CONSOLIDATED FINANCIAL STATEMENTS

CANNAROYALTY CORP.
D/B/A ORIGIN HOUSE

For the years ended December 31, 2018 and December 31, 2017

(Expressed in Canadian Dollars)

Independent Auditor's Report

MNP LLP

To the Shareholders of CannaRoyalty Corp. d/b/a Origin House:

Opinion

We have audited the consolidated financial statements of CannaRoyalty Corp. d/b/a Origin House and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of net loss, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shawn Mincoff.

MNP LLP

Ottawa, Ontario — Chartered Professional Accountants

April 28, 2019 — Licensed Public Accountants

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ORIGIN HOUSE

(Formally CannaRoyalty Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		**December 31, 2018**		December 31, 2017
ASSETS					
Current					
Cash and cash equivalents		**$**	**69,206,193**	$	4,522,644
Amounts receivable	5		**3,110,989**		1,429,123
Inventory	6		**8,036,522**		270,169
Biological assets	7		**270,528**		-
Prepaid and other assets	8		**2,590,576**		250,744
Deferred financing charges - current	20		**824,735**		-
Advances and loans receivable - current	9		**1,929,684**		1,102,168
Convertible notes - current	10		**-**		373,127
			85,969,227		7,947,975
Non-Current					
Deferred financing charges	20		**529,238**		-
Advances and loans receivable	9		**-**		66,421
Interest in equity accounted investees	11		**1,902,575**		3,596,333
Investments	12		**18,557,130**		17,243,342
Royalty investments	13		**1,281,826**		5,834,613
Property and equipment	14		**13,804,114**		1,084,098
Intangible assets	15		**51,135,189**		5,607,598
Goodwill	15		**57,518,746**		4,759,377
			144,728,818		38,191,782
Total Assets		**$**	**230,698,045**	$	46,139,757
LIABILITIES					
Current					
Amounts payable and accrued liabilities	16	**$**	**11,015,285**	$	1,606,689
Purchase consideration payable - current	4		**683,167**		-
Other liabilities	17		**13,649,360**		425,345
Convertible debt - current	18		**4,214**		-
Current tax liability	26		**806,429**		102,236
			26,158,455		2,134,270
Non-Current					
Purchase consideration payable	4		**1,184,482**		-
Convertible debt	18		**16,026,098**		1,431,950
Line of credit	20		**-**		826,517
Deferred tax liability	26		**14,356,878**		1,278,676
Total Liabilities			**57,725,913**		5,671,413
Commitments and Contingencies	21				
SHAREHOLDERS' EQUITY					
Share capital	23	**$**	**154,235,588**	$	50,007,891
Share subscription and contingent shares	23		**33,809,266**		-
Warrants reserve	23		**21,790**		4,149,703
Contributed surplus			**14,378,873**		9,902,292
Accumulated other comprehensive income (loss)			**5,686,087**		(1,032,719)
Accumulated deficit			**(35,236,253)**		(22,381,817)
Equity attributable to owners of the parent			**172,895,351**		40,645,350
Non-controlling interest	23		**76,781**		(177,006)
Total Equity			**172,972,132**		40,468,344
Total Liabilities & Shareholders' Equity		**$**	**230,698,045**	$	46,139,757

Subsequent events (note 32)

See accompanying notes to the consolidated financial statements.

On behalf of the Board

/s/"Marc Lustig" Director

/s/"Dan O'Neill" Director

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Consolidated Statements of Net Loss

(Expressed in Canadian Dollars)

	Note	Years ended December 31	
		2018	2017
Revenue	28	$ **18,692,950**	$ 3,077,969
Cost of sales	6, 28	**(17,184,999)**	(2,172,340)
Gross margin, excluding fair value items		**1,507,951**	905,629
Realized fair value amounts of inventory sold		**(2,028,238)**	-
Unrealized fair value gain on growth of biological assets	7	**1,611,617**	-
Gross margin		**1,091,330**	905,629
Operating expenses			
Sales and marketing		**8,328,926**	1,456,874
Research and product development		**1,101,553**	931,053
General and administrative	29	**23,222,729**	10,076,087
Amortization of brands and technologies	15	**3,584,921**	796,883
Loss from operations		**(35,146,799)**	(12,355,268)
Other income (expenses)			
Gain on investments	12	12,821,345	-
Gain on sale of equity accounted investment	11	1,785,944	-
Changes in fair value of investments	12	9,783,895	10,882,154
Gain on the sale of licensed technology	9	4,243,187	-
Impairment of loans and advances	9	(359,947)	(3,776,081)
Recovery (Impairment) of convertible notes receivable	10	4,146	(559,845)
Impairment of intangible assets & goodwill	15	-	(2,335,000)
Disposal of intangible assets	15	(159,032)	-
Impairment of royalty investments	13	-	(1,014,211)
Fair value gain on warrants	9	34,615	-
Loss from equity accounted investees, net of tax	11	(913,252)	(280,180)
Gain on settlement of interests at acquisition	4	1,096,189	-
Post combination remuneration	4	(354,266)	-
Foreign exchange gain (loss)		**304,422**	(436,555)
Interest expense	19	**(3,527,528)**	(467,957)
Unrealized loss on embedded derivatives	10	-	(110,965)
Additional expense related to cancellation of transaction	23	-	(204,060)
Gain on disposal of equipment	14	**24,672**	91,674
Net loss before tax		(10,362,409)	(10,566,294)
Current tax expense		**(623,126)**	(105,021)
Deferred tax recovery	26	**1,951,802**	1,605,823
Net loss for the year		$ **(9,033,733)**	$ (9,065,492)
Net loss per common share - basic & diluted	25	**(0.15)**	(0.21)
Weighted average number of common shares outstanding - basic & diluted	25	**54,526,935**	41,439,567
Total net loss for the year attributable to:			
Owners of the Company		(8,413,927)	(8,891,490)
Attributable to non-controlling interest	23	**(619,806)**	(174,002)
		$ **(9,033,733)**	$ (9,065,492)

See accompanying notes to the consolidated financial statements.

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

	Years ended December 31	
	2018	2017
Net loss for the year	**$ (9,033,733)**	$ (9,065,492)
Other comprehensive loss for the year		
Foreign currency translation differences, net of tax expense of $1,253,951 (2018) and tax recovery of $117,268 (2017)	**6,718,806**	(929,957)
Total comprehensive loss for the year	**$ (2,314,927)**	$ (9,995,449)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(1,695,121)**	(9,821,447)
Attributable to non-controlling interest	**(619,806)**	(174,002)
	$ (2,314,927)	$ (9,995,449)

See accompanying notes to the consolidated financial statements.

