholders' equity		29,669,094	29,009,677

Nature of operations and going concern (Note 1)

Events after the reporting period (Note 24)

Approved on behalf of the Board of Directors and authorized for issuance:

"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 months ended October 31, 2022 and 2021

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

	Note	2022	2021
		\$	\$
Revenues		5,636,070	2,466,064
Cost of sales	5	3,555,006	1,824,363
Gross margin, excluding fair value adjustments		2,081,064	641,701
Realized fair value adjustment on biological assets	6	(1,236,252)	(720,750)
Unrealized fair value adjustment on biological assets	6	(99,085)	1,182,151
Gross margin		745,727	1,103,102
Expenses (income)			
Accretion expense	13	-	10,434
Depreciation	9	140,929	80,460
Foreign exchange gain		(43,687)	(5,505)
Gain on change in fair value of warrant liability	12	-	(74,492)
Gain on disposal of assets held for sale	9	(63,481)	-
General and administration	20,22	347,676	371,176
Interest expense	11,13	431,517	421,360
Interest income		-	(1,042)
License fees, taxes, and insurance		761,650	506,236
Management and consulting fees	20	128,000	107,000
Other income	17	(919,045)	-
Professional fees		317,213	213,761
Share-based compensation	15(f),20	116,913	17,895
Wages and benefits	20	186,434	289,946
		1,404,119	1,937,229
Loss before income taxes		(658,392)	(834,127)
Income tax expense		(508,459)	(114,698)
Net loss for the period		(1,166,851)	(948,825)
Net (loss) income attributable to:			
Shareholders of the Company		(1,064,082)	(952,799)
Non-controlling interest	16	(102,769)	3,974
Net loss per share			
Basic and diluted		(0.00)	(0.00)
Weighted average number of shares outstanding			
Basic and diluted		451,045,719	450,640,574

Segmented information (Note 23)

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 months ended October 31, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	2022	2021
	\$	\$
Net loss for the period	(1,166,851)	(948,825)
Other comprehensive income (loss)		
Translation adjustment (Item that may be subsequently reclassified to profit or loss)	741,946	(171,925)
Comprehensive loss for the period	(424,905)	(1,120,750)
Comprehensive (loss) income attributable to:		
Shareholders of the Company	(1,064,082)	(952,799)
Translation adjustment - Shareholders of the Company	718,218	(163,910)
Comprehensive loss attributable to shareholders of the Company	(345,864)	(1,116,709)
Non-controlling interest	(102,769)	3,974
Translation adjustment -non-controlling interest	23,728	(8,015)
Comprehensive (loss) income attributable to non-controlling interest	(79,041)	(4,041)
	(424,905)	(1,120,750)

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 three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars) - Unaudited

	2022	2021
	\$	\$
Operating activities		
Net loss for the period	(1,166,851)	(948,825)
Adjustments to non-cash items:		
Realized fair value adjustment on biological assets	1,236,252	720,750
Unrealized fair value adjustment on biological assets	99,085	(1,182,151)
Accretion expense	-	10,434
Depreciation	495,482	370,389
Gain on change in fair value of warrant liability	-	(74,492)
Gain on lease termination included in general and administration	-	(14,818)
Gain on sale of assets held for sale	(63,481)	-
Interest expense on convertible debentures	91,865	91,550
Share-based compensation	116,913	17,895
Changes in non-cash working capital items:		
Receivables	(696,477)	(352,219)
Inventory	441,041	(356,377)
Biological assets	(1,150,300)	63,721
Prepaid expenses and deposits	(123,225)	(35,993)
Accounts payable and accrued liabilities	(499,700)	457,912
Income tax payable	508,459	114,698
Net cash used in operating activities	(710,937)	(1,117,526)
Investing activities		
Purchase of property and equipment	-	(8,616)
Net cash used in investing activities	-	(8,616)
Financing activities		
Proceeds from sale of assets held for sale	3,134,818	-
Repayment of lease obligation	(143,878)	(103,962)
Net cash provided by (used in) financing activities	2,990,940	(103,962)
Effect of exchange rate changes on cash	673,200	(12,793)
Change in cash	2,953,203	(1,242,897)
Cash, beginning of period	363,274	4,405,849
Cash, end of period	3,316,477	3,162,952

