SLANG Worldwide Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

NOTICE TO READER

These interim condensed consolidated financial statements of SLANG Worldwide Inc. have been prepared by management and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3)(a), released by the Canadian Securities Administrators, the Company discloses that its external auditor has not reviewed these interim condensed consolidated financial statements, notes to the interim condensed consolidated financial statements, or the related Management's Discussion and Analysis.

SLANG Worldwide Inc.

Contents

SLANG Worldwide Inc.
Unaudited Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2020 and December 31, 2019
(Prepared in Canadian dollars)

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
Assets		
Current assets		
Cash	**$ 6,525,540**	$ 8,233,860
Funds held in trust	**28,370**	701,500
Marketable securities (Note 7)	**4,558,439**	10,000,000
Accounts receivable (Note 8)	**8,818,811**	8,877,622
Other receivables	**1,703,277**	896,303
Income taxes receivable	**107,205**	102,170
Inventory (Note 9)	**1,803,083**	1,680,354
Prepaids (Note 10)	**2,322,717**	942,508
Current portion of notes receivable (Note 11)	**225,760**	-
Investments, at fair value (Note 12)	**2,692,569**	1,972,710
Option asset, net (Note 19)	**21,977,829**	7,165,428
Total current assets	**50,763,600**	40,572,455
Notes receivable (Note 11)	**7,969,715**	5,301,794
Investments, at fair value (Note 12)	**2,491,428**	2,488,503
Investment in associate (Note 13)	**590,179**	2,027,142
Due from related parties (Note 14)	**5,573,136**	5,192,121
Investment properties (Note 15)	**5,122,327**	4,947,593
Property, plant and equipment (Note 16)	**825,396**	1,022,951
Intangible assets (Note 17)	**38,437,950**	39,291,407
Right of use assets (Note 18)	**2,289,666**	-
Total assets	**$ 114,063,397**	$ 100,843,966
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 20)	**$ 7,499,315**	$ 8,870,025
Current portion of notes payable (Note 22)	**575,376**	853,018
Current portion of lease liability (Note 23)	**79,187**	-
Current portion of deferred revenue (Note 24)	**685,194**	653,016
Due to related parties (Note 25)	**3,871,014**	3,873,365
Option liability, net (Note 19)	**-**	21,353,309
Contract liability	**-**	293,190
Total current liabilities	**12,710,086**	35,895,923
Loan payable (Notes 21 & 31)	**2,253,610**	1,966,262
Notes payable (Note 22)	**260,103**	532,279
Lease liability (Note 23)	**2,400,366**	-
Deferred revenue (Note 24)	**18,100,542**	17,577,010
Derivative liability (Note 26)	**1,325,538**	4,222,002
Total liabilities	**37,050,245**	60,193,476
Shareholders' equity		
Share capital (Note 27)	**224,936,928**	219,119,332
Share capital to be issued	**1,287,737**	1,053,120
Restricted share capital (Note 27)	**28,986,583**	26,800,983
Contributed surplus	**13,982,089**	11,710,326
Warrants (Note 27)	**15,736,929**	15,736,929
Deficit	**(205,835,524)**	(232,184,194)
Foreign currency translation reserve	**(2,081,590)**	(1,586,006)
Total shareholders' equity	**77,013,152**	40,650,490
Total liabilities and shareholders' equity	**$ 114,063,397**	$ 100,843,966

SLANG Worldwide Inc.
Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the three and six months ended June 30, 2020 and 2019
(Prepared in Canadian dollars)

	Three months ended		Six months ended	
		(Recast Note 5)		(Recast Note 5)
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Revenue				
Product and licensing revenue (Notes 24 & 30)	**$ 3,697,076**	$ 6,551,513	**$ 7,586,526**	$ 10,337,554
Rental income	**408,411**	376,402	**788,345**	482,763
Interest income	**464,464**	265,655	**885,362**	379,373
Total revenue	**4,569,951**	7,193,570	**9,260,233**	11,199,690
Cost of goods sold (Note 9)	**1,729,179**	3,926,659	**3,565,214**	8,117,148
Gross margin	**2,840,772**	3,266,911	**5,695,019**	3,082,542
Expenses				
Consulting and subcontractors	**526,544**	593,785	**1,216,318**	1,011,956
Depreciation and amortization (Notes 15, 16, 17 & 18)	**1,598,175**	5,532,271	**3,179,499**	9,768,470
Expected credit losses (Notes 8, 11 & 14)	**378,097**	13,319	**1,610,927**	84,255
General and administrative	**1,357,165**	1,639,211	**2,702,142**	2,640,158
Marketing	**148,668**	860,112	**647,305**	1,448,921
Professional fees	**755,637**	991,988	**1,483,096**	2,220,518
Salaries and wages (Note 30)	**1,824,020**	1,236,032	**4,121,491**	3,529,144
Share based payments (Notes 27 & 30)	**2,089,222**	2,219,923	**4,498,803**	4,235,485
Total expenses	**8,677,528**	13,086,641	**19,459,581**	24,938,907
Loss from operations	**(5,836,756)**	(9,819,730)	**(13,764,562)**	(21,856,365)
Share of loss on investment in associate (Note 13)	**350,118**	166,983	**1,448,524**	406,461
Financing cost and FV adjustment (Note 28)	**(10,739,857)**	(26,702,461)	**(38,531,804)**	(23,173,154)
Gain on sale of assets	**(37,252)**	-	**(417,815)**	-
Unrealized exchange gain	**1,759,083**	(690,338)	**(2,612,137)**	(690,338)
Income before income taxes	**2,831,152**	17,406,086	**26,348,670**	1,600,666
Current tax	**-**	6,297	**-**	6,676
Deferred tax (recovery)	**-**	(1,638,880)	**-**	(2,895,290)
Net income for the period	**2,831,152**	19,038,669	**26,348,670**	4,489,280
Other comprehensive income for the period				
Exchange differences on translation of foreign operations	**(118,775)**	(2,632,255)	**(495,584)**	(3,020,307)
Total comprehensive income for the period	**$ 2,712,377**	$ 16,406,414	**$ 25,853,086**	$ 1,468,973
Net income per common and restricted voting share				
Basic (Note 29)	**$ 0.01**	$ 0.08	**$ 0.09**	$ 0.02
Diluted (Note 29)	**$ 0.01**	$ 0.06	**$ 0.08**	$ 0.02
Weighted average number of common and restricted voting shares outstanding				
Basic (Note 29)	**294,096,117**	232,699,662	**291,745,717**	212,063,334
Diluted (Note 29)	**313,335,729**	256,095,514	**309,852,584**	224,209,088

SLANG Worldwide Inc.
Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three and six months ended June 30, 2020 and 2019
(Prepared in Canadian dollars)

	Common share capital	Restricted voting share capital	Shares to be issued	Warrants	Subscription receipt	Contributed surplus	Foreign Currency Translation	Deficit	Total
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 loss for the period	-	-	-	-	-	-	-	(14,549,389)	(14,549,389)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(388,052)	-	(388,052)
Stock-based compensation expense	-	-	-	-	-	1,179,328	-	-	1,179,328
Restricted share unit compensation expense	-	-	-	-	-	493,851	-	-	493,851
Issued pursuant to services	-	-	-	-	-	342,383	-	-	342,383
Issued pursuant to business combinations	108,131,196	23,625,000	-	-	-	-	-	-	131,756,196
Shares re-acquired in NCG business combination	2,720,381	-	-	-	-	-	-	(2,720,381)	-
Issued pursuant to subscription receipt offering, net	50,607,176	-	-	8,434,529	(59,041,705)	-	-	-	-
Stock options exercised	17,466	-	-	-	-	(4,966)	-	-	12,500
Warrants and compensation options exercised	3,851,402	-	-	(475,554)	-	-	-	-	3,375,848
Balance as at June 30, 2019	194,643,385	23,625,000	-	10,132,439	-	5,981,601	(163,032)	(46,397,369)	187,822,024
Balance as at December 31, 2019	219,119,332	26,800,983	1,053,120	15,736,929	-	11,710,326	(1,586,006)	(232,184,194)	40,650,490
Net income for the period	-	-	-	-	-	-	-	26,348,670	26,348,670
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(495,584)	-	(495,584)
Stock based compensation expense	-	-	-	-	-	1,119,747	-	-	1,119,747
Restricted share unit compensation expense	-	-	-	-	-	1,152,016	-	-	1,152,016
Transfer from shares to be issued to restricted voting share capital	-	2,185,600	(2,185,600)	-	-	-	-	-	-
Issued pursuant to services	-	-	2,227,040	-	-	-	-	-	2,227,040
Issued pursuant to asset acquisitions (Note 6)	5,817,596	-	193,177	-	-	-	-	-	6,010,773
Balance as at June 30, 2020	**$ 224,936,928**	**$ 28,986,583**	**$ 1,287,737**	**$ 15,736,929**	**$ -**	**$13,982,089**	**$ (2,081,590)**	**$(205,835,524)**	**$ 77,013,152**

