SLANG Worldwide Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018

Contents

SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2019 and December 31, 2018

(Prepared in Canadian dollars)

	Notes	(Unaudited) As at June 30, 2019	(Audited) As at December 31, 2018
Assets			
Current			
Cash		**$ 13,031,319**	$ 176,432
Funds held in trust / escrow		**665,925**	63,929,156
Funds in transit - warrant conversion	**20**	**4,338,006**	-
Accounts receivable	**5**	**4,000,192**	617,857
Other receivables		**1,002,824**	918,346
Inventory	**6**	**3,656,240**	-
Prepaid and receivables		**2,651,713**	78,694
Total current		**29,346,219**	65,720,485
Investments, at fair value	**9**	**5,526,359**	16,236,073
Investment in associate	**10**	**17,620,478**	
Notes receivable	**7**	**8,996,255**	4,644,769
Due from related parties	**8**	**11,036,797**	66,424
Investment properties	**11**	**4,209,477**	4,434,392
Intangible assets	**4, 13**	**152,314,411**	-
Goodwill	**4**	**95,365,869**	-
Property, plant and equipment	**12**	**1,080,628**	174,714
Total assets		**$ 325,496,493**	$ 91,276,857

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

SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2019 and December 31, 2018

(Prepared in Canadian dollars)

	Notes	(Unaudited) As at June 30, 2019	(Audited) As at December 31, 2018
Liabilities and Equity			
Current			
Accounts payable and accrued liabilities		$ 7,747,816	$ 5,685,888
Loan payable	14	2,604,313	2,728,400
Current balance of lease liability	17	258,673	-
Current portion of notes payable	19	806,923	-
Current portion of deferred revenue	16	657,994	-
Due to related parties	18	3,429,407	26,483
Total current		15,505,126	8,440,771
Long term			
Notes payable	19	819,726	-
Derivative liability	15	18,809,961	17,236,727
Deferred revenue	16	18,039,986	-
Option liability, net	4	54,558,342	-
Total liabilities		$ 107,733,141	25,677,498
Equity			
Share capital	20	206,505,712	29,315,764
Restricted share capital	20	26,250,000	-
Contributed surplus		7,585,958	3,971,005
Subscription receipt		-	59,041,705
Warrants	20	8,348,264	2,173,464
Foreign currency translation reserve		(3,167,624)	225,020
Deficit		(27,758,958)	(29,127,599)
Total shareholders' equity		217,763,352	65,599,359
Total liabilities and shareholders' equity		$ 325,496,493	$ 91,276,857
Commitments	24		
Subsequent Events	27		

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

SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and six months ended June 30, 2019 and 2018

(Prepared in Canadian dollars)

		Three months ended		Six months ended	
	Note	June 30 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue					
Product and licensing revenue	16	$ 6,551,513	$ -	$ 10,337,554	$ -
Rental income	11	376,402	385,959	482,763	385,959
Interest income		265,655	53,619	379,373	82,343
Total revenue		7,193,570	439,578	11,199,690	468,302
Cost of good sold	6	3,926,690	-	8,157,042	-
Gross profit		3,266,880	439,578	3,042,648	468,302
Expenses					
Consulting and subcontractors	23	593,785	565,530	1,011,956	944,705
Marketing		862,118	-	1,451,200	-
Expected credit losses	5	13,319	-	84,255	-
Professional fees		992,610	194,337	2,300,255	365,008
Salaries and wages	23	1,236,032	-	3,529,144	-
General and administrative		1,637,425	140,981	2,706,411	198,814
Depreciation	11, 12, 13	5,303,413	16,542	10,274,910	16,542
Share based payments	20, 23	2,219,923	1,636,928	3,893,102	1,644,926
Total expenses		12,858,625	2,554,318	25,251,233	3,169,995
Loss from operations		(9,591,745)	(2,114,740)	(22,208,585)	(2,701,693)
Impairment	4	-	7,689,874	-	7,689,874
Share of loss on investment	10	166,983	-	406,461	-
Financing cost and FV adjustment	22	(26,563,219)	3,405,828	(23,306,311)	3,405,828
Unrealized exchange gain		(684,052)	-	(684,052)	-
Income (loss) before income taxes		17,488,543	(13,210,442)	1,375,317	(13,797,395)
Income taxes		6,297	-	6,676	-
Net income (loss) for the period		17,482,246	(13,210,442)	1,368,641	(13,797,395)
Other comprehensive income (loss) for the period					
Exchange differences on translation of foreign operations		(3,142,407)	(89,518)	(3,392,644)	(89,518)
Total comprehensive income (loss) for the period		$ 14,339,839	$ (13,299,960)	$ (2,024,003)	$ (13,886,913)
Earnings per common share based on net income (loss) for the period					
Basic	21	$ 0.08	$ (0.18)	$ 0.01	$ (0.22)
Diluted	21	$ 0.06	$ (0.18)	$ 0.01	$ (0.22)
Weighted average number of common shares outstanding					
Basic		232,699,662	74,498,962	212,063,334	63,070,680
Diluted		256,095,514	74,498,962	224,209,088	63,070,680

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SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three and six months ended June 30, 2019 and 2018

(Prepared in Canadian dollars)

	Notes	Share Capital	Restricted Share Capital	Shares to be issued	Warrants	Subscription receipt	Contributed Surplus	Foreign Currency Translation	Deficit	Total Equity
Balance as at December 31, 2017		**$ 1,366,300**	**$ -**	**$ 420,000**	**$ -**	**$ -**	**$ 5,332**	**$ -**	**$ (848,866)**	**$ 942,766**
Net loss for the period		-	-	-	-	-	-	-	(13,797,395)	(13,797,395)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(89,518)	-	(89,518)
Stock based compensation expense	**20**	-	-	-	-	-	944,926	-	-	944,926
Issued pursuant to services	**20**	1,120,000	-	(420,000)	-	-	-	-	-	700,000
Issued pursuant to investments	**20**	8,400,000	-	-	-	-	-	-	-	8,400,000
Issued pursuant to private placements, net	**20**	-	-	-	14,985,461	-	583,463	-	-	15,568,924
Balance as at June 30, 2018		**$ 10,886,300**	**$ -**	**$ -**	**$ 14,985,461**	**$ -**	**$ 1,533,721**	**$ (89,518)**	**$ (14,646,261)**	**$ 12,669,703**
Balance as at December 31, 2018		**$ 29,315,764**	**$ -**	**$ -**	**$ 2,173,464**	**$ 59,041,705**	**$ 3,971,005**	**$ 225,020**	**$ (29,127,599)**	**$ 65,599,359**
Net income for the period		-	-	-	-	-	-	-	1,368,641	1,368,641
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(3,392,644)	-	(3,392,644)
Stock based compensation expense	**20**	-	-	-	-	-	2,752,376	-	-	2,752,376
Restricted share unit compensation expense	**20**	-	-	-	-	-	1,140,726	-	-	1,140,726
Issued pursuant to business acquisitions	**20**	107,964,412	26,250,000	-	-	-	-	-	-	134,214,412
Conversion pursuant to subscription receipt offering	**20**	50,607,176	-	-	8,434,529	(59,041,705)	-	-	-	-
Stock options exercised	**20**	17,466	-	-	-	-	(4,966)	-	-	12,500
Warrants exercised	**20**	18,600,894	-	-	(2,221,749)	-	(311,163)	-	-	16,067,982
Warrants expired	**20**	-	-	-	(37,980)	-	37,980	-	-	-
Balance as at June 30, 2019		**$ 206,505,712**	**$ 26,250,000**	**$ -**	**$ 8,348,264**	**$ -**	**$ 7,585,958**	**$ (3,167,624)**	**$ (27,758,958)**	**$ 217,763,352**

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

SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2019 and 2018

(Prepared in Canadian dollars)

	Notes	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flow used in operating activities			
Net income (loss) for the period		$ 1,368,641	$ (13,797,395)
Items not affecting cash			
Expected credit losses		84,255	601,456
Interest not paid in cash		24,737	16,029
Interest not received in cash		(127,004)	(80,617)
Depreciation		10,274,910	16,542
Fair value adjustment to derivative and option liabilities	**4, 15**	(22,311,664)	416,030
Loss on extinguishment of convertible note		-	3,059,669
Fair value adjustment on investments	**9**	(1,476,478)	-
Impairment	**4**	-	7,689,874
Share of loss on investment	**10**	406,461	-
Share-based payments	**20**	3,893,102	1,644,926
Amortization of deferred revenue	**16**	(335,307)	-
Unrealized foreign exchange on non-cash balances		(684,052)	(137,692)
		(8,882,399)	(571,178)
Changes in non-cash working capital balances			
Accounts receivable		2,435,184	(997,721)
Funds in transit - warrant conversion		0	-
Other receivables		(490,159)	(605,568)
Inventory		1,130,033	-
Prepaids and receivables		(2,614,351)	(224,958)
Accounts payable and accrued liabilities		(2,386,528)	624,755
		(10,808,220)	(1,774,670)
Cash flows from financing activities:			
Advances of note receivable		(7,604,247)	30,646
Advances from related parties		8,942,226	5,320
Repayment of note payable		(195,479)	-
Proceeds from release of escrow funds		63,929,156	-
Proceeds pursuant to issuance of warrants		-	15,568,924
Proceeds pursuant to issuance of common shares	**20**	11,575,695	-
Net cash provided by financing activities		76,647,351	15,604,890