Supplemental disclosure with respect to cash flows (Note 22)

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

1933 INDUSTRIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS 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, 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	14,16	372,666	37,853	(678)	-	-	-	37,175
Share-based compensation	16,21	-	-	17,895	-	-	-	17,895
Net income attributable to non-controlling interest		-	-	-	-	-	3,974	3,974
Translation adjustment		-	-	-	(163,910)	-	(8,015)	(171,925)
Net loss for the period		-	-	-	-	(952,799)	-	(952,799)
Balance, October 31, 2021		450,699,319	81,855,012	10,162,666	(1,484,620)	(65,602,080)	(764,122)	24,166,856
Share-based compensation	16,21	-	-	(5,525)	-	-	-	(5,525)
Net income attributable to non-controlling interest		-	-	-	-	-	(262,726)	(262,726)
Translation adjustment		-	-	-	450,271	-	27,972	478,243
Net loss for the period		-	-	-	-	(16,854,123)	-	(16,854,123)
Balance, July 31, 2022		450,699,319	81,855,012	10,157,141	(1,034,349)	(82,456,203)	(998,876)	7,522,725
Shares issued - conversion of convertible debentures \$0.10	14,16	917,043	46,868	(1,016)	-	-	-	45,852
Share-based compensation	16,21	-	-	116,913	-	-	-	116,913
Net income attributable to non-controlling interest		-	-	-	-	-	(102,769)	(102,769)
Translation adjustment		-	-	-	718,218	-	23,728	741,946
Net loss for the period		-	-	-	-	(1,064,082)	-	(1,064,082)
Balance, October 31, 2022		451,616,362	81,901,880	10,273,038	(316,131)	(83,520,285)	(1,077,917)	7,260,585

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

For the three months ended October 31, 2022 and 2021

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 “TGIFF” 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. 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.

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.

Going Concern

The Company has not yet achieved profitable operations and during the three months ended October 31, 2022, the Company incurred a net loss of \$1,166,851 (2021 - \$948,825) and used cash in operating activities of \$10,826 (2021 - \$1,117,526). In addition, at October 31, 2022, the Company had an accumulated deficit of \$83,520,285 (July 31, 2022 - \$82,456,203) and convertible debentures of \$nil (July 31, 2022 – \$4,574,279). These factors represent a material uncertainty that may raise significant doubt regarding the Company’s ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements (“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 24 for events after the reporting period.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee.

These financial statements were approved by the Board of Directors and authorized for issue on December 27, 2022.

b) Basis of measurement

These financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and warrant liability 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 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.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

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

2. BASIS OF PRESENTATION (continued)

d) Basis of consolidation

All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation. These 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%	USD	Infused products
FN Pharmaceuticals LLC	FNP	USA	100%	USD	Holding company Cannabis
Alternative Medicine Association LLC	AMA	USA	91%	USD	cultivation and production
AMA Productions LLC ⁽¹⁾	AMA Pro	USA	100%	USD	Holding Company
Spire Secure Logistics Inc.	Spire	Canada	100%	CAD	Inactive

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied and disclosed in Note 3 of the Company's audited annual financial statements for the years ended July 31, 2022 and 2021.

4. RECEIVABLES

	October 31, 2022	July 31, 2022
	\$	\$
Trade receivables	2,161,300	1,335,053
Other	8,121	8,220
	2,169,421	1,343,273

5. INVENTORY

	October 31, 2022	July 31, 2022
	\$	\$
Harvested cannabis and trim	3,396,013	3,636,954
Cannabis oil and equivalent	318,853	320,086
Finished goods	1,164,085	1,480,574
Raw materials	418,035	423,780
	5,296,986	5,861,394

Inventories expensed to cost of sales during the three months ended October 31, 2022, were \$3,555,006 (2021 - \$1,824,363).