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

2018	Number of common shares (note 23)	Number of compressed shares (note 23)	Share capital (note 23)	Contingent shares (note 23)	Warrants Reserve (note 23)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non Controlling Interest	Total Shareholders' Equity
Balance at December 31, 2017	43,898,445	-	$ 50,007,891	$ -	$ 4,149,703	$ 9,902,292	$ (1,032,719)	$ (22,381,817)	$ (177,006)	$ 40,468,344
Adoption of IFRS 9 (Note 3)	-	-	-	-	-	-	-	(109,138)	-	-$ 109,138
Balance at January 1, 2018	43,898,445	-	$ 50,007,891	$ -	$ 4,149,703	$ 9,902,292	$ (1,032,719)	$ (22,490,955)	$ (177,006)	$ 40,359,206
Net loss for the year	-	-	-	-	-	-	-	(8,413,927)	(619,806)	(9,033,733)
Change in foreign currency translation adjustment	-	-	-	-	-	-	6,718,806	-	-	6,718,806
Shares issued for exercise of restricted share units (Note 24)	737,274	-	1,590,978	-	-	(1,590,978)	-	-	-	-
Shares issued for exercise of stock options (Note 24)	50,000	-	306,500	-	-	(120,000)	-	-	-	186,500
Origin House share unit and share option plan (Note 24)	-		-	-	-	4,534,510	-	-	-	4,534,510
Trichome equity incentive plan (Note 24)	-	-	-	-	-	-	-	-	693,593	693,593
Shares issued in acquisitions of equity interests in Kaya and Alta (Note 23(5))	1,254,816	-	4,755,753	-	-	-	-	-	-	4,755,753
Contingent shares recorded on acquisition on Kaya and Alta (Note 4)	-	-	-	5,839,730	-	-	-	-	-	5,839,730
Contingent shares issued on the reaching of Kaya and Alta performance milestones (Note 23(5))	998,494	-	3,784,292	(3,784,292)	-	-	-	-	-	-
Shares issued for exercise of warrants (Notes 23(2) and 23(6))	4,915,875	-	29,224,798	-	(5,405,568)	-	-	-	-	23,819,230
Shares issued for exercise of broker warrants (Note 23(3))	989,968	-	5,009,053	-	(1,417,214)	-	-	-	-	3,591,839
Shares issued on exercise of warrants by Sprott Inc. (Note 23(1))	900,000	-	2,806,200	-	(961,200)	-	-	-	-	1,845,000
Expired warrants	-	-	-	-	(48,184)	48,184	-	-	-	-
Shares issued for interest on Sprott line of credit (Note 23(4))	44,668	-	179,632	-	-	-	-	-	-	179,632
Shares and Warrants issued for financing purposes (Note 23(6))	4,312,500	-	11,940,687	-	3,704,253	-	-	-	-	15,644,940
Shares issued as prepayment of royalties and distribution rights (Note 23(9))	144,908	-	582,765	-	-	-	-	-	-	582,765
Shares issued for the settlement of Aphria convertible debt (Note 23(8))	750,000	-	1,566,997	-	-	(138,417)	-	-	-	1,428,580
Equity component of the 8% convertible debenture option, net of deferred tax liability (Note 18)	-	-	-	-	-	3,031,874	-	-	-	3,031,874
Shares issued for 8% convertible debt converted to equity (Note 23(10))	2,242,720	-	13,458,061	-	-	(1,288,592)	-	-	-	12,169,469
Shares to be issued for cash received on warrant exercises	-	-	-	18,975	-	-	-	-	-	18,975
Shares re-purchased under normal course issuer bid (Note 23(7))	(975,900)	-	(1,647,019)	-	-	-	-	(4,331,371)	-	(5,978,390)
Capital contribution of Trichome minority shareholders	-	-		-	-	-	-	-	180,000	180,000
RPE compressed Shares issued on the closing date of RVR acquisition (Note 23)	-	21,001	13,125,000	-	-	-	-	-	-	13,125,000
Contingent consideration on the acquisition of RVR (Note 4)	-	-	-	20,468,518	-	-	-	-	-	20,468,518
Class A compressed shares issued for the acquisition of Floracal (Note 23)	-	35,088	17,544,000	-	-	-	-	-	-	17,544,000
Contingent consideration on the acquisition of Floracal (Note 4)	-	-		11,266,335	-	-	-	-	-	11,266,335
Balance at December 31, 2018	60,263,768	56,089	$ 154,235,588	$ 33,809,266	$ 21,790	$ 14,378,873	$ 5,686,087	-$ 35,236,253	$ 76,781	$ 172,972,132

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

2017	Number of common shares (note 23)	Number of compressed shares (note 23)	Share capital (note 23)	Contingent shares (note 23)	Warrants Reserve (note 23)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2017	36,006,956	-	$ **31,351,441**	$ 4,520,000	$ 628,623	$ 2,577,811	$ (102,762)	$ (13,490,327)	$ (3,004)	$ 25,481,782
Net loss for the year	-	-	-	-	-	-	-	(8,891,490)	(174,002)	(9,065,492)
Change in foreign currency translation adjustment	-	-	-	-	-	-	(929,957)	-	-	(929,957)
Shares and warrants issued in bought deal financing (Note 23(11))	5,000,000	-	**12,600,000**	-	2,400,000	-	-	-	-	15,000,000
Shares to be issued	-	-	-	-	-	-	-	-	-	-
Costs associated with bought deal financing	-	-	**(958,046)**	-	(284,952)	-	-	-	-	(1,242,998)
Broker warrants issued with bought deal financing	-	-	**(531,000)**	-	531,000	-	-	-	-	-
Shares issued for exercise of restricted share units	88,333	-	**169,849**	-	-	(169,849)	-	-	-	-
Withholding taxes on exercise of restricted share units	-	-	-	-	-	(84,887)	-	-	-	(84,887)
Stock based compensation	-	-	-	-	-	3,583,881	-	-	-	3,583,881
Shares issued in acquisitions of equity interests (Note 23(12))	689,568	-	**2,021,222**	-	-	-	-	-	-	2,021,222
Shares issued for exercise of warrants (Note 23(13) and 23(14))	749,500	-	**1,487,441**	-	(374,950)	-	-	-	-	1,112,491
Shares issued for exercise of broker warrants (Note 23(13) and 23(14))	93,921	-	**273,310**	-	(85,468)	-	-	-	-	187,842
Share options exercised	25,000	-	**53,414**	-	-	(28,414)	-	-	-	25,000
Warrants issued with credit facility	-	-	-	-	1,922,400	-	-	-	-	1,922,400
Shares issued for consulting services	11,765	-	**30,000**	-	-	-	-	-	-	30,000
Shares issued for previously subscribed shares (Note 23(15))	243,902	-	**500,000**	(500,000)	-	-	-	-	-	-
Shares issued for failed letter of intent (Note 23(16))	89,500	-	**204,060**	-	-	-	-	-	-	204,060
Shares issued on exercise of warrants by Sprott (Note 23(17))	900,000	-	**2,806,200**	-	(961,200)	-	-	-	-	1,845,000
Warrants to be issued for prior services related to line of credit.	-	-	-	-	378,000	-	-	-	-	378,000
Contingent shares recorded on acquisition	-	-	-	(4,020,000)	-	4,020,000	-	-	-	-
Expired warrants	-	-	-	-	(3,750)	3,750	-	-	-	-
Balance at December 31, 2017	43,898,445	-	$ 50,007,891	$ -	$ 4,149,703	$ 9,902,292	$ (1,032,719)	$ (22,381,817)	$ (177,006)	$ 40,468,344