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

SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three and six months ended June 30, 2019 and 2018

(Prepared in Canadian dollars)

Cash flows used in investing activities:			
Investments		-	(6,028,092)
Proceeds from disposal of property, plant and equipment	**12**	339,119	-
Purchase of property, plant and equipment	**12**	(138,588)	(390,002)
Purchase of intangible assets	**13**	(802,159)	-
Advances to related parties		(16,004,326)	(2,135,176)
Cash paid on acqusitions	**4**	(37,082,703)	-
Cash acquired through business combinations	**4**	1,414,748	12,420
		(52,273,909)	(8,540,850)
Net increase in cash during the period		13,565,222	5,289,370
Exchange rate changes on foreign currency cash balances		(44,410)	309
Cash, beginning of period		176,432	165,340
Cash and funds held in trust, end of period		$ 13,697,244	$ 5,455,019
Cash, end of period		$ 13,031,319	$ 5,455,019
Funds held in trust, end of period		$ 665,925	$ -
Supplemental cash flow information			
Income taxes paid		6,676	-
Interest expense paid		130,864	-

1. Nature of operations

Slang Worldwide Inc. formerly known as Fire Cannabis Inc., (the "Company") was incorporated on May 29, 2017 under the laws of Canada Business Corporations Act as "Fire Cannabis Inc.". On November 26, 2018 the Company filed articles of amendment to change its name to SLANG Worldwide Inc.

The address of the Company's registered office is 77 King Street West, Suite 400, Toronto, Ontario, Canada.

The Company invests and operates in the cannabis industry. The Company invests in companies that have a consumer centric product portfolio with best in class brands that have widespread distribution.

The consolidated financial statements were approved by the Company's Board of Directors on August 27, 2019.

2. Basis of presentation

2.1 Statement of compliance

The Company's interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim financial reporting". These interim condensed consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018 and from the date of incorporation, May 29, 2017 to December 31, 2017, which have been prepared in accordance with International Financial reporting standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations committee ("IFRIC").

2.2 Basis of measurement

The Company's interim condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets.

2.3 Basis of consolidation

The interim condensed consolidated financial statements for the six and three months ended June 30, 2019 and 2018 include the accounts of the Company and its wholly-owned subsidiaries, The Purple Organization, Inc. ("Purple"), National Concessions Group, Inc. ("NCG"), NCG Transport LLC, a non-operational dormant entity, and NWT Holdings LLC ("NWT") on a consolidated basis after elimination of intercompany transactions and balances.

The subsidiaries are controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are fully consolidated from the date that control commences and de-consolidated from the date control ceases.

2. Basis of presentation (continued)

The functional currency of the Company is Canadian Dollar which is also the presentation currency of the consolidated financial statements. The functional currency of Purple, NCG and NWT is the US dollar.

2.4 Adoption of new and revised standards and interpretations

New standards and interpretations

At the date of authorization of these condensed interim consolidated financial statements, the IASB and the IFRS Interpretations Committee ("IFRIC") has issued certain new and revised Standards and Interpretations which have come into effect during the reporting period.

IFRS 16 - Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. This standard provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The effective date is for reporting periods beginning on or after January 1, 2019 with early adoption permitted. The Company adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company has adopted the exemption for leases with a lease term of 12 months or less and for leases that are low value. For leases exceeding the 12-month period or that are not low value the Company had already recognized the leases on the statement of financial position, in line with finance leases recognized under IAS 17, and no adjustments were required as a result of the adoption of IFRS 16.

3. Summary of significant accounting policies

The significant accounting policies applied by the Company are the same as those applied as at and for the twelve months period ended December 31, 2018 as described in Note 3 of the Company's audited consolidated financial statements except for the adoption of IFRS 16 as noted above, and except as noted below which have been adopted in relation to the acquisitions described in Note 4;

Revenue

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

3. Summary of significant accounting policies (continued)

Revenue is derived from interest income on deposits, rental income, advisory fees, sale of its manufactured products including a product license fee and a licensee revenue-based milestone license fee structure as established in the terms of the licensee contract.

Licenced product sales are recognized when the Company has shipped the product to the customer, and control of the product has been transferred to the customer, per the agreed upon shipping terms. The Company recognizes product licensing revenue when the underlying product has been sold to the licensee, and the Company is entitled to their related fee based on the terms in the licensee contract which is recognized preceding the month the revenue-based milestone in achieved.

Rental income is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income is recognized based on the number of days the investment was held during the year using the effective interest rate method.

Contract obligations arise when the Company has received payments for goods not yet delivered to the customer based on the shipping terms.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Amortization of intangible assets is measured on a straight-line bases over the following periods;

Proprietary technology & know how	5 years
Brands	10 years
Distributor relationships	5 years

The estimated useful lives, residual values and amortization methods are reviewed at each year end and any changes in estimates are accounted for prospectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

3. Summary of significant accounting policies (continued)

Investment in Associates

The Company holds equity investments in associates. An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for equity investments using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and is subsequently increased or decreased to recognize the Company's share of earnings or losses of the associate, and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of associates are recognized through net income or loss during the year. Cash distribution received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate's operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the greater of its fair value less costs to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in an associate is less than its carrying amount, then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through net income or loss in the period in which the reversal occurs.

Significant accounting judgements and estimation uncertainties

The preparation of these interim condensed consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The estimates and associate assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were the same as those described in the last audited consolidated financial statements, except as detailed above.

4. Business Combinations

The Company has determined that the below acquisitions are business combinations under IFRS 3, Business Combinations. They are accounted for by applying the acquisition method, whereby the assets acquired, and the liabilities assumed are recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Operating results have been included in these Financial Statements from the date of the acquisition. Any goodwill recognized is attributed based on Cash Generating Units ("CGUs").

On January 22, 2019, the Company acquired 92.5% of the issued and outstanding shares of NCG it didn't own and 100% of the outstanding membership interests of NWT. Each of the acquisitions is a business combination accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations*.

Due to the complexity associated with the valuation process, the identification and measurement of the assets acquired, and liabilities assumed, including deferred taxes, is subject to adjustment as new information about facts and circumstances that existed at the acquisition date, is obtained. Management will finalize the accounting for the acquisition as soon as any new information is obtained, and no later than one year from the acquisition date and will reflect

these adjustments retrospectively, as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur.

NCG Acquisition

NCG maintains a portfolio of brand-related intellectual property that is synergistic with the cannabis business sector. NCG's primary business consists of licensing its intellectual property to cannabis-related businesses in exchange for customary royalty payments. Because the Company held a 7.5% equity interest in NCG before closing of this acquisition, this is considered to be a business combination achieved in stages under IFRS 3. Prior to January 22, 2019 the Company's only relationship with NCG was the 7.5% ownership. The fair value of the Company's pre-existing equity interest in NCG immediately before the acquisition was $12,246,000.

4. Business Combinations (continued)

The following tables summarize the provisional accounting estimates for the NCG acquisition:

Fair value of consideration transferred	
Cash paid	$26,427,903
Shares issued	123,750,000
Fair value of existing equity interest in NCG	12,246,000
Total consideration transferred	**$162,423,903**

Fair value of identifiable net assets	
Cash	$85,925
Accounts receivable	4,942,292
Inventory	4,595,630
Property and equipment	1,258,410
Due from related parties	1,909,296
Investment in associate	17,472,312
Intangibles - proprietary technology & know how	34,737,360
Intangibles – brands	96,768,360
Intangibles - distributor relationship	18,009,000
Equity investments	60,964
Net fair value of ACG options *	(41,263,288)
Net fair value of NSH options *	(37,062,522)
Accounts payable, notes payable & other liabilities	(26,916,139)
Total identifiable net assets	**$74,597,600**
Goodwill on acquisition	**$87,826,303**

* At June 30, 2019 the fair value of the net option liability was revalued to $54,558,342 (see *options to acquire ACG and NSH* below)

The fair value of shares issued, and existing equity interest in NCG were valued at $1.50 per share, which was the fair value at the time.