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

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

6. BIOLOGICAL ASSETS

	October 31, 2022	July 31, 2022
	\$	\$
Balance, beginning of period	1,311,192	865,953
Production costs capitalized	1,973,690	6,895,214
Change in fair value less costs to sell due to biological transformation	(99,085)	3,591,853
Transferred to inventory upon harvest	(2,137,118)	(10,118,647)
Effects of movement in foreign exchange	77,476	76,819
Balance, end of period	1,126,155	1,311,192

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 October 31, 2022, the carrying value of biological assets consisted entirely of live cannabis plants. On average, the grow cycle is approximately 16 weeks (July 31, 2022 - 16 weeks).

The fair value measurements for biological assets have been categorized as Level 3 (as defined in the fair value hierarchy established in Note 18). 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 prices for all expected grades and strains of cannabis based on actual selling prices 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.
- 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	October 31, 2022	July 31, 2022
Estimated sales price per gram	\$4.52 (USD\$3.31)	\$4.58 (USD\$3.57)
Weighted average stage of growth	8 weeks	9 weeks
Expected yields by plant strain	119 grams	140 grams
Wastage	0.88%	0.00%
Post-harvest processing cost per gram	\$1.68 (USD\$1.23)	\$1.91 (USD\$1.49)

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.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

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

6. BIOLOGICAL ASSETS (continued)

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

Assumption	October 31, 2022	July 31, 2022
	\$	\$
Estimated sales price per gram	131,147	145,653
Weighted average stage of growth	82,508	85,087
Expected yields by plant strain	82,508	85,087
Wastage	1,478	3,690
Post-harvest processing cost per gram	48,639	60,566

7. PREPAID EXPENSES AND DEPOSITS

	October 31, 2022	July 31, 2022
	\$	\$
Prepaid expenses	318,692	188,482
Security deposit	221,450	208,064
	540,142	396,546

8. ASSETS HELD FOR SALE

During the year ended July 31, 2022, the Company had listed a building with a cost of \$3,071,337 (USD\$2,394,991) for sale. Prior to their classification as assets held for sale, the building was reported under construction in progress within property and equipment (Note 9). The assets held for sale are included at the lower of their carrying value and their fair value less cost to sell. The fair value was based on a sales agreement dated September 27, 2022 whereby the Company received net proceeds of \$3,134,818 (USD\$2,432,719) after selling costs. As the carrying amount is less than the fair value less cost to sell, the Company has transferred the balance at the carrying value.

The sale was completed on September 27, 2022. The Company recorded a gain on disposal of assets held for sale of \$63,481 in loss for the period.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

9. PROPERTY AND EQUIPMENT

	Land	Construction in progress	Leasehold improvements	Production equipment	Office equipment	Right of use	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, July 31, 2021	1,070,058	2,984,638	878,215	4,520,058	413,893	14,027,895	23,894,757
Additions	-	-	-	14,789	119	-	14,908
Disposals	(1,097,293)	-	-	(585,569)	-	-	(1,682,862)
Termination of lease	-	-	-	-	-	(108,789)	(108,789)
Modification of lease	-	-	-	-	-	(716,420)	(716,420)
Transfer to assets held for sale	-	(3,071,337)	-	-	-	-	(3,071,337)
Effects of movement in foreign exchange	31,083	86,699	25,511	131,300	10,656	407,487	692,736
Balance, July 31, 2022	3,848	-	903,726	4,080,578	424,668	13,610,173	19,022,993
Termination of lease	-	-	-	-	-	(79,243)	(79,243)
Effects of movement in foreign exchange	248	-	58,139	262,514	24,292	875,577	1,220,770
Balance, October 31, 2022	4,096	-	961,865	4,343,092	448,960	14,406,507	20,164,520
Accumulated depreciation							
Balance, July 31, 2021	-	-	327,660	1,831,337	209,801	2,848,382	5,217,180
Depreciation	-	-	120,057	832,766	80,244	890,181	1,923,248
Termination of lease	-	-	-	-	-	(58,021)	(58,021)
Modification of lease	-	-	-	-	-	(381,906)	(381,906)
Effects of movement in foreign exchange	-	-	13,378	63,808	6,115	68,251	151,552
Balance, July 31, 2022	-	-	461,095	2,727,911	296,160	3,366,887	6,852,053
Depreciation	-	-	23,031	214,199	19,968	238,284	495,482
Termination of lease	-	-	-	-	-	(79,243)	(79,243)
Effects of movement in foreign exchange	-	-	38,212	198,993	19,098	184,508	440,811
Balance, October 31, 2022	-	-	522,338	3,141,103	335,226	3,710,436	7,709,103
Carrying amount							
Balance, July 31, 2022	3,848	-	442,631	1,352,667	128,508	10,243,286	12,170,940
Balance, October 31, 2022	4,096	-	439,527	1,201,989	113,734	10,696,071	12,455,417