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Years ended	
	December 31, 2018	December 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	$ (9,033,733)	$ (9,065,492)
Items not affecting cash (Note 30)	(17,060,173)	2,567,094
	(26,093,906)	(6,498,398)
Changes in non-cash items relating to operations:		
Increase in amounts receivable	(4,251,253)	(1,933,896)
Increase in inventory	(3,011,031)	(66,150)
Increase in prepaid and other assets	(1,287,116)	(139,910)
Decrease in accounts payable and accruals	(652,078)	(83,374)
Increase in biological assets	1,980,613	-
Increase (decrease) in current tax liability	(372,602)	102,236
	(33,687,373)	(8,619,492)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment (Note 14)	(8,971,109)	(170,379)
Purchase of Intangible assets (Note 15)	(273,513)	-
Payments for acquisitions, net of cash received (Note 4)	(1,068,496)	-
Proceeds from the sale of investments (Note 12)	27,900,861	-
Proceeds from the collection of convertible notes (Note 10)	392,100	-
Proceeds from disposal of property and equipment	49,090	-
Proceeds from sale of equity accounted investments (Note 11)	1,500,000	-
Purchase of interests in equity accounted investments (Note 11)	-	(326,780)
Purchase of interests in investments without significant influence (Note 12)	-	(1,771,218)
Purchase of controlled interest	-	(133,333)
Royalty financing arrangements (Note 13)	(1,296,050)	(4,799,031)
Loans advanced to debtors including issuance costs, net of repayment (Note 8)	(3,948,742)	(2,216,377)
	14,284,141	(9,417,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issued shares in bought deal financing, net of costs (Note 23)	11,940,687	11,555,882
Proceeds from issuance of convertible debt, net of costs (Note 18)	31,249,739	-
Proceeds from issuance of warrants, net of issuance costs (Note 23)	3,704,253	2,201,120
Proceeds from exercise of warrants (Note 23)	29,256,069	3,145,333
Repayment of line of credit (Note 20)	(3,000,000)	3,000,000
Repayment of loans (Note 17)	22,682	-
Proceeds from preferred shares issued to minority holders of Trichome (Note 17(3))	12,991,870	-
Proceeds from common shares issued to minority shareholders of Trichome	180,000	-
Fees paid to obtain line of credit (Note 20)	-	(167,810)
Interest payments on convertible debt (Note 18)	(1,129,438)	(75,000)
Proceeds from issuance of stock options (Note 23)	186,500	25,000
Payments related to share buyback bid (Note 23)	(5,978,390)	-
Tax withholding paid on exercise of restricted share units	-	(84,887)
Cash received for subscribed shares	18,975	-
	79,442,947	19,599,638
Effect of movement of exchange rates on cash held	4,643,834	13,721
INCREASE IN CASH	$ 64,683,549	$ 1,576,749
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,522,644	2,945,895
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 69,206,193	$ 4,522,644

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

CannaRoyalty Corp. d/b/a Origin House (the "Company") is a diversified, active operator in the regulated cannabis industry with licensed cultivation, manufacturing, and distribution facilities. The Company's focus is to build and support a diversified portfolio of branded cannabis consumer products through the acquisition of licensed cannabis businesses, as well as strategic distribution, investment, and lending agreements with companies in the California cannabis industry.

Origin House is a reporting issuer listed for trading on the Canadian Securities Exchange in the Province of Ontario under the trading symbol "OH". In February 2017, Origin House was listed for trading on the OTCQB markets in the U.S. under the trading symbol "ORHOF". On April 26, 2017, the Company was upgraded to the OTCQX market. Origin House was incorporated under the Ontario Business Corporations Act as "McGarry Minerals Inc." on August 19, 1985. In connection with a corporate reorganization, the Company changed its name to "Bonanza Blue Corp." ("Bonanza Blue") on August 16, 2000. The Company changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of a reverse takeover transaction ("RTO") between Bonanza Blue Corp. and Cannabis Royalties and Holdings Corporation ("CRHC"). The Company changed its name on October 22, 2018 to "Origin House". The Company's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario, Canada.

2. Basis of Preparation

The consolidated financial statements 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 applicable to the preparation of the consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issuance on April 28, 2019.

Basis of measurement

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for cash and cash equivalents, warrants issued by 180 Smoke Inc., biological assets, investments, convertible notes receivable as well as purchase consideration payable, which are measured at 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, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability that market participants would take into consideration when pricing the asset or liability at the measurement date.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

Basis of consolidation

The consolidated financial statements of the Company include the accounts of the Company and of its wholly-owned subsidiaries GFCW Corp., CRHC Holdings Corp. ("CRHC"), Electric Medialand Inc. ("EML"), CR Advisory Services Inc.("CR Advisory"), Cannroy Delaware Inc. ("Cannroy Delaware"), Bay Area Extraction Processing, Cannroy Distribution LLC, Dreamcatcher Labs Inc., Greenrock Botanicals Inc., Cali-AntiFragile Corp. ("Cali-AntiFragile"), Kaya Management Inc. ("Kaya"), Alta Supply Inc. ("Alta"), FloraCal Farms ("FloraCal"), Cissonius LLC, RPE Inc. ("RPE"), River Distribution LLC, River Distributing Co. LLC (previous three together are "River" or "RVR"), Achelois LLC and its 69% controlling interest in Trichome Financial Corp. ("Trichome"). The reporting date for all listed wholly-owned subsidiaries is December 31, 2018. All intercompany transactions and balances are eliminated. A subsidiary is an entity controlled by the Company. Subsidiaries are those entities over which the Company has power, is exposed, or has rights, to variable returns from its involvement with the entity, and the Company has the ability to use its power to affect the entity's returns.

3. Significant Accounting Policies and New Standards

Business Combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is measured at fair value, along with identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Interests in equity-accounted investees and joint ventures

The Company's interest in equity accounted investees is comprised of its interest in associates and joint ventures.

In accordance with IFRS 10 *Consolidated Financial Statements*; associates are those in which the Company has significant influence, but not control or joint control over the financial and accounting policies. In accordance with IFRS 11 *Joint Arrangements*; a joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*. They are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees until the date on which significant influence or joint control ceases.

Investments in equity instruments without significant influence are recorded at fair value.

Royalty Investments

The Company measures royalty investments that have a finite term at amortized cost on a straight-line basis over the life of the term. Amortization commences when the investee demonstrates commercial operations that reflect the economic benefits the Company is entitled to.

Royalty investments that have an indefinite life are measured at acquisition cost, are not amortized and are tested for impairment at each reporting period. Any royalty investment that has yet to generate revenue is also tested for impairment.

If non-repayable advances are made to a royalty investee with the intent of additional capital investment, such costs will be added to the royalty investment balance.

Revenue Recognition

With the implementation of IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), a single 5-step model for revenue recognition was introduced. The new model for revenue recognition is based on identifying the contract with the customer, identifying the performance obligations, determining the individual transaction price, and allocating the transaction price to the individual performance obligations making up the contract. Revenue is then recognized when or as the associated performance obligations are delivered and based on the expected consideration to be received. The Company recognizes revenue in the following areas:

Products: Revenue associated with the delivery of goods by the Company's distributor, manufacturer, and cultivator are recognized at the time the risks and control of inventory pass to the customer.

Services: Revenue associated with the delivery of advisory services is recognized at a point in time or over time, based on the nature of the contract, as the performance obligations are satisfied.

Royalties: Revenue from royalty contracts is recognized as the Company receives the corresponding sales detail associated with the sale of the products linked to the royalty agreement from the third party. The Company takes into consideration the expected amount of the royalty payment that will be received.