The total shares issued include both common and restricted shares.

4. Business Combinations (continued)

Options to acquire ACG and NSH

As part of the acquisition of NCG, the Company also acquired an option to acquire 100% of the outstanding equity interests of Allied Concessions Group, Inc. ("ACG") and NS Holdings Inc. ("NSH"). Under the terms of the option agreements, the Company can choose to acquire either or both ACG and NSH ("call options"), in exchange for the issuance of an additional 33 million and 49.5 million of the Company's shares, respectively. These call options expire 36 months after closing of the NCG acquisition. During a 120 day period, commencing on the 13th month after closing of the NCG acquisition, the shareholders of ACG and NSH also have the right to sell 100% of the outstanding equity ("put rights") of ACG or NSH, to the Company, on the same terms as the call options.

The call options and put rights (collectively, "option liability") related to ACG and NSH were recognized at fair value on the January 22, 2019 acquisition, as part of the business combination accounting. On June 30, 2019 the option liability was re-measured at fair value through profit or loss, as the Company carries the financial liability at fair value through profit or loss in accordance with IFRS 9. This revaluation resulted in a gain on the revaluation of the option liability of $23,884,898.

The fair value of the option liability as at June 30, 2019 was estimated using an option pricing methodology based on the Monte Carlo Simulation approach using the following assumptions:

Share price	$1.50
Stock price volatility:	
NSH	72%
ACG	179%
Slang Worldwide Inc.	93%
Risk-free rate	1.93%
Expected life of the option liability	0.89 years

Reacquired shares

NCG held an equity interest in the Company as of the acquisition date, resulting in the Company having reacquired approximately 3,000,000 shares of its own equity. NCG was obligated to grant these shares to certain employees as compensation. From the Company's perspective, this obligation did not represent a liability, as it was settled in the Company's own shares, which will be issued from treasury. As a result, the Company has recorded this obligation as 'shares to be issued' with an offsetting amount grouped with common shares. Settlement of the obligation occurred April 2019.

Identifiable intangible assets

The identifiable proprietary technology and know-how, and brands have been provisionally valued using an income approach or a relief from the royalty method. Specifically, proprietary technology and know-how and brands subject to a relief from royalty method incorporated a royalty rate of 1.5% and 1.0% respectively. The distributor relationships were valued using the multi-period excess earnings method. All methods applied a 18% discount rate.

4. Business Combinations (continued)

Proprietary technology and know-how are considered definite useful life intangible assets and are being amortized over their remaining useful lives of 5 years. Brands were concluded to have a useful life of 10 years and as such are being amortized over that period.

Goodwill
Goodwill of $87,826,303 is primarily related to growth expectations, particularly driven by introduction of brands in new markets where cannabis regulations are shifting toward legalization. Goodwill recognized will not be deductible for income tax purposes going forward.

Acquisition costs charged to general and administrative expenses

Acquisition related costs amounting to $771,141 are recognized as part of professional fee expenses for the six months ended June 30, 2019.

Contribution to Company Results

If the transaction had closed on January 1, 2019, the Company's revenue for the six months ended June 30, 2019 would have increased by $912,928, and net loss for the six months ended June 30, 2019 would have increased by $194,641.

NWT Acquisition

NWT is a supplier and distributor of high-end vaporizer products to wholesale distributors and online consumers. NWT's vaporizers service multiple cannabis formats including flower, liquid oil, and solid extracts.

The following tables summarize the provisional accounting estimates for the NWT acquisition:

Fair value of consideration transferred	
Cash paid	$10,654,800
Shares issued	10,631,196
Total consideration transferred	**$21,285,996**

Recognized amounts of identifiable net assets	
Cash	1,328,823
Accounts receivable	1,067,325
Inventory	257,462
Prepaid and other	88,093
Property and equipment	42,585
Intangibles - proprietary technology & know how	7,697,180
Intangibles – brands	4,442,220
Intangibles - distributor relationship	2,854,760
Accounts payable, notes payable & other liabilities	(4,032,018)
Total identifiable net assets	**$13,746,430**
Goodwill on acquisition	**$7,539,566**

4. Business Combinations (continued)

The fair value of shares issued were valued at $1.50 per share, which was the fair value at the time.

Identifiable intangible assets

The distributor relationships have been provisionally valued using an income approach using a discount rate of 33.8%. Proprietary technology and know-how, and brands were valued using a relief from royalty method incorporating a royalty rate of 2% to 8% and 4%, respectively, and a discount rate of 33.8% for each.

Proprietary technology and know-how are considered definite useful life intangible assets and are being amortized over their remaining useful lives of 5 years. Brands were concluded to have a useful life of 10 years and as such are being amortized over that period.

Goodwill

Goodwill of $7,539,566 is primarily related to growth expectations, particularly driven by introduction of brands and products in new markets where cannabis regulations are shifting toward legalization. Goodwill recognized will not be deductible for income tax purposes going forward.

Acquisition costs charged to general and administrative expenses

Acquisition related costs amounting to $43,127 are recognized as part of professional fee expenses for the six months ended June 30, 2019.

Contribution to Company Results

If the transaction had closed on January 1, 2019, the Company's revenue for the six months ended June 30, 2019 would have increased by $125,237, and net loss for the six months ended June 30, 2019 would have increased by $63,225.

<u>Purple Acquisition</u>

On April 3, 2018, the Company and Purple, an Ontario corporation controlled by the Company's CEO, entered into an amended and restated share purchase agreement (the "SPA") amending, restating, superseding and replacing a share purchase agreement dated November 22, 2017. Pursuant to the SPA, the Company agreed to purchase from the Vendor 50 shares of common stock of the Purple Organization, Inc., a Delaware corporation, and, the ownership of which amounts to one hundred percent (100%) of the issued and outstanding shares of common stock in the capital of the Target (collectively, the "Purple Shares") after the redemption of 2 shares of common stock of the Target from two previous shareholders.

As consideration for the Purple Shares, the Company issued 10,000,000 common shares, which were estimated at $0.56 per share on the date of transaction.

4. Business Combinations (continued)

The acquisition by the Company of all of the shares of common stock of Purple closed on April 30, 2018.

Fair Value of Identifiable Net Assets	
Cash and cash equivalents	$16,241
Accounts receivable	334,327
Property and equipment and investment property	3,852,355
Trade payables, accruals and loans	(70,598)
Note payable#1	(2,177,350)
Note payable#2 (Note 15)	(2,364,849)
Net liabilities acquired	**$ (409,874)**
Consideration paid	
Shares issued	$5,600,000
Total consideration paid	**5,600,000**
Total goodwill	**$ 6,009,874**

The revenue and net loss of Purple was consolidated for the full six months ended June 30, 2019.

The recoverable amount of the Purple's CGU was determined based on a value in use calculation which uses rent cash flow projections at a discount rate of 12% to 14% per annum.

The carrying value of Purple's CGU at December 31, 2018 exceeded its recoverable amount due to expectation for reduced rent receivables from current tenant and the Company recognized a full impairment of the goodwill in its consolidated statements of income (loss) and comprehensive income (loss). Key assumptions the company used to calculate the value in use includes: market rental income of approximately USD$388,000 (CAD$507,000) per annum, cap rate of 12% to 14% per annum.

5. Accounts Receivable

Accounts receivables consist of the following:

		June 30, 2019		December 31, 2018
Accounts receivable	**$**	**16,958,151**	$	5,192,519
Expected credit losses (Note 26)		**(12,957,959)**		(4,574,662)
	$	**4,000,192**	$	617,857

Of the total expected credit loss balance above $12,127,918 relates to Purple, refer to Note 11. The remaining $13,319 relates to the other operating entities.

6. Inventory

The following comprise inventory:

Category	June 30, 2019
Batteries	$ 588,024
Cartridges	902,291
Packaging	790,293
Finished goods	1,400,565
Other	217,454
Reserve for obsolete inventory	(242,387)
Total	**$ 3,656,240**

The Company classifies slow-moving inventory, not expected to be consumed or realized in cash in its normal operating cycle, as a non-current asset. As of June 30, 2019, no slow-moving inventory was noted. Inventory is periodically reviewed for potential obsolescence, and the Company writes down inventory based on its assessment of market conditions. Inventory is net of a reserve for obsolete inventory of $242,387, of which $56,442 was recorded in the six months ended June 30, 2019.

During the six months ended June 30, 2019, the total inventory expensed through cost of goods sold was $5,613,970 (2018 - $nil).