SLANG Worldwide Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019
(Prepared in Canadian dollars)

	June 30, 2020	(Recast Note 5) June 30, 2019
Cash flows used in operating activities		
Net income for the period	**$ 26,348,670**	$ 4,489,280
Items not affecting cash		
Expected credit losses (Note 14)	**1,610,927**	84,255
Interest not paid in cash	**-**	24,737
Interest not received in cash	**(796,131)**	(127,004)
Depreciation and amortization (Notes 15, 16, 17 & 18)	**3,179,499**	9,768,470
Depreciation - cost of sales (Note 15)	**56,076**	-
Inventory write off	**36,250**	-
Fair value adjustment derivative liability (Note 26)	**(2,894,071)**	1,573,234
Fair value adjustment on option asset and liability, net (Note 19)	**(36,165,710)**	(23,884,898)
Fair value adjustment on investments (Note 12)	**-**	(1,476,478)
Accretion expense (Note 21)	**187,502**	-
Accretion on lease liability (Note 23)	**90,283**	-
Share of loss on investment (Note 13)	**1,448,524**	406,461
Share-based payment (Note 27)	**4,498,803**	4,235,485
Amortization of deferred revenue (Note 24)	**(343,175)**	(335,307)
Deferred taxes (recovery)	**-**	(2,895,290)
Gain on sale of assets	**(361,612)**	-
Unrealized foreign exchange (gain) loss	**(2,612,137)**	(690,338)
	(5,716,302)	(8,827,393)
Change in non-cash working capital balances		
Accounts receivable	**26,215**	2,435,184
Other receivables	**(304,209)**	(490,159)
Inventory	**(16,382)**	1,130,033
Prepaids	**135,090**	(2,614,351)
Accounts payable and accrued liabilities	**(2,130,032)**	(2,376,568)
Contract liability	**(308,156)**	-
	(8,313,776)	(10,743,254)
Cash flows from financing activities		
Repayment of note payable	**(257,512)**	(195,479)
Net advances from related parties	**271,474**	8,942,226
Proceeds pursuant to issuance of common shares	**-**	11,575,695
	13,962	20,322,442

SLANG Worldwide Inc.
Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019
(Prepared in Canadian dollars)

	June 30, 2020	(Recast Note 5) June 30, 2019
Cash flows from (used in) investing activities		
Sale of marketable securities	**5,441,561**	-
Advances of notes receivable	**(1,936,841)**	(7,604,247)
Repayment of notes receivable	**540,445**	-
Proceeds on disposal of property, plant and equipment	**35,205**	339,117
Purchase of property, plant and equipment, net	**(29,703)**	(138,587)
Purchase of intangible assets	**-**	(802,159)
Lease payments	**(17,693)**	-
Net advances to related parties	**(2,191,037)**	(16,004,326)
Cash paid on acquisitions (Note 6)	**(132,992)**	(37,142,563)
Cash acquired through acquisitions (Note 6)	**3,995,377**	1,414,040
	5,704,322	(59,938,725)
Net decrease in cash and funds held in trust	**(2,595,492)**	(50,359,537)
Exchange rate changes on foreign currency cash balances	**214,042**	(48,807)
Cash and funds in trust, beginning of period	**8,935,360**	64,105,588
Cash and funds held in trust, end of period	**6,553,910**	13,697,244
Cash, end of year	**6,525,540**	13,031,319
Funds held in trust, end of year	**$ 28,370**	$ 665,925

Supplemental cash flow information		
Income taxes paid	**$ -**	$ 6,676
Interest expense paid	**$ 168,059**	$ 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. On November 26, 2018 the Company filed articles of amendment to change its name to SLANG Worldwide Inc.

The Company's head office and principal address is located at 50 Carroll Street, Toronto, Ontario, M4M 3G3. The Company's registered and records office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 1A2. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol SLNG. The Company is also quoted on the Frankfurt Stock Exchange under the trading symbol 84S.

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

The unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on August 26, 2020.

2. Basis of presentation

a) 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, 2019, 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"). Any changes or additions to accounting policies and methods from the audited consolidated financial statements for the year ended December 31, 2019 are detailed in Note 3.

(b) 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. Basis of presentation, continued

(c) Basis of consolidation

The interim condensed consolidated financial statements for the six months ended June 30, 2020 include the accounts of the Company and its wholly-owned subsidiaries, The Purple Organization, Inc. (“Purple”), Cultivate Brands Corp. (“Cultivate”), Cultivate Brands Oregon LLC (“Cultivate Oregon”), Philotimo CBD LLC (“Philotimo”), National Concessions Group, Inc. (“NCG”), Cultivate Brands USA Corp., a non-operational dormant entity, Cultivate Brands California LLC, a non-operational dormant entity and SLANG Worldwide US Inc., a non-operational dormant entity, 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.

On December 31, 2019, NWT Holdings, LLC (“NWT”) was amalgamated with NCG and the assets and liabilities of NWT were transferred at their carrying amount on the date of amalgamation. Comparative figures are presented as though NCG and NWT have always been combined.

The functional currency of the Company and Cultivate is the Canadian Dollar which is also the presentation currency of the interim condensed consolidated financial statements. The functional currency of Purple, Cultivate Oregon, Philotimo, NCG, Cultivate Brands California LLC, Cultivate Brands USA Corp. and SLANG Worldwide US Inc. is the US dollar.

(d) COVID-19 estimation uncertainty

In March 2020, there was a global outbreak of COVID-19 which has a significant impact on businesses through the restrictions put in place by the Canadian and American authorities regarding travel, business operations and isolation/quarantine orders. These restrictions did not materially disrupt the Company's operations during the second quarter of 2020 as the sale of cannabis products have been recognized as essential services across Canada and the United States. As at June 30, 2020, we have not observed any material impairments of our assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the extent of the impact the COVID-19 outbreak will have on our business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such estimates could be material, which could result in, among other things, impairment of long-lived assets. An impairment test has not been performed as at June 30, 2020 for the Company's long-lived assets as there were no indicators of impairment. Management is closely monitoring the impact of the pandemic on all aspects of its business.

3. Summary of significant accounting policies

The same accounting policies are applied in these unaudited condensed interim consolidated financial statements as those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2019. Any new accounting policies are described below:

Right-of-use assets and lease liability

The Company recognizes right-of-use assets and lease liabilities on the balance sheet at lease possession date. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any lease payments made in advance of the lease commencement date (net of incentives received), initial direct costs, and any restoration costs of the underlying asset.

The Company depreciates right-of-use assets on a straight-line basis over the shorter of the lease term or economic useful life. The Company also assesses right-of-use assets for impairment when such indicators exist.

At the possession date, the Company measures the lease liability at the present value of the lease payment unpaid at that date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed) and variable lease payments that are based on an index or rate. Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and right-of-use assets. The related liabilities are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as general and administrative expenses in the consolidated statement of income and other comprehensive income.

4. 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 associated 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.

5. 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.

At December 31, 2019, the Company finalized the purchase price allocations related to the acquisitions of NCG and NWT. In accordance with IFRS 3, Business Combinations, the Company's provisional purchase price allocations were updated and comparative figures were restated. The measurement period adjustments were made to reflect facts and circumstances existing as of the acquisition date and did not result from intervening events subsequent to the acquisition date. A summary of the changes to the purchase price allocations at January 22, 2019 and the loss for the six month comparative period ended June 30, 2019 are outlined below.

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. The fair value of the Company's pre-existing equity interest in NCG immediately before the acquisition was $11,967,314.