Other Revenue: Other revenue is made up of interest income which is recognized when the associated economic benefits from the investment are received.

Cash and cash equivalents

Cash includes cash on hand and deposits held with banks or other institutions as well as highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Amounts receivable

Trade and other amounts receivable do not have a significant financing component. The Company applies the simplified model in assessing and recognising lifetime expected credit losses for trade receivables. Entities within the Company are at different levels in the value chain with operations based at different geographical locations. They are therefore subject to varying degrees of risks. Review of receivables for potential credit losses is done at the entity level and the required provisions recorded in the accounts of each entity. On consolidation, the Company receivables and applicable credit loss provisions are combined.

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9 *Financial Instruments*. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Amounts receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

For financial assets carried at amortized cost (loans receivable), the Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans receivable if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on loans receivable that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the loans receivable to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment). Such factors include consideration relating to whether the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Biological Assets

The Company measures biological assets consisting of cannabis plants using the income approach at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Biological assets are considered Level 3 fair value estimates. The Company expenses all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour-related costs, depreciation, grow consumables, materials, utilities, facilities costs, quality, and testing costs. The identified direct and indirect costs of biological assets are recorded within the line item 'cost of sales' on the consolidated statement of loss in the period that the related product is sold. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations and presented on a separate line in the statement of net loss of the related year.

Inventories

Inventories include harvested cannabis, finished goods, and acquired products. These items are valued at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Finished goods consists of purchased inventories for resale, supplies, and consumables, which are valued at the lower of costs and net realizable value, with cost determined using the average cost basis. The identified capitalized direct and indirect costs related to inventory are subsequently recorded within 'costs of good sold' on the statement of comprehensive loss at the time the product is sold, with the exclusion of realized fair value amounts included in inventory sold which are recorded as a separate line within gross margin.

Any other supplies that are used in production are recorded at cost and expensed as used.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income (loss) or shareholders' equity (deficit) is recognized in other comprehensive income (loss) or shareholders' equity (deficit) and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilized.

In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is not recorded on property and equipment that is not yet available for use.

An asset's residual value, useful life and depreciation method are reviewed on an annual basis and adjusted prospectively.

Gains or losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statements of loss.

Depreciation is calculated using the straight-line method. The depreciation rates applicable to each category of property and equipment are as follows:

- Computer and related equipment: 3 – 5 years
- Furniture and fixtures: 2 – 15 years
- Processing equipment: 2 – 5 years
- Filling, labelling, and packaging equipment: 4 – 10 years
- Motor vehicles: 3 – 5 years
- Leasehold improvements: straight line over the remaining term of the lease

Intangible Assets

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets (listed below) have finite useful lives that are measured at cost less accumulated amortization and any accumulated impairment losses. Goodwill is not amortized.

Amortization is calculated using the straight-line method. The estimated lives of Origin House's current intangible assets are as follows:

- Acquired brands: 10 years
- Product formulations: 10 years
- Retail and customer relationships: 10 years
- Distribution network: 10 years
- Favourable lease: term of lease
- Acquired technologies: 10 years
- Acquired licenses: term of related license
- Employment agreements: 5 years
- Software and systems: not ready for use

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Compound financial instruments

Compound financial instruments issued by the Company include options that can be converted to ordinary shares at the decision of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized based on the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within contributed surplus.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Transaction costs related to the issue of compound financial instruments are capitalised and applied against the value of the equity and liability component proportionately such that the value assigned to equity and debt is stated net of the transaction cost.

Interest expense accruing to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Capital Stock

Financial instruments issued by the Company are classified as a component of shareholders' equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, compressed shares, contingent shares, warrants, and stock options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from shareholders' equity, net of tax.

Upon reacquiring shares under a Normal Course Issuer Bid ("NCIB"), the Company deducts the initial value of the re-acquired shares from share capital. The difference between the purchase price of these shares, including costs, less the initial value of the shares is then included in accumulated deficit. Any such shares held by the Company are considered treasury shares until they are cancelled.

Share based payment transactions

Origin House

The grant date fair value of equity settled share-based payment awards granted are recognized as an expense with a corresponding increase in equity over the vesting period of the awards. The fair value of restricted share units ("RSUs") granted are based on the closing market value of the Company's common shares on the date of the grant. The fair value of stock options granted is determined using the Black-Scholes Model. The Company determines volatility based on a weighted average of its historical volatility and the volatilities of comparable cannabis companies. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related services performance conditions at the vesting date. Forfeitures are adjusted for on an actual basis.

Trichome

Trichome share-based payment awards are equity settled and follow the same process described for Origin House share-based payments in terms of recognition and measurement. Being its initial awards, the forfeiture rate is zero while volatility is determined using a blended rate of publicly listed comparable companies. The stock price adopted in the valuation is based on the most recent financing price per share. Trichome awards include performance share units that vest upon completion of certain performance milestones. The amount recognized as an expense is adjusted to reflect the number of awards for which the related performance conditions have been met. Amounts for vested awards recognised in equity within Trichome's accounts are classified as non-controlling interest in the consolidated financial statements.

Warrants

Financing warrants have been issued in combination with common shares as part of a financing exercise. They are evaluated and classified under IAS 32 *Financial Instruments: Presentation*. Equity classification applies to instruments where a fixed amount of cash (or liability) denominated in the issuer's functional currency is exchanged for a fixed number of shares (often referred to as the "fixed-for-fixed" criteria). Warrants classified as equity are valued using the Black-Scholes Model. When the warrants are exercised, the fair value of the warrants is transferred to share capital from the warrant reserve. If a warrant expires, the value of the warrant is recorded in contributed surplus.

Compensation warrants are also issued in combination with debt agreements, such as a line of credit. These warrants are also valued using the Black-Scholes Model. The warrants are classified as a reduction of the associated debt and amortized on a straight-line basis over the life of the debt agreement.

Valuation of equity units issued in financings

In financings, which include both common shares and share purchase warrants, the fair value of warrants is determined using the Black-Scholes Model. The difference between the compound financing instrument and the fair value of the warrant derived is allocated to the value of the common shares issued.

Net income (loss) per common share

Basic net income or loss per common share is calculated by dividing the net income or loss by the weighted average number of common shares outstanding during the period. Diluted net income or loss per common share is calculated by dividing the applicable net income or loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

The Company includes all shares with similar voting rights as its common shares, such as Class A compressed shares in the net income (loss) per common share calculation.

If the Company incurs a net loss during a reporting period, the calculation of fully diluted loss per share will not include potentially dilutive equity instruments such as restricted stock units, stock option, warrants, contingently issuable shares and convertible debt.

Foreign currency translation

All figures reported in these consolidated financial statements and tabular disclosures to the consolidated financial statements are in Canadian dollars, unless otherwise stated. Each of the foreign operations included in these consolidated financial statements determines its own functional currency, and items included in the financial statements of each subsidiary are measured using that functional currency. Each of Cannroy Delaware, Bay Area Extraction Processing, Greenrock Botanicals Inc., Dreamcatcher Labs Inc., Cali-Antifragile, Cannroy Distribution LLC, Achelois LLC, Alta, Kaya, RPE, River, FloraCal, and Cissonius LLC are translated using the United States dollar ("US $" or "U.S. dollar") as functional currency. Each of CRHC, EML, CR Advisory, Trichome, and Cannabis Royalty Holdings Inc. are translated with a Canadian functional currency.

Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at the rate of exchange prevailing at the dates of the transactions during the period. Gains or losses on translation of foreign subsidiaries and net investments in foreign operations are included in other comprehensive income.

During the year ended December 31, 2018, the functional currency of one subsidiary changed from the Canadian dollar to the U.S. dollar. The change was due to the growth in operational costs incurred directly in the U.S., which resulted in the U.S. dollar as the primary currency influencing sales prices, competitive forces, and operating costs. Under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, this change is accounted for prospectively and took effect April 1, 2018.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company classifies its financial instruments, depending on the purpose for which the instruments were acquired.

Classification and measurement

The convertible note receivable and certain Loans Receivable are comprised of debt investments that are recorded at fair value through profit or loss. Interests in equity investments are recorded at fair value through profit or loss. The Company has not made an election to present subsequent changes in the fair value of an equity investment in other comprehensive income.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

For classification of the Company's financial assets and financial liabilities, refer to Note 27.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the required development to use or sell the asset. To date, no development costs have been capitalized.

Impairment of assets

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of loss. Goodwill is allocated to those Cash Generating Units (“CGUs”) that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill. CGUs to which goodwill has been allocated are tested for impairment at least annually.

The recoverable amount of assets is the greater of an asset’s fair value less cost of disposal and value in use. In assessing recoverable amount, the estimated future cash flows are discounted to their present value using an after-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

For the purpose of testing goodwill, the Company has four CGUs – EML, Cultivation, Manufacturing, and Distribution.

The EML CGU is derived from the acquisition of the Ottawa-based company in 2016. EML provides marketing and social media services internally and externally focusing on the cannabis market. EML employees perform tasks which are specifically identifiable to the CGU.

The Cultivation CGU was established in 2018 after the acquisition of FloraCal Farms on July 2, 2018. FloraCal is a licensed, ultra-premium craft cannabis cultivator in Sonoma County, California. FloraCal is a medical and recreational cannabis grower cultivating premium indoor cannabis flowers and extracts at the highest quality and finest genetics. Their products are sold to licensed distributors and manufacturers across the state of California, with the majority being sold to River (also acquired by the Company in 2018).

On March 27, 2018, Alta was acquired by the Company and on August 31, 2018 the Company acquired River. The acquired companies are both licensed cannabis distributors in the state of California that are included in the Distribution CGU. Shortly after the acquisitions of Alta and River, the two entities were merged to create one distributor (known as Continuum subsequent to year-end). As licensed distributors, Alta and River service manufacturers, cultivators, and brands across the state of California, including internal brands owned by the Company to dispensaries within the state.

The Manufacturing CGU was established on March 27, 2018 with the acquisition of Kaya, which is located in Oakland, California and is a licensed manufacturer of vaporizer pens, edibles, and other cannabis products. Subsequent to the acquisition of Kaya, the internal brands making up the pre-existing California Brands CGU, moved to Kaya. These internal brands include GreenRock Botanicals, Dreamcatcher, and Soul Sugar Kitchen. At December 31, 2018, California Brands is no longer considered a CGU as the brands have been incorporated into the Manufacturing CGU established in 2018. Goodwill and intangibles making up this CGU not only include those that were assumed upon the acquisition of Kaya, but also goodwill and intangible assets generated through the acquisition of Dreamcatcher in 2016.

Critical accounting estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the recognition and measurement of assets, liabilities, income and expenses that are not readily apparent from other sources. These estimates have been applied in a manner consistent with that in prior periods and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the assumptions utilized in these consolidated financial statements. The estimates are impacted by many factors, some of which are highly uncertain.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of non-financial assets (goodwill, intangible assets, property and equipment and royalty investments)

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and any other assets requiring testing for impairment are tested for impairment. For the purpose of goodwill impairment testing, CGUs are grouped at the lowest level at which goodwill and any other assets requiring testing for impairment are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

In determining the recoverable amount of a CGU or a group of CGUs, various estimates are used. The Company determines royalty relief rates based on comparable transactions, cost savings, discount rates, capitalization rates and terminal capitalization rates. The Company determines the recoverable amount by using estimates such as projected future revenues, earnings, and capital investment consistent with strategic plans presented to the Board of Directors. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Management assesses property and equipment, as well as in use intangible assets with finite lives for any indicators of impairment annually. The assessment for indicators of impairment is dependent upon estimates of recoverable amounts that take in account factors such as economic and market conditions, as well as the useful lives of assets.

Impairment of internally generated assets not yet in use as well as intangible assets with indefinite lives are assessed for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

Royalty investments that are not generating revenue, or significant revenues, are tested for impairment on an annual basis considering market trends and the stage of product development. Perpetual royalties are not amortized but are tested for impairment annually. In certain instances, the Company may receive a base guarantee of income in a royalty arrangement and will only record additional revenue once the amount has surpassed the value of the guarantee. If it is determined that the Company will need to rely on the guarantee to receive a return on its investment, the Company assesses the likelihood of whether the underlying party will be able to make the payment despite a delay in revenue generation.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques. These valuation techniques are generally based on the present value of the forecasted future net cash flows, discounted using the risk adjusted weighted average cost of capital. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date. Significant judgement is used to determine the acquisition date, as control of an acquiree may occur before or after all definitive acquisition agreements are signed. Control of an investee is obtained when the acquirer has power over the investee through the ability to direct relevant business activities, has exposure or rights to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns.

Biological assets and inventory

In determining the value of biological assets, the Company uses a number of estimates and assumptions. The major assumption being the stage of growth of the cannabis plant up to the point of harvest. The Company is also required to estimate harvest costs, average selling prices of the product, costs to sell, and expected yields of the cannabis plants.

Final inventory values are recorded at the lower of cost and net realizable value. Net realizable value is determined based on the expected selling price in the market less expected costs to sell. Management will compare the cost of inventory with the estimated net realizable value and adjust inventory balances accordingly, based on the results of the analysis.

Fair value estimates of investments

The Company holds privately held investments which are measured at fair value. Certain investments do not include Level 1 inputs and thus the Company relies on Level 2 and 3 inputs in determining the fair value. For investments in which Level 2 inputs are available, the Company will rely on recently completed equity transactions, or other methods of implied fair value, in determining the fair value of the investment. For investments in which both Level 1 and 2 inputs are not available, the Company will rely on either third party or internal qualified valuators to perform the valuation. In instances in which Level 1 inputs exist, the Company will rely on quoted prices for similar assets that are traded in an active market.

Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, notably convertible debt investments are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments.

Estimated useful lives and depreciation/amortization of property and equipment, intangible assets and royalty investments

Depreciation and amortization of property and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. Estimated useful lives are assessed at the end of each reporting period for any changes in the expected life of the asset and consumption of economic benefits from use of the asset. Amortization of internally generated intangible assets commences once the asset is in use. The expected life of any intangible assets with a finite life are assessed at the end each reporting period. Finally, intangible assets with an indefinite life are assessed annually for any changes in the expected life of the asset.

Royalty investments are amortized from the time revenue begins to be earned until the end of the period for which the Company is entitled to royalty payments. Royalties that are for a term of perpetuity are not amortized.