On February 22, 2022, the Company sold land with a carrying value of \$1,097,293 (USD\$835,000) for total net proceeds of \$1,624,739 (USD\$1,270,000) resulting in a \$527,446 (USD\$435,000) gain, which is included in gain on disposal of property and equipment on the consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company disposed of production equipment with carrying value of \$585,569 (USD\$465,620) for proceeds of \$313,269 (USD\$235,361), resulting a \$272,300 (USD\$230,259) loss, which is included in gain on disposal of property and equipment on the consolidated statements of loss for the year ended July 31, 20

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

9. PROPERTY AND EQUIPMENT (continued)

During the year ended July 31, 2022, 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 \$108,789, accumulated depreciation of \$58,021 and lease liability of \$63,491 resulting in a gain on lease termination of \$12,723 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 consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company determined that it would not exercise its extension option for an Infused facility lease. As a result of the lease modification, the Company derecognized the right-of-use asset with a cost of \$716,420, accumulated depreciation of \$381,906 and lease liability of \$393,856 resulting in a gain on lease termination of \$59,342 representing the undepreciated portion of the right-of-use asset less than the lease liability. The loss is included in general and administration expense on the condensed consolidated statements of loss for the year ended July 31, 2022.

During the year ended July 31, 2022, the Company entered a letter of intent to sell a building with a cost of \$3,071,337 (USD\$2,394,991) which was included in construction in progress. Management has classified the balance to held for sale. The sale was completed on September 27, 2022 (Note 8).

During the three months ended October 31, 2022, the Company derecognized a right-of-use asset with cost of \$79,243 and accumulated depreciation of \$79,243.

Total depreciation expense for the three months ended October 31, 2022 was \$439,527 (2021 - \$370,389). Of the total depreciation expense, \$354,553 was allocated to inventory (2021 - \$289,929).

10. GOODWILL

	October 31, 2022	July 31, 2022
	\$	\$
Balance, beginning of period	4,491,721	15,527,023
Impairment	-	(11,540,439)
Effects of movement in foreign exchange	272,775	505,137
Balance, end of period	4,764,496	4,491,721

The goodwill balance relates to the acquisition of AMA and Infused MFG on June 15, 2017. The transaction has been accounted for as a business combination under IFRS 3, *Business Combinations*. The goodwill recorded represents the fair value of consideration in excess of the net assets acquired. As at October 31, 2022, the balance related entirely to AMA. The goodwill related Infused MFG was fully impaired during the year ended July 31, 2022.

11. LEASE LIABILITY

	October 31, 2022	July 31, 2022
	\$	\$
Balance, beginning of period	13,106,796	13,636,208
Repayment of lease obligation	(483,530)	(1,786,241)
Interest expense	339,652	1,382,931
Termination of lease	-	(63,491)
Modification of lease	-	(393,856)
Effects of movement in foreign exchange	838,440	331,245
Balance, end of period	13,801,358	13,106,796
Less: Non-current portion	13,591,031	12,816,214
Current portion of lease liability	210,327	290,582

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

11. LEASE LIABILITY (continued)

Total expense included in the general and administration expense relating to short-term leases and low-value leases for the three months ended October 31, 2022, is \$nil (2021 - \$6,381).