Included in cost of sales is the fair value inventory bump of $2,448,563 from acquisition as the goods the fair value bump were related to were sold during the three months ended March 31, 2019 and therefore the related value was included in cost of sales.

7. Notes Receivable

On November 8, 2017 the Company loaned $750,000 (“Original Promissory Note”) to Pine River Consulting Ltd. (controlled by the Company’s CEO) (“Pine River”). The loan was pursuant to a credit facility in the amount of $1,000,000. Pine River and the Company subsequently amended and restated the Original Promissory Note on July 30, 2018, and again on October 15, 2018. During the six-month period ended June 30, 2019 the Company advanced an additional $28,660 to Pine River. The maturity date of the loan was extended to November 8, 2020 at 15% interest for up to $1,500,000. As at June 30, 2019 principal due is $1,532,434 ($1,548,001 – December 31, 2018). In a prior period, the Company estimated an expected credit loss of $192,240, the remaining balance of the loan is $1,340,194. Interest accrued to June 30, 2019 amounted to $148,578 (December 31, 2018 - $108,008). The loan remains outstanding at the date of these financial statements.

On November 22, 2017 the Company loaned $30,646 to Agripharm Corp. in which the CEO of the Company has a significant equity interest and management control. The loan bears interest at 10%, was evidenced by a promissory note and was repaid in February 2018. Interest accrued to December 31, 2017 amounted to $260.

On March 21, 2019, the Company entered into a promissory note with NSH in the amount of US $4,234,943, which is secured by substantially all of the assets of NSH, bears interest at 12% per annum and is due in full in February 2022. Interest accrued and received to June 30, 2019 amounted to $169,939.

7. Notes Receivable (continued)

On May 23, 2019, the Company loaned US $1,500,000 to LBA Global Corporation, an unrelated third party. The loan is unsecured, carries interest at 12% per annum and is due in full in May 2020. Interest accrued and received to June 30, 2019 amounted to $24,887.

Summary of the Company's loans and notes receivable:

Opening Balance - December 31, 2018	**$4,644,769**
Amounts eliminated upon consolidation	(3,181,001)
Advances to NS Holdings	5,542,270
Advances to LBA	1,963,050
Pine River loan repayment	(114,386)
Pine River interest accrued and interest added to principal	112,893
Pine River funds advanced	28,660
Closing Balance - June 30, 2019	**$8,996,255**

Amounts eliminated upon consolidation related to amounts loaned to NCG and NWT. Each of NCG and NWT are now owned 100% by the Company and the related balances have been eliminated.

8. Due from Related Parties

The Company's wholly owned subsidiary, NCG, routinely conducts business with Allied Concessions Group ("ACG"), and NS Holdings Inc. ("NSH") through its subsidiary GNT Oregon ("GNT"). ACG and GNT have common management with NCG. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG and GNT operate labs that manufacture oil and packages and market products to be sold to dispensaries. NCG provides all packaging and marketing materials for their operations. ACG products are sold in the State of Colorado, whereas GNT's products are sold in the state of Oregon.

Advances were made to Green House Holdings North America Inc. ("GNHA") (a company partially owned by the Company's CEO) during fiscal 2018.

Balances due from related parties have no specific repayment terms and consist of the following:

		June 30, 2019		December 31, 2018
Green House Holdings North America Inc.	**$**	**66,424**	$	66,424
NS Holdings		**7,728,242**		-
ACG		**1,642,521**		-
GNT		**1,023,654**		-
Other		**575,956**		-
Total	**$**	**11,036,797**	$	66,424

9. Investments, at Fair Value

A summary of all investments held at fair value include the following:

	June 30, 2019	December 31, 2018
ACG	$ 1,621,625	$ 1,744,422
NS Holdings Inc.	3,344,911	1,745,636
NCG	-	12,246,015
10663522 Canada Inc.	500,000	500,000
Duby	59,823	-
Total investments, at fair value	**$ 5,526,359**	**$ 16,236,073**

a. Slang Organa Brands, Inc.

On February 20, 2018 the Company entered into a share exchange agreement with National Concessions Group, Inc. whereby the Company acquired 500,000 shares of Slang Organa Brands, Inc., a Delaware corporation, in exchange for 3,000,000 shares of the Company, which were estimated at $0.56 per share on the date of transaction. This resulted in a transaction value of $1,680,000. As Slang Organa Brands, Inc. will remain inactive given the acquisition of National Concessions Group, Inc, the investment has been fully impaired as at December 31, 2018.

b. NSH & ACG Warrants

As at June 30, 2019 the Company held warrants to acquire shares of NSH and ACG at their fair value. The warrants were re-valued on January 22, 2019 as part of the NCG acquisition, refer to Note 4. As a result of the re-valuation the NSH warrant had a gain of $1,599,275 and the ACG warrant a loss of $122,797. There was no change in the fair value of the warrants to June 30, 2019.

The fair value of the warrants is as follows;

	June 30, 2019	December 31, 2018
NSH warrant	$ 3,344,911	$ 1,745,636
ACG warrant	$ 1,621,625	$ 1,744,422

c. 10663522 Canada Inc.

On May 31, 2018, the Company entered into an investment agreement with 10663522 Canada Inc. whereby the Company acquired 1,111,111 shares of 10663522 Canada Inc., representing a 10% ownership. The Company paid $166,746 in consideration of the shares. At December 30, 2018, the Company estimated an increase in the fair value of the investment in 10663522 Canada Inc., resulting in a gain of $333,254 which was recorded in the consolidated statements of income (loss) and comprehensive income (loss) in 2018. The fair value at December 31, 2018 was estimated by reference to recent financing. The Company has estimated no change in the value of the investment for the period ended June 30, 2019. The Company had previously disclosed this investment as 10663522 Canada Inc. (d/b/a Greenhouse Juice) which has now been updated to the legal entity name.

9. Investments, at fair value (continued)

d. Duby Inc.

Prior to acquisition by the Company of NCG, NCG had invested a total of $180,000 in Duby Inc, (Duby) representing a 2% ownership interest. Duby provides a network for people to gain and share knowledge around their experiences. NCG invested in Duby for a strategic marketing purpose. Duby is a private company, no quoted market prices are available for its shares. Prior to acquisition, during the year ended December 31, 2017, NCG had recognized an impairment loss on the investment, bringing the net investment value to US $45,000 (CDN - $59,823). The Company has estimated no change in the value of the investment for the period ended June 30, 2019.

10. Investment in Associate

Prior to the acquisition of NCG by the Company, NCG received a 20% ownership share in Agripharm Corp. (Agripharm), a licensed producer located in Creemore, Ontario, for the use of intellectual property ("IP"), over a period of 30 years plus two 5-year renewal periods, valued on initial recognition at $19,200,000 (USD - $15,083,520). As such, the IP transferred has been recorded as deferred revenue and will be amortized over the 30-year period. During the period from acquisition to June 30, 2019, NCG recognized an equity pick-up of a loss of $364,091 on the investment, and a foreign exchange gain on the investment of $512,257. During the period from acquisition to June 30, 2019 NCG recognized license revenue of $293,844, and a foreign exchange loss of $409,952 in the consolidated statement of income (loss) and comprehensive income (loss), refer to note 16.

Investment in Agripharm can be summarized as follows:

		June 30, 2019
Amount at Acquisition	**$**	**17,472,312**
Share of loss, Acquisition to June 30, 2019		(406,461)
		17,065,851
Foreign exchange adjustment		554,627
Total Investment – June 30, 2019	**$**	**17,620,478**

11. Investment Properties

	Building and Land Improvements	Land	Total
Balance at December 31, 2018	$ 2,374,685	$2,114,510	$ 4,489,195
Currency translation	(96,735)	(86,025)	(182,760)
Balance at June 30, 2019	**$ 2,277,950**	**$2,028,485**	**$ 4,306,435**
Accumulated depreciation			
Balance at December 31, 2018	$ 54,803	$ -	$ 54,803
Depreciation expense	45,357	-	45,357
Currency translation	(3,202)		(3,202)
Balance at June 30, 2019	96,958	-	96,958
Net Book Value	**$ 2,180,992**	**$2,028,485**	**$ 4,209,477**

The investment property is leased out on an operating lease with an arm lengths party. The current lease term ends December 31, 2020 with monthly rental amounts of US$40,000. In addition, annual rents of US$100,000 (2017), US$300,000 (2018) and US$500,000 (2019 and 2020) are due starting in 2017.