Recoverability of Amounts receivable, Loans and Advances

Loans receivable balances include both secured and unsecured debt owed to the Company in respect of advances made to investees by way of promissory notes, letters of intent or other financing agreements. Amounts receivable include trade and other receivables collectable within the short-term.

These balances are presented net of allowances for non-recoverability. In establishing our allowances for non-recoverability balances, significant judgment is exercised by management in determining the amount of outstanding loans and amounts receivable that is expected to be recovered from the debtors adopting the expected credit loss methodology.

Although the loans and trade receivable balances are derived from determination of contractual provisions and trade transactions, the recoverability of such amounts may ultimately differ due to the potential for a debtor to become financially impaired or insolvent or for a contractual dispute over contract language or terms. Consequently, reviews of loans and amounts receivable balances are done on a regular basis to determine if there is a need to establish an allowance for non-recoverability, the amount of expected credit loss provision to make and recoverability of slow-moving accounts. In performing this review, the Company uses judgment in assessing the credit worthiness of debtors and the contractual provisions of debt agreements and sales terms.

Discount rate on compound financial instruments

The Company has issued secured and unsecured convertible debentures that include an option to convert the debt into common share capital at the option of the holder. The valuation and accounting for the instrument requires the application of management estimates and judgments with respect to the determination of appropriate discount rates, certain assumptions applied within such valuation models and the accounting method applied on initial recognition.

Management bases its assumptions on observable data when possible, but such information is not always available. In such cases, the best information available is adopted. The discount rate applied in determining the fair value of the liability component of compound financial instruments represents management's estimates of rates currently available for debt of similar terms, risk and maturity consistent with how market participants would price the instrument. Where necessary, professional advice may be sought before arriving at a final discount rate to adopt.

Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

These estimates are reviewed periodically during the year and in detail as at the date of the financial statements.

Income and other taxes

Estimates are required in calculating current and deferred taxes. In performing these calculations, Management needs to make judgements regarding tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in the assessing probable outcomes of claimed deductions including expectations about future operating results and the timing and reversal of temporary differences.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2018 and 2017. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, expansion plans, ability to liquidate investments, and potential sources of financing, including access to a line of credit. As a result of the assessment, management concluded the going concern basis of accounting is appropriate.

Application of new and revised International Financial Reporting Standards

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, *Revenue* IAS 11, *Construction Contracts*, and several revenue-related Interpretations. The Company has applied the standard retrospectively to prior periods, subject to permitted and elected practical expedients.

This standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Company considering there was no change in the manner in which revenue was recognized under the new standard for revenue streams which existed prior to January 1, 2018.

The Company recognises revenue from the delivery of products, rendering of services, and royalty agreements. Revenue is measured based on the consideration specified in contracts with customers 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.

IFRS 9 Financial Instruments ("IFRS 9"):

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company applied IFRS 9 on January 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at January 1, 2018.

IFRS 9 replaces the classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, FVOCI or FVTPL. This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

The Company has assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

Financial Assets	**IFRS 9**	**IAS 39**
Cash and cash equivalents	FVTPL	FVTPL
Investments	FVTPL	FVTPL
Loans receivable (1)	FVTPL	Loans and receivables
Accounts receivable	Amortized cost	Loans and receivables
Convertible notes receivable	FVTPL	Loans and receivables
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Convertible debt	Amortized cost	Other financial liabilities
Purchase consideration payable	FVTPL	Other financial liabilities
Line of credit	Amortized cost	Other financial liabilities
Loans payable and other liability	Amortized cost	Other financial liabilities

(1) Included in the loans receivable balance are 180 Smoke warrants issued on an equal basis to the Company and its subsidiary Trichome, as part of the May 9, 2018 financing (Note 9). Both the warrants and loan receivable are measured at FVTPL.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and has adjusted for credit losses under IFRS 9.

In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for trade accounts receivable. The Company has determined the retrospective impact of expected credit losses below and the impact of expected credit losses as at December 31, 2018 in note 5.

Upon adoption of IFRS 9, the Company recognized the following adjustments to its consolidated statement of financial position as of January 1, 2018:

	As reported at December 31, 2017	Adjustment due to adoption of IFRS 9	Adjusted opening balance at January 1, 2018
Allowance for credit losses of trade receivables	$ (28,026)	$ (109,138)	$ (137,164)
Accumulated deficit	(22,381,817)	(109,138)	(22,490,955)

Accounting standards and amendments issued but not yet applied

Certain new standards, amendments to standards and interpretations applicable to the Company are not yet effective. The Company is currently considering the effects of the new and revised standard, which will be effective to the Company's consolidated financial statements for the year ending December 31, 2019 or later.

IFRS 16 Leases

Effective January 1, 2019, the Company will adopt IFRS 16, which is based on a single lessee accounting model to determine how to recognize, measure, and present leases. A summary of the Company's structure and status of the implementation of IFRS 16 is described below.

Starting January 1, 2019, the Company's accounting policy under IFRS 16 will be as follows:

Upon entering a lease arrangement, the Company will determine whether the agreement transfers the right to control the use of an identified asset within the context of the agreement, in exchange for regular payments.

The Company has elected to use the Modified Retrospective Approach under IFRS 16. Under this approach, the Company may be required to record an opening balance adjustment for leases previously recognized under IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* (IFRIC 4). The Company has also elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously identified under IAS 17 and IFRIC 4. Finally, on transition, the Company has elected to use the practical expedient to not include initial direct costs associated with the lease in calculating the opening right-of-use asset value.

The Company leases equipment, vehicles, as well as office space in Ontario and California. The Company also leases cultivation, manufacturing, and distribution space in California. In adopting IFRS 16, the Company has elected to use the short-term lease recognition exemption which is applied by class of assets. The Company has also elected to use the low dollar value practical expedient, which unlike the short-term recognition exemption, is applied on an asset-by-asset basis.

In using the Modified Retrospective approach, the Company has elected to record the right-of-use asset for any identified leases under IFRS 16 at the present value of their future lease payments on January 1, 2019. On initial transition the Company's incremental borrowing rate will be used as the discount rate in determining this value. The Company's incremental borrowing rate will continue to be used for any leases entered into after initial transition, unless the discount rate implicit in the lease is known, in which case it will be used to determine the present value of the future lease payments. The Company has also elected to use the following practical expedients in transitioning to IFRS 16:

- Discount rates: The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Leases with a short remaining term: The Company will account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. This practical expedient is independent of the Company's accounting policy for the short-term lease recognition exemption.

Subsequent to initial recognition, the lease liability will be measured at amortized cost using the effective interest method. The liability can be remeasured throughout the term of the lease if any of the following would cause a significant change in the present value of the future lease payments:

- change in an index or discount rate;
- change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
- changes in the Company's assessment of whether it will exercise a purchase, extension or termination option.

As for the right-of-use asset, it will subsequently be measured at its net book value. The deemed cost of the asset will be amortized over the shorter of its expected useful life and the term of the lease on a straight-line basis. These assets will be treated as property and equipment in line with the accounting policy in Note 3.

The Company has elected to use the Modified Retrospective approach. Under this approach, the company has elected to measure the right-of-use asset as if IFRS 16 had always been applied but using the Company's incremental borrowing rate on initial transition. The company has also elected to use the initial direct costs practical expedient. Under this practical expedient the Company will exclude any initial direct costs associated with the identified leases from the calculation of the right-of-use asset and lease liability on transition.