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 consolidated statement of loss.

	Exercise Price	Warrants	Warrant Liability
	\$	#	\$
Balance, July 31, 2021	0.10 (USD0.08)	13,920,000	380,146
Gain on change in fair value of warrant liability		-	(380,146)
Balance, July 31, 2022 and October 31, 2022		-	-

13. CONVERTIBLE DEBENTURES

	October 31, 2022	July 31, 2022
	\$	\$
Balance, beginning of period	4,574,279	4,234,819
Interest expense	91,865	366,201
Accretion expense	-	10,434
Converted to common shares	(36,000)	(31,909)
Interest paid – shares	(9,852)	(5,266)
Balance, end of period	4,620,292	4,574,279
Less: Non-current portion	(4,620,292)	-
Current portion of convertible debentures	-	4,574,279

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 entitled 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.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

13. CONVERTIBLE DEBENTURES (continued)

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, 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.

On April 14, 2021, debenture holders approved an extension of the maturity date of the debentures to from September 14, 2021 to September 14, 2022. On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to \$0.05 per share and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023.

On August 24, 2022, debenture holders approved the amendment of the conversion price applicable to the convertible debentures to \$0.05 per share being the lowest price at which the Company is permitted to amend the conversion price, the reduction of the price per share for interest payments on the Debentures from \$0.10 to \$0.05 per share, if the Company in its sole discretion elects to pay such interest through the issuance of its common shares, and the extension of the maturity date for the Debentures from September 14, 2022 to December 31, 2023.

During the three months ended October 31, 2022, convertible debentures of \$36,000 and interest payable on the convertible debentures of \$9,852 were converted into 917,043 common shares of the Company (Note 15(c)). The principal and interest balance outstanding as at October 31, 2022 was \$3,626,007 and \$1,138,489, respectively. Refer to Note 24 for conversions subsequent to October 31, 2022.

14. LINE OF CREDIT

On September 9, 2022, the Company obtained a line of credit of up to \$1,282,400 (USD\$1,000,000) (the "Loan"), provided by Mr. Paul Rosen, Chairman and CEO of the Company. The Company has agreed to provide Mr. Rosen (the "Lender") senior first priority security interests in all of its assets as collateral for the Loan. Withdrawals from the line of credit must be approved by the Lender and must include the requested amount and the use of the funds (the "Principal"). Interest on the Principal will commence to accrue on the date of each withdrawal, with an interest rate of 11% per annum accrued until the Principal is paid in full. The Loan has a one-year term (the "Maturity Date"). The Principal, together with all accrued interest and fees is due and payable on or before the Maturity Date. However, a minimum interest rate of 2% of the Principal will be paid on the event that the Loan is paid back prior to the end of the term.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

15. SHARE CAPITAL AND RESERVES

a) Authorized

Unlimited common shares with no par value and unlimited preferred shares issuable in series. As of October 31, 2022, there were 451,616,362 common shares outstanding (July 31, 2022 - 450,699,319).

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 three months ended October 31, 2022:

- The Company issued 917,043 common shares pursuant to the conversion of \$36,000 of convertible debentures and interest payable on the convertible debentures of \$9,852.

The Company had the following common share transactions during the year ended July 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.

d) Reserves

The following is a summary of changes in reserves:

	Stock options	Convertible debentures	Warrants	Total
	\$	\$	\$	\$
Balance, July 31, 2021	6,234,712	78,212	3,832,525	10,145,449
Share-based compensation	12,370	-	-	12,370
Reclassified to share capital on conversion of convertible debentures	-	(678)	-	(678)
Balance, July 31, 2022	6,247,082	77,534	3,832,525	10,157,141
Share-based compensation	116,913	-	-	116,913
Reclassified to share capital on conversion of convertible debentures	-	(1,016)	-	(1,016)
Balance, October 31, 2022	6,363,995	76,518	3,832,525	10,273,038

e) Warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise Price
	#	\$
Balance, July 31, 2021	107,160,865	0.33
Expired	(53,119,666)	0.51
Balance, July 31, 2022	54,041,199	0.15
Expired	(5,295,270)	0.13
Balance, October 31, 2022	48,745,929	0.15