5. Business combinations, continued

The following tables summarize the purchase price allocation for the NCG acquisition:

	Preliminary	Adjustments	Final
Fair value of consideration transferred			
Cash paid	$ 26,427,903	$ 42,659	$ 26,470,562
Common shares issued	97,500,000	-	97,500,000
Restricted voting shares issued	26,250,000	(2,625,000)	23,625,000
Fair value of existing equity interest in NCG	12,246,000	(278,686)	11,967,314
Net fair value of ACG options (Note 19)	-	35,065,524	35,065,524
Net fair value of NSH options (Note 19)	-	19,721,856	19,721,856
Settlement of pre-existing relationships	-	(2,421,156)	(2,421,156)
Shares to be issued to employees for pre-combination services	-	4,400,381	4,400,381
Total consideration transferred	$ 162,423,903	$ 53,905,578	$ 216,329,481
Fair value of identifiable net assets			
Cash	85,925	(549)	85,376
Accounts receivable	4,942,292	176,266	5,118,558
Prepaid expenses	-	509,588	509,588
Inventory	4,595,630	-	4,595,630
Property and equipment	1,258,410	(448)	1,257,962
Due from related parties	1,909,296	314,482	2,223,778
Investment in associate	17,472,312	(12,977,752)	4,494,560
Intangibles - proprietary technology & know how	34,737,360	(13,993,660)	20,743,700
Intangibles - brands	96,768,360	17,462,060	114,230,420
Intangibles - distributor relationship	18,009,000	760,380	18,769,380
Equity investments	60,964	(764)	60,200
Accounts payable and accrued liabilities	(26,916,139)	21,421,602	(5,494,537)
Deferred revenue	-	(19,394,809)	(19,394,809)
Notes payable	-	(1,847,278)	(1,847,278)
Deferred tax liability	-	(34,648,612)	(34,648,612)
Net fair value of ACG options	(41,263,288)	41,263,288	-
Net fair value of NSH options	(37,062,522)	37,062,522	-
Total identifiable net assets	$ 74,597,600	$ 36,106,316	$ 110,703,916
Goodwill on acquisition	$ 87,826,303	$ 17,799,262	$ 105,625,565

As consideration for the NCG shares, the Company issued 65,000,000 common shares which were estimated at $1.50 per share (based on quoted market price) and 17,500,000 restricted voting shares which were estimated at $1.35 per share on the date of acquisition. A discount of 10% was applied to the restricted voting shares due voting restrictions placed on these shares.

5. Business combinations, continued

The following pre-existing relationships were effectively settled on the acquisition date:

Reacquired shares

NCG held an equity interest in the Company as of the acquisition date, resulting in the Company having reacquired 3,000,000 shares of its own equity at a fair value of $4,400,381, which were recorded as treasury shares on the date of acquisition. The return of treasury shares resulted in a net increase in share capital of $2,720,381, and a corresponding increase in deficit of $2,720,381. NCG was obligated to grant these shares to certain employees as compensation. Since this obligation was settled in the Company's own shares, it was recognized as share-based payment relating to pre-combination services, and included as part of the consideration on the acquisition date. Settlement of the share-based payment transaction occurred in April 2019.

Note receivable

The Company had a previous note receivable from NCG, which was effectively settled at its fair value of $1,979,225 on the date of acquisition.

Identifiable intangible assets

The identifiable proprietary technology and know-how, brands and distributor relationship have been valued using an income approach. Specifically, proprietary technology and know-how were valued using a discounted cash flow method. Brands and the distributor relationships were valued using the multi-period excess earnings method. All methods applied a 19% discount rate.

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

Goodwill

Goodwill of $105,625,565 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.

Acquisition costs charged to general and administrative expenses amounting to $771,141 and $342,383 were recognized as part of professional fee expenses and share based payments, respectively, for the six months ended June 30, 2019.

NWT Acquisition

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

5. Business combinations, continued

The following tables summarize the purchase price allocation for the NWT acquisition:

	Preliminary	Adjustments	Final
Fair value of consideration transferred			
Cash paid	$ 10,654,800	$ 17,200	$ 10,672,000
Shares issued	10,631,196	-	10,631,196
Settlement of pre-existing relationship	-	1,051,192	1,051,192
Total consideration transferred	$ 21,285,996	$ 1,068,392	$ 22,354,388
Recognized amounts of identifiable net assets			
Cash	1,328,823	(159)	1,328,664
Accounts receivable	1,067,325	(1,024,637)	42,688
Inventory	257,462	(14,674)	242,788
Prepaid and other	88,093	(12,055)	76,038
Property, plant and equipment	42,585	2,771	45,356
Intangibles - proprietary technology	7,697,180	(3,361,680)	4,335,500
Intangibles - brand	4,442,220	(160,080)	4,282,140
Intangibles - distributor relationship	2,854,760	2,441,220	5,295,980
Accounts payable, notes payable & other liabilities	(4,032,018)	2,065,600	(1,966,418)
Total identifiable net assets	$ 13,746,430	$ (63,694)	$ 13,682,736
Goodwill on acquisition	$ 7,539,566	$ 1,132,086	$ 8,671,652

As consideration for the NWT shares, the Company issued 7,087,464 common shares which were estimated at $1.50 per share (based on quoted market price) on the date of acquisition.

A pre-existing relationship consisting of a note receivable issued by the Company to NWT with a fair value of $1,051,192 on the date of acquisition was effectively settled.

Identifiable intangible assets

The identifiable proprietary technology and know-how, brands and distributor relationship have been valued using an income approach. Specifically, proprietary technology and know-how and brands using a relief from royalty method. Distributor relationships were valued using the multi-period excess earnings method. All methods applied a 33.7% discount rate.

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

5. Business combinations, continued

Goodwill

Goodwill of $8,671,652 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.

Measurement period adjustments effecting income (loss)

The measurement period adjustments for NCG and NWT outlined above also resulted in an increase of $1,556,423 and $3,120,693 to the net income and an increase of $2,066,575 and $3,492,976 to total comprehensive income for the three and six months ended June 30, 2019. Significant increases and decreases in specific line items are outlined as follows for the three months ended: an increase in depreciation and amortization expense of $228,858, an increase in deferred tax recovery of $1,638,880 and other net changes to the net income for the period of $146,401. Significant increases and decreases in specific line items are outlined as follows for the six months ended: a decrease in depreciation and amortization expense of $506,440, an increase in share based payments of $342,383, an increase in deferred tax recovery of $2,895,290 and other net changes to the net income for the period of $61,292. Furthermore, other comprehensive income from the translation of foreign operations increased by $510,152 and $372,337 for the three and six months ended June 30, 2019.

Revised basic and diluted earnings per share for the six months ended June 30, 2019 is an income of $0.02 (previously reported - income of $0.01).

6. Asset acquisitions

Cultivate Brands Corp.

On May 1, 2020, the Company completed the acquisition of Cultivate Brands Corp ("Cultivate"). Under IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, and therefore, it was accounted for as an asset acquisition. The acquisition was completed by way of a three-cornered amalgamation pursuant to which 1241306 B.C. Ltd., a newly incorporated subsidiary of the Company, amalgamated with Cultivate to form a newly amalgamated company which operates under the name "Cultivate Brands Corp." as a wholly owned subsidiary of the Company. In exchange for all the issued and outstanding shares of Cultivate, the Company issued 27,384,903 common shares at an estimated value of $0.212 per share. To settle certain shareholder dissent rights subsequent to May 1, 2020, the Company recorded cash payable of $337,418 and issued 909,334 additional shares at an estimated value of $0.212 recorded as shares to be issued.