The rental income recorded in the Company's statement of income (loss) and comprehensive income (loss) for the three and six month period ended June 30, 2019 includes $1,961,999 and $5,393,078, respectively, in penalties and late charges. Rental revenue of $2,892,599 and $5,926,518 for the three and six months ended June 30, 2019 were presented net of expected losses on rental revenue receivable for $2,516,197 and $5,443,755, respectively.

The fair value of the Company's main property assets is estimated based on replacement cost basis. Management used an external valuator with experience in the Cannabis industry to assist with the investment property valuation. As at December 31, 2018, the fair value of property was estimated to be between US$3,196,200 to US$3,897,000 (CAD$4,172,639- CAD$5,087,534). The major assumptions within the replacement cost basis include the replacement cost of US$120 to US$150 (CAD$157- CAD$196) per square foot of building area. As at June 30, 2019 there were no factors indicating a change in this fair value assessment.

12. Property, Plant and Equipment

	Office Equipment	Equipment and Machinery	Computer Equipment & Fixtures	Leasehold Improvements	Vehicles	Total
Balance at December 31, 2018	$ 15,532	$ 138,876	$ -	$ -	$ 39,562	$ 193,970
Additions - January 22, 2019 (Note 4)	148,324	1,092,509	21,025	40,786	-	1,302,644
Additions	-	138,588	-	-	-	138,588
Currency translation	(3,445)	(22,568)	(399)	(774)	(1,610)	(28,796)
Disposals	-	(339,119)	-	-	-	(339,119)
Balance at June 30, 2019	**$ 160,411**	**$ 1,008,286**	**$ 20,626**	**$ 40,012**	**$ 37,952**	**$ 1,267,287**
Accumulated depreciation						
Balance at December 31, 2018	$ 2,071	$ 13,888	$ -	$ -	$ 3,297	$ 19,256
Depreciation expense	22,976	98,815	4,606	40,786	4,172	171,355
Currency translation	(516)	(3,001)	(87)	(774)	426	(3,952)
Balance at June 30, 2019	**24,531**	**109,702**	**4,519**	**40,012**	**7,895**	**186,659**
Net Book Value	**$ 135,880**	**$ 898,584**	**$ 16,107**	**$ -**	**$ 30,057**	**$ 1,080,628**

13. Intangible Assets

	Proprietary technology & know how	Brands	Distributor relationships	Total
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Cost - January 22, 2019	42,434,540	101,210,580	20,863,760	164,508,880
Additions	802,159	-	-	802,159
Currency translation	(819,889)	(1,919,511)	(395,692)	(3,135,092)
Disposals	-	-	-	-
Balance at June 30, 2019	**$ 42,416,810**	**$ 99,291,069**	**$ 20,468,068**	**$162,175,947**
Balance at December 31, 2018	$ -	$ -	$ -	$ -
Depreciation expense	3,795,989	4,434,100	1,828,109	10,058,198
Currency translation	(78,817)	(83,443)	(34,402)	(196,662)
Balance at June 30, 2019	3,717,172	4,350,657	1,793,707	9,861,536
Net Book Value	**$ 38,699,638**	**$ 94,940,412**	**$ 18,674,361**	**$152,314,411**

14. Loan Payable

The loan payable represents a balance owing to Green House Holdings North America Inc. (“GHNA”), a company partially owned by the Company’s CEO. The loan is non-interest bearing with a maturity date of July 31, 2019. During the six month period ended June 30, 2019, the Company made repayments of $11,000 and recorded a foreign exchange gain on the loan in the amount of $113,087.

15. Derivative Liability

On April 30, 2018, the Company issued a 4-year, 4% unsecured convertible promissory note to The Purple Co. (controlled by the Company’s CEO) in the amount of USD $1,843,031 (CAD $2,364,849) (the “Purple Note”) to exchange an existing loan to Purple Organization, Inc. The expiry date of the Purple Note is April 30, 2022. The transaction met the definition of extinguishment, and the Company recognized a loss on extinguishment in its consolidated statements of income (loss) and comprehensive income (loss). The Company has the right to prepay all or a portion of the amount due under the Purple Note any time and from time to time. The Purple Co. has the right to convert the principal amount outstanding under the Purple Note into common shares in the capital of the Company, at a conversion price of CAD$0.20 per share, on thirty (30) days’ written notice.

15. Derivative Liability (continued)

The conversion option created an embedded derivative which meets the definition of a financial liability as it being denominated in a currency other than the Company's functional currency.

Accordingly, it must be bifurcated and recorded at fair value on initial recognition and at the end of each reporting period. The host contract is a financial liability that is stated at amortized cost using the effective interest method.

The Company estimated the fair value of the derivative liability as $5,424,517, $17,236,727 and $18,809,961 on issuance date, April 30, 2018, December 31, 2018 and June 30, 2019 accordingly and assigned a nominal value to the host contract on April 30, 2018. The amortised cost of the host contract at June 30, 2019 is nominal. The loan is accreted using an effective interest rate of 428.94%. The fair value adjustment to the derivative liability on June 30, 2019 resulted in a fair value adjustment of $1,573,234.

The interest on the convertible note for the three and six-month period ended June 30, 2019 of $24,738 and $49,248 was recorded in the consolidated statements of income (loss) and comprehensive income (loss).

The fair value of the derivative liability as at December 31, 2018 and June 30, 2019 was estimated using Black-Scholes valuation model based on the following assumptions:

	June 30, 2019	December 31, 2018
Share price	$1.69	$1.50
Stock price volatility	97%	104%
Expected life of the derivative liability	2.83 years	3.67 years
Risk free rate	1.42%	1.57%

Inter-relationship between key unobservable inputs and fair value measurement as at June 30, 2019:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $2,048,587 ($2,043,500).
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $140,443 ($125,390).

16. Deferred Revenue

Deferred revenue can be summarized as follows:

		June 30, 2019
Amount at Acquisition	**$**	**19,401,776**
Recognized as license revenue		(335,307)
Foreign exchange adjustment		(368,489)
		18,697,980
Less current portion		657,994
Total deferred revenue	**$**	**18,039,986**

17. Lease Liability

Prior to acquisition, NCG financed the purchase of equipment under a finance lease in 2018. As of June 30, 2019, the amount payable under the lease was $258,673. As at June 30, 2019 the net carrying amount included in machinery and equipment was $167,476.

The future annual minimum payments due under finance lease obligations are as follows:

	Within 1 year		1 to 5 years		Total
$	281,182	$	-	$	281,182
	(22,509)		-		(22,509)
$	**258,673**	**$**	**-**	**$**	**258,673**

18. Due to related parties

Balances due from related parties consist of the following;

	June 30, 2019	December 31, 2018
NS Holdings Inc.	3,391,671	-
Other	37,736	26,483
Total	**3,429,407**	**26,483**

Balances are non-interest bearing and have no specified terms of repayment.

19. Note Payable

Prior to acquisition of NCG by the Company, NCG entered into a promissory note agreement with a third party for a total principal amount of $1,750,000. The note is secured, bears interest at 15% per annum and has a term of 60 months, with repayments made on a monthly basis. The note carries a pre-payment penalty of 12% if the balance is repaid before the first anniversary of the note and 10% and 8% if the note is repaid before the second and third anniversaries, respectively.

All assets of NCG have been pledged as security for the above loan. During the three and six months ended June 30, 2019, the Company paid interest of $38,876 and $80,780, respectively.

Prior to acquisition of NCG by the Company, in 2017, NCG acquired the assets from the owner-operator SC-GH Holdings, LLC, ("SC-GH") the Colorado trade name "The Magic Buzz" from Inspired Specialty Products, LLC and the related registered trademark from an individual. The trade name and trademark are associated with the preparation, manufacture, assembly and creation of non-THC infused drinks, drink formulas, and recipes to be sold to producers and thereafter infused with THC.

As part of the purchase price NCG provided a note payable to SC-GH for USD $319,000 maturing January 1, 2020, with an option to extend the note for an additional year at a penalty cost of USD $5,000. Payments on the note are to be made monthly and are variable based on the total revenue made by the Company on the sales made associated with the trademark acquired.

The following transactions occurred on the notes:

	June 30, 2019
Amount at acquisition – January 22, 2019	1,847,172
Repayment	220,523
	1,626,649
Less current portion	(806,923)
Long Term - June 30, 2019	819,726

The future minimum principal repayments on the note are as follows;

	June 30, 2019
2019	403,462
2020	687,011
2021	536,176
	1,626,649
Less current portion	(806,923)
Long Term - June 30, 2019	819,726

20. Share capital

Authorized

Unlimited number of Class A preferred shares

Unlimited number of common shares

Unlimited number of restricted voting shares

There are no outstanding Class A preferred shares as at June 30, 2019 and December 31, 2018.