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

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

15. SHARE CAPITAL AND RESERVES (continued)

The following table summarizes share purchase warrants outstanding and exercisable as at October 31, 2022:

	Number of warrants	Weighted average exercise price	Weighted average remaining life
	#	\$	Years
March 4, 2023	45,045,929	0.16	0.34
June 13, 2024	3,700,000	0.08	1.62
	48,745,929	0.15	0.44

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, 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, 2021	17,180,000	0.20
Expired	(1,730,000)	0.55
Forfeited	(1,200,000)	0.08
Cancelled	(2,150,000)	0.40
Balance, July 31, 2022	12,100,000	0.11
Granted	13,490,000	0.05
Expired	(750,000)	0.35
Cancelled	(300,000)	0.05
Balance, October 31, 2022	24,540,000	0.07

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

Expiry date	Number of options	Number of exercisable options	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
November 8, 2025	11,050,000	7,366,667	0.10	3.02
August 24, 2027	13,490,000	6,346,667	0.05	4.82
	24,540,000	13,713,333	0.07	4.01

For the three months ended October 31, 2022, the Company recognized a share-based compensation expense of \$116,913 (2022 - \$17,895).

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

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

15. SHARE CAPITAL AND RESERVES (continued)

The fair value of stock options was calculated using Black-Scholes using the following weighted average assumptions for the three months ended October 31, 2022 and 2021:

	October 31, 2022	October 31, 2022
Risk-free interest rate	3.27%	-
Expected life of options	5.00 years	-
Annualized volatility	100%	-
Dividend rate	0%	-
Weighted average fair value per option	\$0.02	-

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.

g) Agent options

A summary of agent option activity is as follows:

	Number of options	Weighted average exercise price
	#	\$
Balance, July 31, 2021	5,344,326	0.25
Expired	(2,191,112)	0.45
Balance, July 31, 2022 and October 31, 2022	3,153,214	0.11

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

Expiry date	Number of options	Number of exercisable options	Weighted average exercise price	Weighted average remaining life
	#	#	\$	Years
March 4, 2023	3,153,214	3,153,214	0.11	0.34

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.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

16. NON-CONTROLLING INTEREST

The following table presents summarized financial information for AMA as at October 31, 2022 and July 31, 2022:

	October 31, 2022	July 31, 2022
	\$	\$
Assets		
Current	8,971,803	8,660,669
Non-current	16,892,957	16,244,129
	25,864,760	24,904,798
Liabilities		
Current	1,604,820	2,175,761
Non-current	13,691,466	12,937,308
	15,296,286	15,113,069
Net assets	10,568,474	9,791,729
Non-controlling interest	(1,077,917)	(998,876)
Revenues	5,246,612	10,850,218
Net loss	(1,077,917)	(2,335,317)

17. OTHER INCOME

During the three months ended October 31, 2022, the Company received payroll tax refunds of \$501,519 (USD\$377,065) from the Internal Revenue Service ("IRS") (2021 - \$nil (USD\$nil)) related to the CARES act that was enacted on December 27, 2020. In the CARES act there was the Employee Retention Credit created to help encourage business keep employees on their payroll during the COVID pandemic.

During the three months ended October 31, 2022, the Company received a refund of \$35,595 (USD\$26,762) (2021 - \$nil (USD\$nil)) from the IRS related to the reversal of a penalty paid in 2019.

During the three months ended October 31, 2022, the Company received settlement of \$26,601 (USD\$20,000) (2021 - \$nil (USD\$nil)) related to Infused MFG disputed invoices from 2019 and 2020.

During the three months ended October 31, 2022, the Company recorded the recovery of a fair value adjustment of \$355,330 (USD\$267,153) (2021 - \$nil (USD\$nil)) related to Infused MFG inventory.