Consideration transferred	
Common shares	$ 5,817,596
Cash payable	337,418
Common shares to be issued (Note 27)	193,177
Transaction costs	132,992
	$ 6,481,183

6. Asset acquisitions, continued

Net assets acquired		
Cash	$	3,995,377
Other receivables		22,328
Inventory		61,021
Prepaids & deposits		1,486,281
Notes receivable		479,584
Investments at fair value		500,000
Machinery & equipment		22,084
Accounts payable & accrued liabilities		(85,492)
	$	6,481,183

District Edibles

On October 1, 2019 the Company entered into an Intellectual Property Purchase Agreement and separately, an Asset Purchase Agreement, with National Patent Solutions, LLC, SPJ & Co, LLC, and their unit holders. Pursuant to the agreements the Company acquired certain intellectual property, real estate and equipment assets and settled a pre-existing lease liability the Company owed to National Patent Solutions. Under Amendments to IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, and therefore it was accounted for as an asset acquisition. The aggregate consideration payable was comprised of the issuance of 6,416,128 restricted voting shares of the Company totaling $3,175,983 (based on quoted market price) and US $1.2 million in cash (CAD - $1,589,280). A discount of 10% was applied to the restricted voting shares due to voting restrictions placed on these shares. The allocation of the purchase price was based on the relative fair values of the assets acquired as summarized below:

Intellectual property - District Edibles	$	3,736,542
Investment property		635,712
Equipment		255,271
Settlement of pre-existing lease liability		137,738
	$	4,765,263

On October 1, 2019, Company also entered into a consulting agreement with the unit holders whereby the unit holders will provide consulting, marketing and advertising services to the Company in exchange for restricted voting shares of the Company. The consulting agreement covers a period of three years and the payout of restricted voting shares are due quarterly based on achievement of performance conditions.

The second quarterly payment totaled $1,132,480, resulting in 4,458,582 restricted voting shares issued in April 2020. The third quarterly payment totaled $1,094,560, resulting in 5,339,316 restricted voting shares to be issued, and was recorded as shares to be issued in the interim condensed consolidated statement of changes in shareholders’ equity and share based compensation in the interim condensed consolidated statement of income and comprehensive income.

7. Marketable securities

Marketable securities represent short term investments recorded at fair value through profit and loss. At June 30, 2020 the Company held a guaranteed investment certificate in the amount of $4,558,439 bearing interest at 2%, maturing on December 24, 2020.

8. Accounts receivable

Accounts receivables consist of the following:

	June 30, 2020	December 31, 2019
Accounts receivable	**$ 14,619,714**	$ 14,505,022
Expected credit losses	**(5,800,903)**	(5,627,400)
	$ 8,818,811	$ 8,877,622

Expected credit losses increased by $173,503, which relates to the translation of foreign operations recorded in other comprehensive income.

9. Inventory

The following comprise inventory:

Category	June 30, 2020	December 31, 2019
Batteries	**$ 777,734**	$ 691,567
Packaging	**511,568**	411,307
Cartridges	**292,823**	382,271
Finished goods	**166,539**	361,104
Other	**167,843**	207,133
Reserve for obsolete inventory	**(113,424)**	(373,028)
	$ 1,803,083	$ 1,680,354

During the six months ended June 30, 2020 the total inventory expensed through cost of goods sold was $2,820,446 (2019 - $5,613,970).

Included in cost of sales is the fair value adjustment of $9,517 recognized on inventory acquired in the Cultivate asset acquisition (Note 6). The inventory was sold subsequent to acquisition during 2020, and therefore, the fair value adjustment was included in cost of sales.

10. Prepaids

	June 30, 2020	December 31, 2019
Prepaid expenses	**$ 902,218**	$ 942,508
Equipment deposit	**1,420,499**	-
	$ 2,322,717	$ 942,508

Prepaid Expenses

As at June 30, 2020, prepaid expenses constitutes deposits on future purchases of inventory and deposits for goods and services, primarily related to insurance and software subscriptions, that have yet to be received as of period end.

Equipment Deposit

Prior to the acquisition of Cultivate by the Company, Cultivate had made certain deposits towards the purchase of specialized equipment to be utilized for extraction and product formulation.

11. 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 year ended December 31, 2019 the Company advanced an additional $26,497 to Pine River. The maturity date of the loan was extended to November 8, 2020 at 15% interest for up to $1,500,000. Ten percent of the quarterly interest shall be payable by Pine River to the Company and the remaining five percent of the quarterly interest payment shall be added to the principal amount. On April 1, 2020, by way of a Novation Agreement, the promissory note from Pine River Consulting Ltd. (“PRC”) was transferred to Pleasant Valley Ranch (“PVR”), an unrelated third party. The existing terms and conditions and outstanding balance obligations under the Original Promissory Note were effectively transferred and accepted by PVR. As at June 30, 2020, principal and interest due is $1,916,877 (2019 - $1,798,113). In a prior period, the Company estimated an expected credit loss of $192,240, the remaining balance of the loan is $1,724,637. Interest income for the six months ended June 30, 2020 amounted to $118,765 (2019 - $112,893). The loan remains outstanding at the date of these interim condensed consolidated financial statements.

11. Notes receivable, continued

On March 21, 2019, the Company entered into a promissory note with NS Holdings, LLC ("NSH"), a related entity, in the amount of US$3,206,188 (CAD - $4,285,267), 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. Further, advances of US$1,957,072 (CAD – 2,601,669) were made by the company in 2019 and US$206,406 (CAD – $288,866) was advanced in the six months ended June 30, 2020 under the same terms of the original note. During the six months ended June 30, 2020, interest accrued and included in the principal amounted to $427,566. An unrealized foreign exchange gain of $377,001 was recognized in the six months ended June 30, 2020. Previously, on December 31, 2019, the Company estimated an expected credit loss of $3,547,439. The loan remains outstanding at the date of these interim condensed consolidated financial statements.

On October 23, 2019, the Company entered into a promissory note with Pleasant Valley Ranch, an unrelated entity, in the amount of US$165,659 (CAD - $215,158), which is unsecured, bears interest at 15% per annum and is due in full on December 31, 2020. During the six months ended June 30, 2020, interest income of $23,057 and a foreign exchange gain of $10,602 was recorded in the statement of income and comprehensive income. The loan remains outstanding at the date of these interim condensed consolidated financial statements.

On February 26, 2020, the Company entered into a promissory note with Pleasant Valley Ranch, an unrelated entity, in the amount of US$1,300,000 (CAD - $1,734,330), which is unsecured, bears interest at 15% per annum with monthly principal and interest payments of US$30,927. The loan matures February 1, 2025. During the six months ended June 30, 2020, principal repayments of $44,583 were made and a gain on currency translation of $21,135 was recorded in the statement of income and comprehensive income. The loan remains outstanding at the date of these interim condensed consolidated financial statements.

Prior to the acquisition of Cultivate by the Company, Cultivate loaned a principal amount of $1,000,000 to two third party individuals. The loan matured in October 2018, bears interest at 5% per annum, and is unsecured. Prior to the acquisition of Cultivate by the Company, Cultivate had recognized an impairment loss on the loan, bringing the outstanding value to $Nil.

Prior to the acquisition of Cultivate by the Company, Cultivate held a secured promissory note from Attis Extracts LLC, bearing interest at 9% per annum, and maturing April 20, 2020. Subsequent to acquisition date, the Company received full payment in the amount of US$340,953 (CAD - $479,584).

A summary of the Company's loans and notes receivable is as follows:

	June 30, 2020	December 31, 2019
NSH, net of allowance	**$ 4,534,196**	$ 3,480,763
Pleasant Valley Ranch Note 1, net of allowance	**1,724,638**	3,288,523
Pleasant Valley Ranch Note 2	**1,710,882**	-
Pleasant Valley Ranch Note 3	**225,760**	215,158
Less: Current portion	**(225,760)**	-
	$ 7,969,715	$ 5,301,794

12. Investments, at fair value

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

	June 30, 2020	December 31, 2019
Allied Concessions Group Inc. ("ACG") (a)	**$ 1,865,104**	$ 1,865,104
NS Holdings Inc. ("NSH") (a)	**155,140**	155,140
10663522 Canada Inc. (b)	**408,889**	408,889
Duby (c)	**62,295**	59,370
LBA - Convertible loan (d)	**2,192,569**	1,972,710
Graffiti Games Ltd. - Convertible loan (e)	**500,000**	-
Bak Festivals Inc. (dba Grupo Flor) (f)	**-**	-
Greenleaf Grove LLC ("Greenleaf") (g)	**-**	-
Total	**5,183,997**	4,461,213
Less: Current portion	**(2,692,569)**	(1,972,710)
	$ 2,491,428	$ 2,488,503

a. NSH & ACG Warrants

As at June 30, 2020 and December 31, 2019 the Company held warrants which entitle the Company to acquire 339,930 and 327,601 shares of NSH and ACG respectively at an exercise price of US$0.001 per share until March 20, 2028. Had the warrants been exercised before or on June 30, 2020 and December 31, 2019, the Company would have owned 7.5% outstanding common shares of each of ACG and NSH respectively. The warrants were re-valued on June 30, 2020 and there was no change in their valuation from December 31, 2019, the date of the last valuation. The fair value of the warrants was estimated using the Monte Carlo Simulation approach using a risk-free rate of 0.53%, NSH volatility of 155.48%, ACG volatility of 145.22%, stock price of $0.19 and term of 7.73 years. A 1% change in any key input would not result in a significant change in the value of the warrants.

b. 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. At December 31, 2019, the Company estimated a decrease in the fair value of the investment in 10663522 Canada Inc., resulting in a loss of $91,111 which was recorded in the consolidated statements of loss and comprehensive loss in 2019. The fair value at December 31, 2019 was estimated by reference to a financing which closed in the valuation assessment period. The Company has estimated no change in the value of the investment for the period ended June 30, 2020.