Common share continuity:

	Number of shares	Total $
Balance - December 31, 2018	**92,422,028**	**29,315,764**
Issued pursuant to acquisitions	72,087,464	107,964,412
Options exercised during the reporting period	250,000	17,466
Issued pursuant to conversion of subscription receipts	43,998,580	50,607,176
Warrant exercised during the reporting period	13,281,997	17,606,045
Compensation units exercised during the reporting period	849,215	994,849
Balance – June 30, 2019	**222,889,284**	**206,505,712**

Restricted share continuity:

	Number of shares	Total $
Balance - December 31, 2018	-	-
Issued pursuant to acquisitions	17,500,000	26,250,000
Balance – June 30, 2019	**17,500,000**	**26,250,000**

2018

The Company entered into an advisory services agreement with PowerOne Management & Advisory Services Limited ("PowerOne") whereby PowerOne agreed to provide corporate and financial advisory services to the Company in exchange for 750,000 common shares. The common shares were issued on February 17, 2018 at estimated value of $0.56 per share.

20. Share capital (continued)

A special warrant offering was announced on January 8, 2018 and closed on February 21, 2018.

Transaction details were as follows:

Offering price of units was $0.75 per unit comprised of one common share and one-half common share purchase warrant. A total of 22,393,366 units were issued. On July 21, 2018 the units were converted to common shares and warrants. In total, 26,872,028 common shares were issued which included penalty shares for not meeting specific listing timelines.

On February 17, 2018, the Company appointed XIB Consulting Inc. (“XIB”) and 1821 Capital Inc. to act as consultants with respect to capital markets strategy and private and public transactions. The Company issued XIB 750,000 common shares and 1821 Capital Inc. 500,000 common shares at estimated value of $0.56 per share.

In 2018 an option to acquire 250,000 common shares was exercised at a price of $0.05 per share.

2019

In 2019 an option to acquire 250,000 common shares was exercised at a price of $0.05 per share.

In the six months ended June 30, 2019, 13,181,997 common shares were issued pursuant to the exercise of 13,181,997 warrants at an exercise price of $1.15 per share.

In the six months ended June 30, 2019, 100,000 common shares were issued pursuant to the exercise of 100,000 warrants at an exercise price of $2.25 per share.

In the six months ended June 30, 2019, 849,215 common shares were issued pursuant to the exercise of 849,215 compensation units at an exercise prices between of $0.75 - $1.15 per share.

Shares issued for investments:

On February 20, 2018 the company issued 3,000,000 shares at estimated value of $0.56 per share in connection with its investment in Slang Organa Brands, Inc (see Note 9).

On March 20, 2018, the Company issued 2,000,000 shares at estimated value of $0.56 per share in connection with its investment in NCG, ACG and NSH. Cash consideration was $5,861,330 for this investment.

On April 30, 2018, the Company acquired The Purple Organization, Inc. As consideration for the Purple Shares, the Company issued 10,000,000 common shares at estimated value of $0.56 per share (see Note 4).

20. Share capital (continued)

On August 3, 2018, the Company issued 10,000,000 common shares at estimated value of $0.56 per share to GHNA and has a loan payable of USD $2,000,000 (CAD $2,611,000) in connection with the transaction (see Note 24).

On January 22, 2019 the Company issued 7,087,464 common shares at estimated value of $1.50 per share in connection with its acquisition of NWT (see Note 4).

On January 22, 2019 the Company issued 65,000,000 common shares and 17,500,000 restricted shares at estimated value of $1.50 per share in connection with its acquisition of NCG (see Note 4).

Share-based payments

During 2017, the shareholders of the Company approved the stock option plan (the Plan). Stock options granted under the Plan (options) are equity settled, will be non-transferable and will be exercisable for a period not to exceed ten years. Stock options vest evenly over the related service period between one to four years.

The following provides a summary of the status of the Plan as at June 30, 2019:

	Number of stock options	Weight exercise price $	Exercise price $
Options outstanding - January 1, 2018	1,750,000	0.05	0.05
Granted	1,960,000	0.75	0.75
Options outstanding - June 30, 2018	**3,710,000**	**0.42**	
Options outstanding - January 1, 2019	**3,460,000**	**0.45**	
Granted	8,115,888	1.50	1.50
Exercised	(250,000)	0.05	0.05
Options outstanding - June 30, 2019	**11,325,888**	**1.21**	

Grant date	Expiry date		Exercise price	Number outstanding	Weighted avg. remaining contractual life	Number exercisable
Nov 2017	Nov 2027	$	0.05	1,250,000	2.50	312,500
July 2018	July 2023	$	0.75	1,960,000	4.08	1,017,500
January 2019	January 2024	$	1.50	7,895,888	4.58	-
June 2019	June 2024	$	1.89	220,000	3.92	-

20. Share capital (continued)

The options granted in November 2017 vest over 4 years annually. The options granted in July 2018 vest over the period between 1 and 4 years.

The fair value of each of the 2018 options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.57%; volatility: 102%; Dividend yield: 0%; and expected life: four years.

On January 22, 2019 the Company approved the grant of options to various employees, advisors and contractors. A total of 3,332,360 options were granted which will vest over a period between 1 and 2 years. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.83%; volatility: 108%; Dividend yield: 0%; and expected life: five years.

On January 28, 2019 the Company approved the grant of options to various employees, advisors and contractors. A total of 4,623,528 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.83%; volatility: 108%; Dividend yield: 0%; and expected life: five years.

On January 22, 2019 the Company provided key management personnel with a Restricted Stock Issuance (“RSU”) to vest in equal annual amounts over a two-year period and contingent on continued employment at the Company. There was a total of 2,300,000 RSUs issued. For the three and six month period ended June 30, 2019, the Company recorded a compensation expense of $646,875 and $1,140,726, respectively for the RSUs in its statement of income (loss) and comprehensive income (loss) (period ended June 30, 2018 - $nil), based on the vesting period and a fair value of $1.50 per share.

On June 3, 2019 the Company approved the grant of options to various employees, advisors and contractors. A total of 220,000 options were granted which will vest over a 4-year period. These options were valued at the grant date using the Black-Scholes option pricing model with the following assumptions: risk free interest rate: 1.42%; volatility: 97%; Dividend yield: 0%; and expected life: five years.

Compensation expense is recognized over the years in which entitlement to the compensation vests. For the three and six month period ended June 30, 2019, the Company recorded $1,573,048 and $2,752,376, respectively in its statement of income (loss) and comprehensive income (loss) (period ended June 30, 2018 - $944,926)

The expected volatility is based on the historical volatility of comparable companies, which may not necessarily be the actual outcome.

20. Share capital (continued)

Compensation options

On February 21, 2018, pursuant to the terms of an agency agreement as between the Company and the Agents ("February Agency Agreement"), the Company issued 1,414,177 compensation options (the "February Compensation Options"). Each February Compensation Option entitles the holder thereof to purchase one (1) Compensation Unit an at exercise price of $0.75 per Compensation Unit until the date that is the earlier of (i) twenty-four (24) months following the Liquidity Date (as defined in the February Agency Agreement) and (ii) July 21, 2020. Each Compensation Unit issued upon exercise of the Compensation Option shall consist of one common share and one-half of one Compensation Warrant. Each whole Compensation Warrant will entitle the holder thereof to purchase one common share at a price of $1.15 per Compensation Warrant Share. During the six months ended June 30, 2019, 740,322 compensation options were exercised and 99,699 whole compensation warrants were exercised.

On September 26, 2018, pursuant to the terms of an agency agreement as between the Company and the Agents ("Agency Agreement"), the Company issued 1,465,448 broker warrants and 974,467 corporate finance warrants (together "Compensation Options"). Each compensation option will entitle the holder to acquire one unit at the subscription price of $1.50 for the period of 24 months from the listing date as defined in the Agency Agreement. Each compensation option will be comprised of one common share ("compensation share") and one half of one common share purchase warrant (each whole common share purchase warrant, a "compensation warrant"). Each compensation warrant shall entitle the holder to acquire one common share ("compensation warrant share") at an exercise price of $2.25 per warrant for the period of 24 months following the listing date. During the six months ended June 30, 2019, 9,194 compensation options were exercised, and no compensation warrants were exercised.

Warrants issued (other than compensation options detailed above)

	# of warrants	Total $
Balance – December 31, 2018	**16,711,005**	**$3,102,394**
Converted pursuant to subscription receipt offering	21,999,281	8,434,529
Warrants exercised	(13,281,997)	(2,221,749)
Warrants expired	(254,008)	(37,980)
Outstanding, at June 30, 2019	**25,174,281**	**$9,277,194**

During the year ended December 31, 2018, the Company issued 3,275,000 units of share purchase warrants to XIB Consulting Inc. in exchange of services. The warrants are valued at $928,930 and are recorded as share-based compensation. The warrants can be exercised at a price of $0.75 per share until the date on the later of (i) September 30, 2020; or (ii) the date that is 24 months from the date of a Liquidity Event.