18. FINANCIAL RISK MANAGEMENT

Fair value of financial assets and liabilities

IFRS 13, *Fair Value Measurement* 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, accounts payable and accrued liabilities, and convertible debentures approximate their respective fair values due to the short-term nature of these instruments.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

18. FINANCIAL RISK MANAGEMENT (continued)

As at October 31, 2022 and July 31, 2022, there were no financial assets measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy. The warrant liability and biological assets are measured at fair value and are categorized as a Level 2 fair value measurement.

19. CAPITAL RISK MANAGEMENT

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.

20. 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 months ended October 31, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Directors' fees included in general and administration expense	29,422	22,374
Management and consulting fees	98,000	87,000
Share-based compensation	71,193	8,784
Wages and benefits	-	48,350
	198,615	166,508

As at October 31, 2022, \$nil (July 31, 2022 - \$208,903) was included in receivables from companies related to a Director of the Company.

21. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

- Convertible debentures of \$36,000 and interest payable on the convertible debentures of \$9,852 were converted into 917,043 common shares of the Company (Notes 13 and 15(c)). In relation to the conversion \$46,868 was recorded to share capital and \$1,016 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 three months ended October 31, 2021 were as follows:

- Convertible debentures of \$1,100,000 and interest payable on the convertible debentures of \$72,774 were converted into 11,817,739 common shares of the Company (Notes 13 and 15(c)). In relation to the conversion \$1,181,774 was recorded to share capital and \$23,481 was reallocated from reserves to share capital.
- Share issue costs included \$836 with respect to 40,250 warrants issued as finders fees (Note 15(c)).
- The Company made cash interest payments of \$nil. No income taxes were paid.

1933 INDUSTRIES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

22. GENERAL AND ADMINISTRATION EXPENSE

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

	2022	2021
	\$	\$
Advertising, promotion and selling costs	154,484	66,209
Investor relations	20,077	22,168
Office expenses and general administration	164,529	206,555
Travel and entertainment	8,586	76,244
	347,676	371,176

23. 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.

Segmented information for the three months ended October 31, 2022 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	5,246,612	389,458	-	5,636,070
Gross margin	485,055	260,672	-	745,727
Expenses				
Depreciation	16,498	70,923	53,508	140,929
General and administration	104,256	105,693	137,727	347,676
License fees, taxes, and insurance	659,768	14,961	86,921	761,650
Interest, accretion, and other	337,953	(542,022)	357,933	153,864
(Loss) income before income taxes	(633,420)	611,117	(636,089)	(658,392)
As at October 31, 2022				
Property and equipment	12,128,461	50,745	276,211	12,455,417
Goodwill	4,764,496	-	-	4,764,496
Total assets	25,864,759	639,588	3,164,747	29,669,094
Total liabilities	17,051,183	146,819	5,210,507	22,408,509

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

For the three months ended October 31, 2022 and 2021

(Expressed in Canadian dollars, except where noted)

23. SEGMENTED INFORMATION (continued)

Segmented information for the three months ended October 31, 2021 is as follows:

	AMA	Infused MFG	Corporate	Total
	\$	\$	\$	\$
Revenue	2,002,262	463,802	-	2,466,064
Gross margin	895,878	207,224	-	1,103,102
Expenses				
Depreciation	-	42,305	38,155	80,460
General and administration	9,735	119,649	242,970	372,354
License fees, taxes, and insurance	369,875	8,857	125,284	504,016
Interest, accretion, and other	445,728	24,563	510,108	980,399
Income (loss) before income taxes	70,540	11,850	(916,517)	(834,127)
As at July 31, 2022				
Property and equipment	11,752,408	105,225	313,307	12,170,940
Goodwill	4,491,721	-	-	4,491,721
Total assets	24,904,798	1,030,043	3,074,836	29,009,677
Total liabilities	16,163,319	228,748	5,094,885	21,486,952

24. EVENTS AFTER THE REPORTING PERIOD

On November 22, 2022, convertible debentures of \$100,000 and interest payable on the convertible debentures of \$28,917 were converted into 2,578,333 common shares of the Company.