12. Investments, at fair value, continued

c. Duby Inc.

Prior to acquisition by the Company of NCG, NCG had invested a total of $180,000 in Duby Inc, (Duby) representing a 2.6% ownership interest. Duby provides a network for people to gain and share knowledge around their cannabis experiences. NCG invested in Duby for a strategic marketing purpose. Duby is a private company; therefore, no quoted market prices are available for its shares. Prior to the acquisition of NCG by the Company, NCG had recognized an impairment loss on the investment, bringing the net investment value to US $45,700 (CAD - $64,850). The Company has estimated no change in the value of the investment for the period ended June 30, 2020.

d. LBA - Convertible Loan

On May 23, 2019, the Company loaned US $1,500,000 (CAD - $2,021,626) to LBA Global Corporation, an unrelated third party. The loan is unsecured, and carries interest at 12% per annum. On February 14, 2020, LBA and the Company amended the original convertible loan to extend the maturity date to the earliest of i) the Closing of the Merger and ii) 12 months from the date the merger agreement terminates. Interest of $119,045 was paid by LBA in 2019 and interest accrued and receivable for the six months ended June 30, 2020 amounted to $123,145. The loan is convertible at the Company's option, and it is measured at fair value through profit or loss. The fair value adjustment recognized in the six months ended June 30, 2020 was $Nil and a foreign exchange gain totaled of $96,714. The loan has not been repaid as of the date of these interim condensed consolidated financial statements.

e. Graffiti Games - Convertible Loan

Prior to the acquisition of Cultivate, Cultivate had loaned $500,000 to Graffiti Games Ltd., an unrelated third party. The loan is guaranteed by a shareholder of Graffiti Games Ltd., and carries interest at 10% per annum. On April 30, 2020, Graffiti Games and Cultivate amended the original convertible loan to extend the maturity date to April 30, 2021. Interest accrued and receivable from acquisition date, May 1, 2020 to June 30, 2020 amounted to $8,356. The loan is convertible at the Company's option, and it is measured at fair value through profit or loss. The fair value adjustment recognized from acquisition date, May 1, 2020 to June 30, 2020 was $Nil.

f. Bak Festivals Inc. (dba Grupo Flor Inc.)

Prior to acquisition of Cultivate, Cultivate had invested US $500,000 in 174,529 Series A Preferred Stock of Grupo Flor Inc. Grupo Flor Inc. is a private company; therefore, no quoted market prices are available for its shares. Prior to the acquisition of Cultivate by the Company, Cultivate had recognized an impairment loss on the investment, bringing the net investment value to $Nil. The Company has estimated no change in the value of the investment from acquisition date to the period ended June 30, 2020.

12. Investments, at fair value, continued

g. Greenleaf

Prior to acquisition of Cultivate, Cultivate had entered into a Limited Liability Company Agreement (the "Operating Agreement") of Greenleaf with Graffiti Games Ltd., Mega Cat Studios LLC, and Double Barrel LLC. Cultivate had provided an initial contribution of US$75,000, representing 15% of the fully diluted and capitalized ownership interest in Greenleaf. Prior to the acquisition of Cultivate by the Company, Cultivate had recognized an impairment loss on the investment, bringing the net investment value to $Nil. The Company estimated no change in the value of the investment from acquisition date to the period ended June 30, 2020.

The Operating Agreement has a cash-call clause, which requires members to contribute additional capital to Greenleaf from time-to-time relative to their respective membership interests (Note 31).

13. 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 consideration transferred has been recorded as deferred revenue and will be amortized over the 30-year period (Note 24). During the six months ended June 30, 2020, NCG recognized an equity pick-up of a loss of $1,448,524 (2019 - $406,461) in the consolidated statement of income and comprehensive income.

Investment in Agripharm can be summarized as follows:

Investment on December 31, 2019	$ 2,027,142
Loss on share of investment	(1,448,524)
Currency translation	11,561
Total investment at June 30, 2020	**$ 590,179**

14. Due from related parties

The Company's wholly owned subsidiary, NCG, routinely conducts business with Allied Concessions Group, Inc. ("ACG"), GNT Oregon LLC ("GNT"), and CalVape Inc ("CalVape"). ACG, GNT, and CalVape have common management with the Company. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG, GNT, and Calvape operate labs that manufacture oil, packages and market products to be sold to dispensaries. Peter Miller Enterprises Inc. is controlled by a senior management member of the Company.

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

	June 30, 2020	December 31, 2019
CalVape	**$ 5,883,132**	$ 5,310,557
ACG	**5,257,740**	4,530,338
GNT	**1,286,919**	346,353
Peter Miller Enterprises Inc.	**315,396**	315,430
Expected credit losses	**(7,170,051)**	(5,310,557)
	$ 5,573,136	$ 5,192,121

Expected credit losses increased by $1,600,506 for the six months ended June 30, 2020 and the remaining increase of $258,988 relates to the translation of foreign operations recorded in other comprehensive income.

15. Investment properties

	Building and land improvements	**Land**	**Total**
Cost			
Balance at December 31, 2019	$ 3,089,138	$ 2,013,140	$ 5,102,278
Currency translation	152,221	99,200	251,421
Balance at June 30, 2020	**$ 3,241,359**	**$ 2,112,340**	**$ 5,353,699**
Accumulated depreciation			
Balance at December 31, 2019	$ 154,685	$ -	$ 154,685
Depreciation expense	69,181	-	69,181
Currency translation	7,506	-	7,506
Balance at June 30, 2020	**231,372**	**-**	**231,372**
Net book value June 30, 2020	**$ 3,009,987**	**$ 2,112,340**	**$ 5,122,327**

For the six months ended June 30, 2020, the Company reclassified $56,076 of depreciation to cost of sales.

16. Property, plant and equipment

	Office equipment	Equipment and machinery	Computer equipment	Leasehold improvements	Vehicles	Total
Cost						
Balance at December 31, 2019	$ 159,683	$ 1,006,962	$ 24,679	$ 39,707	$ 37,665	$ 1,268,696
Additions on acquisitions (Note 6)	-	22,084	-	-	-	22,084
Additions	9,429	7,535	12,739	-	-	29,703
Disposals	-	(97,446)	-	-	-	(97,446)
Currency translation	7,852	49,083	1,194	1,957	1,856	61,942
Balance at June 30, 2020	**$ 176,964**	**$ 988,218**	**$ 38,612**	**$ 41,664**	**$ 39,521**	**$ 1,284,979**
Accumulated depreciation						
Balance at December 31, 2019	$ 27,928	$ 186,305	$ 16,428	$ 1,895	$ 13,189	$ 245,745
Depreciation expense	14,592	225,234	8,644	1,059	4,948	254,477
Disposals	-	(52,409)	-	-	-	(52,409)
Currency translation	1,352	8,889	795	92	642	11,770
Balance at June 30, 2020	**$ 43,872**	**$ 368,019**	**$ 25,867**	**$ 3,046**	**$ 18,779**	**$ 459,583**
Net book value at June 30, 2020	**$ 133,092**	**$ 620,199**	**$ 12,745**	**$ 38,618**	**$ 20,742**	**$ 825,396**

17. Intangible assets

	Proprietary technology & know how	Brands	Distributor relationships	Total
Cost				
Balance at December 31, 2019	$ 10,636,609	$ 42,948,365	$ 5,666,125	$ 59,251,099
Currency translation	524,132	2,116,334	279,205	2,919,671
Balance at June 30, 2020	**$ 11,160,741**	**$ 45,064,699**	**$ 5,945,330**	**$ 62,170,770**
Accumulated amortization				
Balance at December 31, 2019	$ 4,602,994	$ 10,947,761	$ 4,408,937	$ 19,959,692
Amortization expense	779,579	1,851,954	162,764	2,794,297
Currency translation	225,505	536,344	216,982	978,831
Balance at June 30, 2020	**5,608,078**	**13,336,059**	**4,788,683**	**23,732,820**
Net book value June 30, 2020	**$ 5,552,663**	**$ 31,728,640**	**$ 1,156,647**	**$ 38,437,950**

18. Right-of-use assets

During the period the Company entered into a new lease agreement for its office space in Denver, Colorado. The lease term spans 10 years with two optional extension periods of five years each. The associated lease liability is outlined in Note 23.