20. Share capital (continued)

In December 2017 the Company issued a warrant certificate to a third-party to acquire up to 19.99% of the issued shares of the Company. The warrants meet the definition of a share-based payment under IFRS 2 and will be recognised as a service expenses with associated increase in equity. Since no service has been provided during the reporting period and terms of the warrant certificate for an exercise start date have not been met, the Company did not record any expenses related to these warrants. The expiry date of the warrants is the earlier of 15 years from issuance or 2 years after the trigger event, which is when cannabis can legally be sold in the US.

On February 21, 2018, the Company completed a special warrant private placement (the "Special Warrants") offering for aggregate gross proceeds of approximately $16,800,000 (net $14,985,461 after closing costs and agents' fees). A total of 22,393,366 Special Warrants were issued. Each Special Warrant was sold at a price of $0.75 per warrant. Each Special Warrant was comprised of one common share and one-half of one common share purchase warrant. Terms of the Special Warrant stated that they will automatically be exercised (without payment of any further consideration and subject to customary anti-dilution adjustments) into a unit (a "Unit") comprised of one common share (a "Unit Share") and one half (½) of one common share purchase warrant of the Company (each whole warrant, a "Warrant") on the date (the "Automatic Exercise Date") that is the earlier of: (i) the date that is three business days following the date on which the Company obtains a receipt from the applicable security regulatory authorities in Canada (the "Securities Commissions") for a (final) long form prospectus qualifying the distribution of the Units issuable upon exercise of the Special Warrants (the "Qualification Prospectus"), and (ii) the date that is 150 days following the Closing Date. The Automatic Exercise Date did not occur within 150 days following the Closing Date, thereby entitling the holder to receive 1.20 Units (comprised of 1.20 Unit Shares and 0.60 Warrants).

The Special Warrants were automatically converted on July 21, 2018. As a result, holders received an additional 4,478,662 common shares which added to the 22,393,366 original special warrants totaled 26,872,028. Holders also received an additional 2,209,331 warrants bringing the total issued to holders of 13,436,005. Each warrant holder is entitled to acquire one common share at an exercise price of $1.15 for a period of two years following the liquidity date, which is July 21, 2018. The terms of the warrants contain an acceleration provision, applicable in the event that, at any time during the term of the warrants, the closing price of the common shares of the Company is greater than $1.75 for 20 consecutive trading days.

On September 26, 2018, Subscription Receipts were sold at a price of $1.50 per Subscription Receipt. Each receipt entitles the holder to receive one unit of the Company upon satisfaction of the escrow requirements. Each Subscription Receipt will entitle the holder thereof to receive, upon satisfaction or waiver of the escrow release conditions prior to the escrow release deadline and without payment of additional consideration or further action, one unit (the "Unit") of the Company. Each Unit will be comprised of one common share in the capital of the Company (a "Underlying Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share of the Company (each, a "Warrant Share") at an exercise price of $2.25 for a period of twenty-four (24) months from the date the common shares of the Company are listed for trading on the Canadian Securities Exchange. The warrants will be subject to an accelerated expiry in the event that the closing price of the common shares of the Company is above $3.50 for ten (10) consecutive trading days.

20. Share capital (continued)

On September 26, 2018, the Company closed the Subscription Receipt Offering and issued 43,998,590 Subscription Receipts for total gross proceeds to the Company of approximately $65,997,885 (net $63,929,156 after agents' fees paid in cash and net $59,041,705 after closing costs and agents' fees paid in cash and compensation options and to be paid in cash).

Each Subscription Receipt will automatically convert, without payment of any additional consideration and without any further action by the holder and subject to adjustment, for one Common Share and one-half of one Warrant on the satisfaction of the following escrow release conditions (the "Escrow Release Conditions"):

(i) the Corporation obtaining a receipt for the prospectus from the securities' regulatory authorities in each of the Qualifying Provinces;

(ii) the satisfaction or waiver of all conditions' precedent to completion of:
   (a) the NCG Acquisition; and

   (b) the NWT Acquisition,

   other than the closing of such transactions, each of which closing will be completed forthwith upon release of the Escrowed Funds and in each case in accordance with the definitive agreement governing such transactions, to the satisfaction of the Lead Agent;

(iii) the receipt of all required shareholder and regulatory approvals in connection with the Liquidity Event, including, without limitation, the conditional approval of the CSE for the listing of the Corporation's Common Shares and the relevant listing documents having been accepted for filing with the CSE; and

(iv) the Corporation and the Lead Agent having delivered a joint notice and direction to Odyssey, confirming that the conditions set forth in (i) to (iii) above have been met or waived.

The Escrow Release Conditions were satisfied on January 29, 2019 and the Subscription Receipts were converted into Underlying Shares and Underlying Warrants.

On May 24, 2019 the Company announced that it had elected to exercise its right under the warrant indenture governing the common share purchase warrants of the Company issued on July 23, 2018 to accelerate the expiry date of the warrants. The expiry date of the warrants was accelerated to June 28, 2019 which resulted in the exercise of 13,181,997 warrants for proceeds totaling $15,159,297. As at June 30, 2019, $4,338,006 of these proceeds were in transit and were collected in full subsequent to June 30, 2019.

21. Income (loss) per share

Basic	Three months ended June 30, 2019	Six months ended June 30, 2019
Net income attributable to shareholders	17,482,246	1,368,641
Basic and diluted income per share	0.08	0.01
Weighted average number of shares	232,699,662	212,063,334

Diluted		
Net income attributable to shareholders	14,139,521	1,368,641
Basic and diluted income per share	0.06	0.01
Weighted average number of shares	256,095,514	224,209,088

Basic	Three months ended June 30, 2018	Six months ended June 30, 2018
Net loss attributable to shareholders	(13,210,442)	(13,797,395)
Basic and diluted loss per share	(0.18)	(0.22)
Weighted average number of shares	74,498,962	63,070,680

22. Financing cost and fair value adjustment

	Three months ended **June 30, 2019**	Six months ended **June 30, 2019**
Fair value adjustment on derivative liability (Note 15)	$ (3,360,921)	$ 1,573,234
Fair value adjustment on option liability (Note 4)	(23,884,898)	(23,884,898)
Foreign currency exchange gain	597,185	326,231
Interest on convertible note (Note 15)	24,738	49,248
Fair value adjustment of investments (Note 9)	-	(1,476,478)
Other interest expense	60,677	106,352
Total	**$ (26,563,219)**	**$ (23,306,311)**

23. Related party transactions

The Company routinely conducts business with ACG, GNT and CalVAPE Inc. ("CalVAPE"). ACG, GNT and CalVAPE have common management with NCG. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG, GNT and CalVAPE operate labs that manufacture oil and packages and markets products to be sold to dispensaries. NCG provides all packaging and marketing materials for their operations. ACG products are sold in the State of Colorado, whereas GNT's products are sold in the state of Oregon, and CalVAPE products are sold in the state of California.

23. Related party transactions (continued)

NCG's net product sales to ACG, CalVAPE and GNT Oregon for the three and six month period ended June 30, 2019, were approximately as follows:

	Three months ended **June 30, 2019**	Six months ended **June 30, 2019**
ACG	$ 1,158,456	$ 2,071,227
CalVAPE	$ 1,983,568	$ 3,160,782
GNT Oregon	$ 316,668	$ 416,679

ACG, CalVAPE and GNT accounted for approximately 18%, 28% and 4% of the Company's net revenue respectively for the six month period ended June 30, 2019

As of June 30, 2019, NCG held accounts receivable balances (net of provision) with ACG, CalVAPE, and GNT Oregon for merchandise of approximately $583,654, $1,553,569 and $844,634 respectively. These balances were included in accounts receivable.

Key management includes the Company's directors and members of the management team.

Type of expense	**Six months ended June 30, 2019**	**Six months ended June 30, 2018**
Salaries, management fees and directors' expense	3,373,850	522,326
Restricted share unit compensation expense (Note 20)	1,140,726	-
Stock-based compensation expense (Note 20)	2,153,307	15,996
Total	**6,667,883**	**538,322**

Included in the above, in the normal course of business, expenses were incurred with the Purple Company Inc., a company controlled by a senior management member and director. The expense amounted to $98,240 (period ended June 30, 2018 - $48,143). Services provided were marketing and finance consulting.