		January 1, 2019
Right-of-use asset	$	7,880,502
Lease liability		(6,849,678)
Accumulated amortization - FloraCal favourable lease (1)		60,536
Cost - FloraCal favourable lease (1)		(1,091,360)
Retained earnings		-

(1) Under IFRS 16*,* any favourable and unfavourable operating leases previously recognized as an intangible asset are derecognized on transition. The value of the right-of-use asset on initial transition is adjusted by the net book value of the favourable or unfavourable lease at the time of transition. At December 31, 2018 the Company had one favourable lease recognized as an intangible asset from the acquisition of FloraCal (Note 4). On January 1, 2019, the net book value of the favourable lease will get reclassified as a right-of-use asset*.*

4. Acquisitions

The following table summarizes the fair value allocations of consideration related to acquisitions during the year ended December 31, 2018. The fair values of the Kaya, Alta, and FloraCal acquisitions are on a preliminary basis as adjustments for working capital or taxes are possible. The fair values of RVR are final. These fair values were subject to Management's best estimates and assumptions after taking into consideration all relevant information available:

	Kaya	Alta	FloraCal	RVR	TOTAL
Purchase consideration					
Cash and cash equivalents	$ 1,251,768	$ 236,480	$ 2,773,335	$ -	$ 4,261,583
Settlement of pre-existing amounts owing	1,104,113	412,416	-	8,730,760	10,247,289
Issued shares	2,197,029	2,558,724	17,544,000	13,125,000	35,424,753
Contingent and future consideration	2,793,654	3,046,076	12,981,753	20,468,518	39,290,001
Total Purchase Price	$ 7,346,564	$ 6,253,696	$ 33,299,088	$ 42,324,278	$ 89,223,626
Identified tangible net assets					
Cash and cash equivalents	$ 135,921	$ 597,399	$ 1,496,470	$ 1,020,041	3,249,831
Amounts receivable	124,472	469,050	867,900	688,723	2,150,145
Prepaid expenses	177,267	11,185	63,120	96,526	348,098
Inventory	1,752,768	1,006,000	708,785	2,250,090	5,717,643
Biological assets	-	-	657,500	-	657,500
Property and equipment	118,919	126,987	1,940,940	1,625,282	3,812,128
Amounts payable and accrued liabilities	(1,324,940)	(2,875,470)	(2,564,550)	(2,652,739)	(9,417,699)
Loans payable and other liabilities	(26,420)	(69,600)	-	(373,058)	(469,078)
Identified Intangible Items					
Acquired licenses	-	3,866,400	18,015,500	-	21,881,900
Distribution network	1,417,680	-	3,287,500	-	4,705,180
Retail relationships	-	1,675,440	-	10,696,080	12,371,520
Brand	-	-	6,706,500	-	6,706,500
Favourable lease	-	-	1,052,000	-	1,052,000
Deferred tax liability	(396,950)	(1,551,715)	(8,580,431)	(3,171,868)	(13,700,964)
Goodwill	5,367,847	2,998,020	9,647,854	32,145,201	50,158,922
Total Allocated	$ 7,346,564	$ 6,253,696	$ 33,299,088	$ 42,324,278	$ 89,223,626

(i) Acquisition of Kaya Management Inc.

On March 27, 2018, the Company acquired 100% of the outstanding shares of Kaya, a company incorporated under the laws of the state of California. Kaya manufactures cannabis vaporizer pens, edibles, and other products. As a result of this transaction, a prior director and officer of Kaya was retained by the Company to act as Vice-President of Operations of the Company's California Operations division. The primary purpose of this acquisition was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed manufacturer to the Company's operations.

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	1,251,768
Settlement of pre-existing working capital advances (ii)			1,104,113
Issued shares (iii)	579,691		2,197,029
Contingent shares (iv)	737,112		2,793,654
Total consideration issued	**1,316,803**	**$**	**7,346,564**

(i) Cash consideration of $1,251,768 was contemplated to be settled in three parts: 1) $1.2 million cash paid in April 2018; 2) direct settlement of Kaya liabilities by Origin House in the amount of $59,176; and 3) settlement following the finalization of a working capital adjustment;

(ii) Prior to the acquisition, the Company advanced working capital funds to Kaya. These working capital advances were effectively settled through this acquisition. The advances receivable were recorded as a corresponding liability by the acquiree, and their carrying values approximated fair values;

(iii) Origin House issued 579,691 common shares at the acquisition date. The quoted market price was used to determine the fair value of the shares at $3.79 per share; and

(iv) In addition to the shares issued on the acquisition date, up to 737,112 Origin House shares may be issued to the Kaya shareholder as contingent consideration, based on the achievement of four independent revenue milestones established for certain distinct periods through to June 2019.

If the revenue milestone of a distinct period is achieved, 184,278 shares will be issued for each period. As of December 31, 2018, a total of 368,556 shares have been issued.

The Company's contingent consideration is measured at fair value based on unobservable inputs and is considered a level 3 measurement. The fair value was primarily driven by the Company's share price at the acquisition date and expectations of the acquiree's achievement of milestones.

Intangible Assets and Goodwill

The Company recognized one identifiable intangible asset within the Kaya acquisition:

Distribution network: This represents the relationship with a distributor within the state of California.

The Company has recorded a deferred tax liability of $396,950 related to timing differences on this intangible. This liability was based on the corporate tax rates in Kaya's tax jurisdiction.

The goodwill balance reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

ii) Acquisition of Alta Supply Inc.

On March 27, 2018, the Company acquired 100% of the outstanding shares of Alta, a company incorporated under the laws of the state of California. The primary purpose of this acquisition was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed distributor to the Company's operations.

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	236,480
Settlement of pre-existing working capital advances (ii)			412,416
Issued shares (iii)	675,125		2,558,724
Contingent shares (iv)	868,880		3,046,076
Total consideration issued	**1,544,005**	**$**	**6,253,696**

(i) Cash consideration is comprised of: 1) $652,681 cash paid in April 2018; 2) settlement of accounts payable owing to the Company in the amount of $71,582; 3) Working capital adjustment of $487,786, which has been recorded within the Company's accounts receivable (Note 5) and recorded as a measurement period adjustment;

(ii) Prior to the acquisition, the Company advanced working capital funds to Alta of $412,416, which were settled upon acquisition;

(iii) Origin House issued 675,125 common shares at the acquisition date. The quoted market price was used to determine the fair value of the shares at $3.79 per share; and

(iv) In addition to the shares issued on the acquisition date, up to 868,880 shares may be issued to Alta shareholders as contingent consideration. Four individual issuances of 217,220 shares may be issued based on the achievement of four independent performance milestone targets. The milestones relate to the achievement of a certain number of contracts with licensed manufacturers and dispensaries. As of December 31, 2018, a total of 629,938 shares have been issued, and 21,722 shares were issued subsequent to year-end.

The Company's contingent consideration is measured at fair value based on unobservable inputs and is considered a level 3 measurement. The fair value was primarily driven by the Company's share price at the acquisition date and expectations of the acquiree's achievement of milestones.