Balance at December 31, 2019	$ -
Additions	2,292,630
Depreciation expense for the period	(117,617)
Currency translation	114,653
Balance at June 30, 2020	$ 2,289,666

19. Options to acquire ACG and NSH

As part of the acquisition of NCG, the Company also acquired an option to acquire 92.5% 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 92.5% of the outstanding equity ("put rights") of ACG or NSH, to the Company, on the same terms as the call options. In May 2020, the ACG and NSH put option rights expired without being exercised by the shareholders in accordance with the terms of the option agreements.

On February 26, 2020, the Company delivered notice of its intent to exercise its option to acquire Allied Concessions Group, Inc. ("ACG") pursuant to the option purchase agreement between SLANG, ACG and the shareholders of ACG. Completion of the proposed acquisition of ACG is subject to the negotiation and execution of a definitive purchase agreement and the satisfaction or waiver of all closing conditions, including the receipt of all necessary regulatory approvals (including the approval of the Marijuana Enforcement Division of the Department of Revenue of the State of Colorado).

The call options and put rights (collectively, "the options") related to ACG and NSH were re-measured at fair value on December 31, 2019 and June 30, 2020. The revaluation at June 30, 2020 resulted in a fair value gain of $13,491,204 on the ACG options resulting in an option asset of $20,656,631 and a fair value gain of $22,674,506 on the NSH options resulting in an option asset of $1,321,198.

The fair value of the option asset and liability as at June 30, 2020 and December 31, 2019 was estimated using an option pricing methodology based on the Monte Carlo Simulation approach using the following assumptions:

	June 30 2020	December 31, 2019
Company's Share price	**$0.19**	$0.48
Stock price volatility		
NSH	**155%**	266%
ACG	**145%**	238%
Slang Worldwide Inc.	**100%**	92%
Risk-free rate	**0.16%**	1.57%
Expected life of the option asset	**1.89 years**	0.39 years

20. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30, 2020	December 31, 2019
Accounts payable	**$ 3,544,084**	$ 3,802,470
Accrued liabilities	**2,141,381**	3,245,979
Government remittances	**1,813,850**	1,821,576
	$ 7,499,315	$ 8,870,025

21. 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 and matured on July 31, 2019, at which time the loan was extended to July 9, 2021 with the same terms and conditions. In 2019, a gain of $713,576 was recorded in the consolidated statement of loss and comprehensive loss on the modification of the loan. Refer to Note 28.

	June 30, 2020
Balance on December 31, 2019	**$ 1,966,262**
Accretion expense (Note 28)	**187,502**
Foreign exchange loss	**99,846**
Balance on June 30, 2020	**$ 2,253,610**

22. Notes 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 US$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 note. During the six months ended June 30, 2020, the Company paid interest of $74,610 (2019 - $80,780).

Prior to acquisition of NCG by the Company, 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 US$319,000 maturing January 1, 2020, with an option to extend the note for an additional year at a penalty cost of US$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. In February 2020, the Company sold the Magic Buzz trademark which resulted in the termination of the note payable with no further payments being required. The sale of the Magic Buzz trademark resulting in a gain on sale of $363,525 recorded in the statement of income and comprehensive income.

The following transactions occurred on the notes:

	June 30, 2020
Balance on December 31, 2019	$ 1,385,297
Repayment	(257,512)
Termination on sale of Magic Buzz trademark	(344,049)
Currency translation	51,743
Notes payable - June 30, 2020	835,479
Less current portion	575,376
Long term portion	$ 260,103

Estimated principal re-payments are as follows:

Less than one year	$ 575,376
One year	260,103
	$ 835,479

23. Lease Liability

The lease liability associated with the right-of-use asset for the Company's office space is summarized below:

Balance at December 31, 2019	$ -
Additions	2,292,630
Cash outflows for the period	(111,020)
Accretion expense for the period (Note 28)	183,611
Currency translation	114,332
Balance at June 30, 2020	$ 2,479,553

Current and long-term portions of the lease liability and the contractual undiscounted maturity analysis at June 30, 2020 are as follows:

Current	$ 79,187
Long-term	2,400,366
Maturity Analysis - Undiscounted Cash Flows	
Less than one year	446,104
One year	457,257
Two years	468,688
Three years	480,406
Four years	492,417
Five years and beyond	2,511,128

24. Deferred revenue

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 (US - $15,083,520). As such, the consideration transferred has been recorded as deferred revenue and will be amortized over the 30-year period.

Deferred revenue can be summarized as follows:

	June 30, 2020
Balance on December 31, 2019	**$ 18,230,026**
Recognized as license revenue	**(343,175)**
Currency translation	**898,885**
Total deferred revenue	**18,785,736**
Less current portion	**(685,194)**
Long term portion	**$ 18,100,542**

25. Due to related parties

Balances due to related parties consist of the following;

	June 30, 2020	December 31, 2019
NS Holdings Inc.	**$ 3,442,676**	$ 3,480,764
The Wppd Initiative	**189,236**	177,398
Peter Miller Enterprises	**33,266**	22,576
The Purple Company	**4,685**	2,292
Other	**201,151**	190,335
	$ 3,871,014	$ 3,873,365

The Wppd Initiative is controlled by the President of the Company. All balances are non-interest bearing and have no specified terms of repayment.

26. 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 US$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 an extinguishment, and the Company recognized a loss on extinguishment of $3,059,668 in financing cost and fair value adjustments in its consolidated statement of loss and comprehensive loss (Note 28). 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.

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, $4,222,002 and $1,325,538 on issuance date, April 30, 2018, December 31, 2019 and June 30, 2020, respectively, and assigned a nominal value to the host contract on April 30, 2018. The amortized cost of the host contract at June 30, 2020 is nominal (2019 - nominal). The loan is accreted using an effective interest rate of 428.94%. The fair value adjustment to the derivative liability for the six months period ended June 30, 2020 resulted in a fair value gain of $2,896,464 (2019 - gain of $1,573,234).

Interest expense on the convertible note for the six months ended June 30, 2020 of $49,948 (2019 - $49,248) was recorded in the interim condensed consolidated statements of income and comprehensive income.

The fair value of the derivative liability as at June 30, 2020 and December 31, 2019 was estimated using Black-Scholes valuation model based on the following assumptions:

	June 30, 2020	December 31, 2019
Share price	**$0.2**	$ 0.48
Stock price volatility	**123%**	102%
Expected life of the derivative liability	**1.75 years**	2.33 years
Risk free rate	**0.30%**	1.66%

Inter-relationship between key unobservable inputs and fair value measurement as at June 30, 2020:

- If the share price was lower (higher) by 10%, the fair value would decrease (increase) by $178,973 ($183,199).
- If the volatility was lower (higher) by 10%, the fair value would decrease (increase) by $116,032 ($108,577).

27. 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, 2020 and December 31, 2019.

Each restricted voting share may be converted to one common share, without payment of additional consideration if the following conditions are met: (a) conversion is not during a restricted period as determined by the Board; (b) following the date that is the three year anniversary of the date of issuance of such restricted voting shares; and (c) with the consent of the Board.