Included in the above, in the normal course of business, expenses were incurred with The Wppd Initiative, a company controlled by a director and senior management member of the Company. The expense amounted to $161,693 (period ended June 30, 2018 - $335,878).

Included in the above, in the normal course of business, expenses were incurred with Peter Miller Enterprise Inc., a company controlled by the CEO of the Company. The expense amounted to $19,575 (period ended June 30, 2018 - $97,393).

23. Related party transactions (continued)

Included in the above, in the normal course of business expenses were incurred with a company controlled by the CFO. The expense amounted to $250,105 (period ended June 30, 2018 - $40,912). Services provided were business consulting.

As at June 30, 2019, included in accounts payable and accrued liabilities is $21,866 (June 30, 2018 - $23,325) due to the related companies controlled by senior management members and directors.

Related party loans are disclosed in Notes 7, 8 and 18.

24. Commitments

On July 9, 2018, the Company entered into a rights agreement with GHNA (a company partially owned by the Company's CEO), pursuant to which the Company has the right to license certain intellectual property of GHNA for use in certain territories. The Company and GHNA agreed on a future revenue share model based on a 60/40 split in favor of the Company, but subject to adjustment based on market conditions and potential opportunity for a particular territory. In consideration of the grant of rights, the Company owes GHNA USD $2,000,000 (CAD $2,728,400) and issued 10,000,000 common shares at estimated price of $0.56 per share. Terms of the cash due is non-interest bearing and due in one year, repayable at any time. The issuance of shares was ratified by the Company on August 3, 2018 and the Company recorded the full amount of $8,211,000 as marketing expense in the consolidated statement of income (loss) and comprehensive income (loss) in the period ended December 31, 2018.

On July 11, 2018, the Company entered into a letter of intent with Agripharm, a company with a common management team as the Company, pursuant to which the Company agreed to license certain intellectual property to Agripharm.

The Company also has two equipment leases which have been recognized in the statement of financial position. Both leases had a two-year term, commencing June 2018. During the period ended June 30, 2019, the Company had not made any payments on these lease obligations.

Future minimum lease payments at June 30, 2019 are approximately as follows:

Year Ending	Total
2019	187,144
2020	94,038
Total	281,182

25. Segmented information

Geographical Information:

The Company operates in two geographical locations: Canada and USA. The following tables present the Company's revenues and non-current assets by location.

	For the three months ended **June 30, 2019**	For the three months ended **June 30, 2018**	For the six months ended **June 30, 2019**	For the six months ended **June 30, 2018**
Revenue				
Canada	$ 265,611	$ 53,619	$ 379,327	$ 82,343
USA	6,927,959	385,959	10,820,363	385,959
Total	$ 7,193,570	$ 439,578	$ 11,199,690	$ 468,302

	June 30, 2019	December 31, 2018
Non-current assets		
Canada	**$ 110,274,070**	$ 20,947,266
USA	**185,876,203**	4,609,106
Total	**$ 296,150,273**	$ 25,556,372

Refer to Note 22 for sales to major customers who were related parties to the Company. ACG and CalVAPE comprise a total of 47% of total Company revenue, and 48% of USA revenue for the six month period ended June 30, 2019.

26. Financial instruments and capital management

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements for invested assets are categorized into levels within a fair value hierarchy based on the nature of valuation inputs (Level 1, 2 or 3).

The fair value of other financial assets and financial liabilities is considered to be the carrying value when they are of short duration or when the instrument's interest rate approximates current observable market rates.

Where other financial assets and financial liabilities are of longer duration, then fair value is determined using the discounted cash flow method using discount rates based on adjusted observable market rates.

26. Financial instruments and capital management (continued)

The table below summarizes the assets and liabilities that are included at their fair values in the Company's statement of financial position as at June 30, 2019 and December 31, 2018. These assets and liabilities have been categorized into hierarchical levels, according to the significance and reliability of the inputs used in determining fair value measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices
Represents unadjusted quoted prices for identical instruments exchanged in active markets.

Level 2 – significant other observable inputs
Includes directly or indirectly observable inputs, other than quoted prices for identical instruments exchanged in active markets.

Level 3 – significant unobservable inputs
Includes inputs that are not based on observable market data. (See Note 15 for inter-relationship between key unobservable inputs and fair value measurement.)

				As at June 30, 2019
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	
Cash and cash equivalents	$13,031,319	$ -	$ -	**$13,031,319**
Funds held in trust	665,925	-	-	**665,925**
Funds in transit – warrant conversion	4,338,006	-	-	**4,338,006**
Investments	-	-	5,526,358	**5,526,358**
Option liability	-	-	(54,558,342)	**(54,558,342)**
Derivative liability	-	-	(18,809,961)	**(18,809,961)**
	$18,035,250	$ -	**$ (67,841,945)**	**$(49,806,695)**

				As at December 31, 2018
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	
Cash and cash equivalents	$176,432	$ -	$ -	**$ 176,432**
Funds held in trust	63,929,156	-	-	**63,929,156**
Investments	-	-	16,236,073	**16,236,073**
Derivative liability	-	-	(17,236,727)	**(17,236,727)**
	$64,105,588	$ -	$ (1,000,654)	**$ 63,104,934**

26. Financial instruments and capital management (continued)

Foreign currency risk

The operating results and financial position of the Company are reported in CAD. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the CAD. The results of the Company's operations are subject to currency transaction and translation risks. The Company holds cash in US dollars. The Company's main risk is associated with fluctuations in the US dollar. Assets and liabilities are translated based on the foreign currency translation policy described in note 3. As at June 30, 2019 and December 31, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. The Company has estimated that the effect of a 10% increase or decrease in the US dollar against the Company's functional currency (CAD) on the financial assets and liabilities, as at June 30, 2019, including cash, accounts receivable and accounts payable would result in an increase or decrease of approximately $845,551 (December 31, 2018 - $53,000) in the net income (loss) and comprehensive income (loss) for the period ended June 30, 2019.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rates on the notes payable to shareholders and third parties are fixed.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company typically settles its financial obligations in cash. The ability to settle obligations in cash dependent on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2019 the Company had a cash balance of $13,031,319 (December 31, 2018 - $176,432) and current liabilities of $15,505,126 (December 31, 2018 - $8,440,771). All of the Company's current liabilities are expected to be settled within the next 12 months.

Credit risk

The Company's financial instruments exposed to concentrations of credit risk consist primarily of cash, accounts receivable, other receivables and notes receivable. The Company minimizes the credit risk of cash by depositing with only reputable financial institutions. The Company's objective with regard to credit risk in its operating activities is to reduce its exposure to losses. As of June 30, 2019, the overdue accounts receivable balance, net of provision, is $3,417,603 (December 2018 - $617,587). The Company believes that the balance is collectable and that no additional allowance is required.

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables.

26. Financial instruments and capital management (continued)

								As at June 30, 2019
		Current		Aged 1-30 days past due		Aged 31-60 days past due		Aged > 60 days past due
Expected loss rate		0.1%		0.2%		0.3%		93.2%
Gross carrying amount	$	583,045	$	1,093,335	$	1,391,688	$	13,890,083
Loss allowance provision, end of the period	$	457	$	2,239	$	4,003	$	12,951,260

								As at December 31, 2018
		Current		Aged 1-30 days past due		Aged 31-60 days past due		Aged > 60 days past due
Expected loss rate		37.50%		57.45%		66.10%		98.92%
Gross carrying amount	$	742,125	$	128,235	$	160,975	$	4,161,184
Loss allowance provision, end of the period	$	278,296	$	73,669	$	106,407	$	4,116,290

Management of capital

The Company’s objective of managing capital (comprising share capital) is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions. With approval from the board of directors, management will adjust its capital structure through the issue of new shares, convertible debentures, debt or other activities deemed appropriate under the specific circumstances. Management and the board of directors review the Company’s capital management approach on an ongoing basis and believe this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and the Company’s strategy with respect to capital risk management has not changed since the period ended December 31, 2018.

27. Subsequent events

The Company evaluated subsequent events through to August 27, 2019, the date these financial statements were issued.

On July 22, 2019 the Company announced that it is entering the European Union, starting with Greece, through a partnership with Global Cannabis Corp. (“GCC”).

On July 25, 2019 and August 13, 2019, the Company further advanced $705,721 and $536,096, respectively, to NS Holdings Inc. under the promissory note dated March 21, 2019.

Subsequent to year end, the loan payable due to Green House Holdings North America Inc. (“GHNA”) matured. No payment was made to GHNA on maturity; however, the Company is discussing renewal of the loan with the same terms and conditions as the original loan agreement.