Common share continuity:

	Number of shares	Share capital
Balance - December 31, 2019	257,729,502	$ 219,119,332
Issued pursuant to asset acquisitions (Note 6)	27,384,903	5,817,596
Balance - June 30, 2020	**285,114,405**	**$ 224,936,928**

Restricted voting share continuity:

	Number of shares	Share capital
Balance - December 31, 2019	23,916,128	$ 26,800,983
Issued during the reporting period	6,798,848	2,185,600
Balance - June 30, 2020	**30,714,976**	**$ 28,986,583**

27. Share capital, continued

2019

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

In 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 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 2019, 749,516 common shares were issued pursuant to the exercise of 749,516 compensation units at an exercise prices between of $0.75 - $1.50 per share.

On September 17, 2019, the Company entered into a subscription agreement with a third-party, whereby the Company issued 347,222 units for gross proceeds of $250,000. Each subscription unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.89 per share, expiring in September 2024. The common shares and the purchase warrants were valued at $145,192 and $104,808, respectively, using the relative fair value method.

On November 26, 2019, the Company entered into a subscription agreement with a group of existing shareholders, whereby the Company issued 30,922,579 units for gross proceeds of $15,111,814, net of $40,250 in share issuance costs. Each subscription unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.52 per share, expiring in November 2024. The common shares and the purchase warrants were valued at $8,793,079 and $6,358,985, respectively, using the relative fair value method.

On December 5, 2019, the Company entered into a subscription agreement with a group of existing shareholders, whereby the Company issued 3,570,407 units for gross proceeds of $1,749,499. Each subscription unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.52 per share, expiring in December 2024. The common shares and the purchase warrants were valued at $1,018,520 and $730,979, respectively, using the relative fair value method.

On February 5, 2020, the Company issued 2,340,266 restricted voting shares under a consulting agreement with a third party (Note 6). The shares had been recorded as shares to be issued totaling $1,053,120 at December 31, 2019. An equal amount was recorded as share based payments in the consolidated statement of loss and comprehensive loss for the year-ended December 31, 2019.

On April 15, 2020, the Company issued 4,458,582 restricted voting shares under the same consulting agreement (Note 6). The shares had been recorded as shares to be issued totaling $1,132,480 at March 31, 2020. An equal amount was recorded as share based payments in the interim condensed consolidated statement of income (loss) and comprehensive income (loss) for the period-ended March 31, 2020.

27. Share capital, continued

On June 30, 2020, the Company recorded 5,339,316 restricted voting shares under the same consulting agreement as shares to be issued totaling $1,094,560 (Note 6). An equal amount was recorded as share based payments in the interim condensed consolidated statement of income and comprehensive income for the three months ended June 30, 2020.

Shares issued for investments:

On January 22, 2019 the Company issued 7,087,464 common shares at an estimated value of $1.50 per share in connection with its acquisition of NWT (see Note 5).

On January 22, 2019 the Company issued 65,000,000 common shares which were estimated at $1.50 per share and 17,500,000 restricted voting shares which were estimated at $1.35 per share in connection with its acquisition of NCG (see Note 5).

On October 1, 2019 the Company issued 6,416,128 restricted voting shares at an estimated value of $0.495 per share in connection with its District Edibles asset acquisition outlined in Note 6.

On May 1, 2020, the Company issued 27,384,903 common shares at an estimated value of $0.212 per share in connection with its Cultivate asset acquisition outlined in Note 6. An additional 909,334 shares at an estimated value of $0.212 per share was recorded as shares to be issued to reflect the revocation and settlement of three Cultivate shareholders dissent rights.

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, 2020:

	Options issued	Weighted exercise price
Balance outstanding - December 31, 2019	**11,349,416**	**1.11**
Forfeited / cancelled	(455,000)	1.49
Balance outstanding - June 30, 2020	**10,894,416**	**$ 1.09**

27. Share capital, continued

Grant date	Expiry date		Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable
Nov 2, 2017	Nov 2, 2027	$	0.05	1,250,000	0.84	625,000
Jul 6, 2018	Jul 6, 2023	$	0.75	525,000	0.15	525,000
Jul 6, 2018	Jul 6, 2023	$	0.75	850,000	0.24	212,500
Jul 16, 2018	Jul 16, 2023	$	0.75	550,000	0.15	550,000
Jan 22, 2019	Jan 22, 2029	$	1.50	2,500,000	1.97	625,000
Jan 22, 2019	Jan 22, 2029	$	1.50	665,888	0.52	665,888
Jan 28, 2019	Jan 28, 2024	$	1.50	300,000	0.10	300,000
Jan 28, 2019	Jan 28, 2024	$	1.50	3,053,528	1.00	763,382
Nov 26, 2019	Nov 26, 2024	$	0.49	1,200,000	0.49	-
				10,894,416	5.46	4,266,770

The options granted on November 2, 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%; stock price: $0.56; volatility: 102%; Dividend yield: 0%; and expected life: four years. During the six months ended June 30, 2020, 35,000 options were forfeited.

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%, stock price: $1.50; volatility: 108%; Dividend yield: 0%; and expected life: five years. During the six months ended June 30, 2020, no options were forfeited.

On January 28, 2019 the Company approved the grant of options to various employees, advisors and contractors. 3,923,528 options were granted which will vest over a 4-year period and 700,000 options were granted which vest on a monthly basis over 1 year. 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%; stock price: $1.50; volatility: 108%; Dividend yield: 0%; and expected life: five years. During the six months ended June 30, 2020, 360,000 options were forfeited.

27. Share capital, continued

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%; stock price: $1.93; volatility: 97%; Dividend yield: 0%; and expected life: four years. During the six months ended June 30, 2020, 60,000 options were forfeited. During the six months ended June 30, 2020, 60,000 options were forfeited.

On November 26, 2019 the Company approved the grant of options to various employees, advisors and contractors. A total of 1,207,500 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: 1.58%; stock price: $0.44; volatility: 100%; Dividend yield: 0%; and expected life: four years. During the six months ended June 30, 2020, no options were forfeited.

Compensation expense related to stock options is recognized over the years in which entitlement to the compensation vests. For the six months ended June 30, 2020, the Company recorded $1,116,746 in compensation expense in its interim condensed consolidated statement of income and comprehensive income (2019 - $2,752,376).

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

Restricted stock units

On January 22, 2019 and November 26, 2019 the Company provided key management personnel with a Restricted Share Units (“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 6,050,000 RSUs issued. For the six months ended June 30, 2020, the Company recorded a compensation expense of $1,152,016 for the RSUs in its interim condensed consolidated statement of income and comprehensive income (2019 - $1,140,726), based on the vesting period and a fair value of ranging from $0.44 to $1.50 per share.

Agents’ options and compensation warrants

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, 2020, no compensation options were exercised and no compensation warrants were exercised. At June 30, 2020, 673,855 compensation options were outstanding at an exercise price of $0.75 and 270,461 compensation warrants were outstanding at an exercise price of $1.15.

27. Share capital, continued

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, 2020, no compensation options were exercised, and no compensation warrants were exercised. At June 30, 2020, 2,430,721 compensation options were outstanding at an exercise price of $1.50.

On January 29, 2019, pursuant to 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 439,985 compensation options with the same terms as those issued under the September 26, 2018 Agency Agreement, above. None of these compensation options or compensation warrants have been exercised and 439,985 of these compensation options are outstanding at an exercise price of $1.50 at June 30, 2020.

Warrants issued:

	Number of warrants	Total
Outstanding - December 31, 2019 & June 30, 2020	**60,289,548**	**$ 15,736,929**

28. Financing cost and fair value adjustment

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Fair value adjustment on option asset and liability (Note 19)	**$ (10,828,872)**	$ (24,089,157)	**$ (36,165,710)**	$ (24,089,157)
Fair value adjustment on derivative liability (Note 26)	**(163,300)**	(3,360,857)	**(2,896,464)**	1,573,298
Fair value adjustment on investments (Note 12)	**-**	-	**-**	(1,197,792)
Accretion on lease liability (Note 23)	**94,664**	-	**183,611**	-
Accretion expense (Note 21)	**95,138**	-	**187,502**	-
Interest on convertible note (Note 26)	**25,716**	24,738	**50,068**	49,248
Other interest expense	**33,915**	119,408	**52,600**	165,082
Foreign currency exchange loss (gain)	**2,882**	603,407	**56,589**	326,167
Total	**$ (10,739,857)**	$ (26,702,461)	**$ 38,531,804**	$ (23,173,154)

29. Income per share

The calculation of basic and diluted income per share is based on the income for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted income per share, potentially dilutive shares such as options and convertible debt have been included as they would have the effect of decreasing the income per share and they would, therefore be dilutive.

30. Related party transactions

The Company routinely conducts business with ACG and GNT, a subsidiary of NSH. ACG, and NSH have common management with the Company. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG and GNT 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.

The Company's net product sales to ACG and GNT Oregon (2019 - Calvape) for the six months ended June 30, 2020 and 2019, were approximately as follows:

	June 30, 2020	June 30, 2019
ACG	**$ 3,312,781**	$ 2,071,227
GNT	**743,661**	416,679
CalVape	**-**	3,160,782
	$ 4,056,442	$ 5,648,688

ACG and GNT accounted for approximately 36% and 8% of the Company's revenue respectively for the six months ended June 30, 2020.

As of June 30, 2020, the Company held accounts receivable balances (net of provision) with ACG, Calvape and GNT for merchandise of approximately $5,510,339 $142,261 and $749,284 respectively. These balances were included in accounts receivable.

Key management compensation for the three and six months ended June 30, 2020 and 2019 is detailed below. Key management includes the Company's directors and members of the executive team.

	Three months ended		Six months ended	
	June 30, 2020	June 30, 2019	**June 30, 2020**	June 30, 2019
Type of expense				
Management compensation and directors' expense	**617,862**	1,393,706	**1,236,665**	3,373,850
Restricted share unit compensation expense (Note 27)	**483,863**	989,258	**1,069,742**	1,483,109
Stock-based compensation expense (Note 27)	**398,952**	1,573,048	**718,565**	2,752,376
	1,500,677	3,956,012	**3,024,972**	7,609,335

Management compensation and directors' expense are included in salaries and wages and restricted share unit and stock-based compensation expense are included in share based payments in the statement of income and comprehensive income.

31. 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 entered a loan with GHNA for US$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 July 9, 2021, repayable at any time (Note 22). 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 year 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. Refer to Note 13.

In January 2020, the Company entered into a definitive agreement to acquire Oregon based LBA Global Corporation ("LBA") for estimated share consideration of approximately $11,000,000 which will be increased / decreased for closing indebtedness, working capital requirements and closing tax liabilities. The close of the transaction is subject to regulatory approval and certain performance targets being met by LBA. In June 2020, the Company guaranteed a note offering by LBA Global Corporation to third parties in the amount of $275,000 U.S. The note offering is guaranteed with Company restricted voting shares at a conversion price of $0.46 U.S. per share. The Company has agreed to guarantee up to a maximum note offering of $500,000 U.S.

In February 2020, the Company entered into a Membership Interest Purchase Agreement with Peoria Partners LLC ("Peoria") and its unitholders to acquire all of the outstanding membership interests of Peoria for estimated consideration of $300,000 U.S. The close of the transaction is subject to regulatory approval.

The Greenleaf Operating Agreement has a cash-call clause, which requires members to contribute additional capital to Greenleaf from time-to-time relative to their respective membership interests (Note 12). Management currently estimates that no significant cash-call will be required within the next 12 months.

32. 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.

	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue		
Canada	**$ 761,028**	$ 379,327
USA	**8,499,205**	10,820,363
	-	-
	$ 9,260,233	$ 11,199,690

	June 30, 2020	December 31, 2019
Non-current assets		
Canada	**$ 9,004,096**	$ 8,047,055
USA	**54,295,701**	52,224,456
	$ 63,299,797	$ 60,271,511

Refer to Note 29 for sales to major customers who were related parties to the Company. ACG, CalVape, and GNT comprise a total of 44% of total Company revenue, and 48% of USA revenue for the six months ended June 30, 2020 (2019 - Company - 47% & USA - 48%)

33. 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.

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, 2020 and December 31, 2019. 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 26 for inter-relationship between key unobservable inputs and fair value measurement.)

				As at June 30, 2020
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 6,525,540	$ -	$ -	**$ 6,525,540**
Funds held in trust	28,370	-	-	**28,370**
Marketable securities	4,558,439	-	-	**4,558,439**
Investments	-	-	5,183,997	**5,183,997**
Option asset	-	-	21,977,829	**21,977,829**
Derivative liability	-	-	(1,325,538)	**(1,325,538)**
	$ 11,112,349	$ -	$ 25,836,288	**$ 36,948,637**

33. Financial instruments and capital management, continued

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 8,233,860	$ -	$ -	**$ 8,233,860**
Funds held in trust	701,500	-	-	**701,500**
Marketable securities	10,000,000	-	-	**10,000,000**
Investments	-	-	4,461,213	**4,461,213**
Option asset	-	-	7,165,428	**7,165,428**
Option liability	-	-	(21,353,309)	**(21,353,309)**
Derivative liability	-	-	(4,222,002)	**(4,222,002)**
	$ 18,935,360	$ -	$ (13,948,670)	**$ 4,986,690**

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, 2020 and December 31, 2019, 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, 2020, including cash, accounts receivable, investments, notes receivable, accounts payable and loan payable would result in an increase or decrease of approximately $839,000 (2019 - $845,551) in the net income for the six months ended June 30, 2020.

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, 2020 the Company had a cash balance of $6,525,540 (2019 - $13,031,319) and current liabilities of $12,600,709 (2019 - $15,505,126). All of the Company's current liabilities are expected to be settled within the next 12 months.

33. Financial instruments and capital management, continued

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, 2020, the overdue accounts receivable balance, net of provision, is $7,537,755 (2019 - $3,417,603). 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. There have been no significant changes in factors incorporated into the lifetime expected loss provision since the period ended December 31, 2019.

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, 2019.

34. Subsequent events

The Company evaluated subsequent events through to August 26, 2020, the date these interim condensed consolidated financial statements were issued.

On July 7, 2020, the Company announced that incentive stock options to acquire an aggregate of 8,839,416 common shares in the capital of the Company, with exercise prices ranging from $0.49 to $1.50, held by certain directors, officers, employees and consultants of the Company, have been voluntarily surrendered for cancellation. On August 14, 2020, the Company issued incentive stock options to acquire an aggregate of 11,624,662 common shares in the capital of the Company, with an exercise price of $0.15, to directors, officers, employees and consultants of the Company.

On July 9, 2020, the Company issued an aggregate of 3,153,838 common shares, at a deemed price of $0.15 per common share, to 15 employees, including an executive officer, who elected to receive shares in lieu of cash as part of their compensation.

On July 9, 2020, the Company issued an aggregate of 909,334 common shares to settle the dissent rights of dissenting Cultivate shareholders (Note 6). As of June 30, 2020, these shares have been recorded as shares to be issued in the interim condensed consolidated statement of changes in equity.

On July 21, 2020, 673,855 compensation options at an exercise price of $0.75 and 270,461 compensation warrants at an exercise price of $1.15 expired unexercised.

On August 18, 2020, the Company announced the Colorado Department of Revenue's Marijuana Enforcement Division has approved the Company's application for suitability.

On August 26, 2020, the Company approved the following executive management compensation related to the previously announced executive management transitions:

The Company granted 7,800,000 restricted share units (“RSUs”) to directors, officers and a consultant of the Company. 4,050,000 of the RSUs are subject to vesting provisions and 3,750,000 of the RSUs are subject to performance-based milestones being achieved.

The Company issued a convertible unsecured promissory note (the “Note”), to settle current indebtedness of the Company owed to one insider, subject to the approval of the Exchange. The Note has an outstanding principal amount of US$807,000, accrues interest at the U.S. Prime Rate, matures on August 14, 2023, and is convertible, from time to time, in whole or in part, into Common Shares at a price equal to the greater of (i) the volume-weighted average price of a Common Share on the Exchange for the thirty day period ending on the date prior to which a conversion notice is delivered, and (ii) the minimum price permitted by the Exchange. The Note and any securities issued pursuant to the Note are subject to a four month hold period expiring on December 15, 2020.