Intangible Assets and Goodwill

The Company recognized two identifiable intangible assets within the Alta acquisition:

*Acquired licenses***:** These include a California temporary distribution license and a municipal distribution license. The licenses allow for the purchase of cannabis and cannabis products from licensed cultivators and manufacturers, and the sale of purchased products to licensed dispensaries. The current licenses are temporary and were issued in conjunction with the regulatory requirements that came into effect on January 1, 2018 in California. The State of California is in the process of implementing an annual cannabis license regime, under which Alta has an active application.

Retail relationships: This intangible represents relationships with numerous licensed dispensaries within the state of California.

The Company has recorded a deferred tax liability of $1,551,715 related to timing differences on intangible assets. This liability was based on the corporate tax rates in Alta's tax jurisdiction.

The goodwill balance reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

(iii) Acquisition of FloraCal Farms

On July 2, 2018, the Company acquired 100% of FloraCal, a licensed craft cannabis cultivator located in Sonoma Country, California.

The identifiable assets acquired, and liabilities assumed of this entity were recorded at their fair values on the date of the acquisition. The primary purpose of this acquisition was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed cultivator to the Company's operations.

Excluded from the business combination were leasehold improvements incurred by FloraCal on the Company's behalf before acquisition of $803,465 and commitments for future construction of $10,231,500 (US $7,500,000) (Note 21).

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	2,773,335
Issued shares (ii)	35,088		17,544,000
Contingent consideration (iii)	35,088		12,981,753
Total consideration issued	**70,176**	**$**	**33,299,088**

(i) Acquisition consideration consisted of $1.3 million (US $1.0 million) in cash paid immediately, plus a working capital adjustment of $1.5 million;

(ii) 35,088 Origin House Class A compressed shares ("Compressed Shares") issued on close; and

(iii) Up to an additional $2.0 million (US $1.5 million) in cash may be provided over 3 years, based on certain performance milestones, and other considerations, with a fair value of $1.7 million. In addition, 5,848 Compressed Shares may be issued upon completion of a construction milestone and 29,240 Compressed Shares may be issued upon achievement of fixed production milestones. These Compressed shares have a value of $11.3 million.

The Company's contingent consideration is measured at fair value based on unobservable inputs and is considered a level 3 measurement. The fair value was primarily driven by the Company's quoted market share price at the acquisition date and expectations of the acquiree's achievement of milestones. The expected milestones were assessed probabilities by management which were discounted to present value in order to derive a fair value of the contingent consideration.

Each individual Class A Compressed Share can be converted into 100 common shares of the Company under certain conditions. The fair value of the shares at the date of the acquisition was determined based on the fair value of the underlining common shares at $5.00, at the date of the transaction. At December 31, 2018, total cash purchase consideration payable had a fair value of $1,867,649, of which $683,167 was recorded as a current liability.

For the year ended December 31, 2018, the Company recorded $354,266 related to post-combination renumeration.

Goodwill as at September 30, 2018	$	11,059,206
Adjustment (i)		(1,411,352)
Goodwill as at December 31, 2018	**$**	**9,647,854**

(i) Goodwill was adjusted due to working capital and purchase price accounting refinements and recorded measurement period adjustments.

Intangible Assets and Goodwill

The Company recognized four identifiable intangible assets within the FloraCal acquisition:

Acquired licenses: These include a temporary California cultivation license, and a municipal cultivation licence. The licenses allow for the cultivation of cannabis within FloraCal's production facility in Sonoma County. The current licenses are temporary and were issued in conjunction with the regulatory requirements that came into effect on January 1, 2018 in California. The State of California is in the process of implementing an annual cannabis license regime, under which FloraCal received its license subsequent to year end.
Distribution network: This represents the relationship with a large distributor within the state of California.
Brand value: This represents the FloraCal brand.
Favourable lease: This represents the favourable lease with below market rent (Note 21) related to FloraCal's cultivation facility.

The Company has recorded a deferred tax liability of $8,580,431 related to timing differences on intangible assets, property and equipment, and biological asset accounting. This liability was based on the corporate tax rates in FloraCal's tax jurisdiction.

The goodwill balance reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

(iv) Acquisition of River

On August 31, 2018, the Company gained control of RVR, a licensed cannabis distributor within the state of California. In accordance with IFRS 10 *Consolidated Financial Statements*, control was gained through the appointment of a member of the Company's key management as President of RVR, and the relinquishment of control by the Directors of RVR. The primary purpose of this acquisition was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed distributor to the Company's operations. Subsequent to taking control, the Company acquired all outstanding shares of RVR.

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		**Value**
Settlement of pre-existing amounts owing (i)		$	8,730,760
Issued shares (ii)	21,001		13,125,000
Shares to be issued (iii)	49,000		20,468,518
Total consideration issued	**70,001**	**$**	**42,324,278**

(i) A royalty receivable, a royalty investment, and promissory notes were forgiven upon acquisition.
(ii) RPE shares issued at legal close of the acquisition on October 18, 2018. Each RPE share is convertible to Class A compressed shares, which can be converted to 100 common shares of the Company.

(iii) RPE shares which can be converted to Class A compressed shares over two years. The Company's contingent consideration is measured at fair value based on unobservable inputs and is considered a level 3 measurement.

The fair value was primarily driven by the Company's share price at the acquisition date and expectations of the acquiree's achievement of milestones. The expected milestones were assessed probabilities by management which were discounted to present value in order to derive a fair value of the contingent consideration.

The Company recorded a gain upon settlement of royalty investment totalling $1,096,189 due to the difference between the fair value of consideration related to the royalty investment settled upon acquisition and the amortized cost of the royalty investment before acquisition (Note 13).

Intangible Assets and Goodwill

The Company recognized one identifiable intangible asset within the RVR acquisition:

Retail relationships: This represents the relationship with numerous licensed dispensaries within the state of California.

The Company has recorded a deferred tax liability of $3,171,868 related to timing differences on the amortization of intangible assets and property and equipment. This liability was based on the corporate tax rates in RVR's tax jurisdiction.

The goodwill balance reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis.

Acquisition Related Costs

Origin House incurred expenses of $536,840 related to the above acquisitions. These costs were recorded in general and administrative expenses in the period the acquisition was recorded.

Pro Forma Disclosures

The above acquisitions contributed revenues of $17.2 million and a net loss of $12.1 million as part of Origin House's consolidated results from their dates of acquisition, including the $3.5 million impact of fair value adjustments and any amortization of intangibles assumed on acquisition. If each acquisition had occurred on January 1, 2018, management estimates that Origin House's consolidated revenue would have increased by $18.7 million and the net loss would have increased by $7.7 million for the year ended December 31, 2018. The estimated increased loss includes an additional charge related to the acquired intangibles of $1.8 million net of deferred tax recovery. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on January 1, 2018.

5. Amounts Receivable

		December 31, 2018		December 31, 2017
Trade accounts receivable	$	**2,987,700**	$	813,052
Allowance for doubtful trade receivables		**(385,106)**		(28,026)
Royalties receivable		**-**		1,391,220
Allowance for doubtful royalty receivable		**-**		(919,481)
HST and sales tax receivable		**-**		478
Accrued advisory fees		**-**		132,273
Kaya and Alta final working capital adjustment		**487,786**		-
Other receivables		**20,609**		39,607
Total Amounts Receivable	**$**	**3,110,989**	$	1,429,123

These amounts are collectable within a short-term period and the net carrying value reasonably approximates the fair value of the receivables.

Allowance for expected credit losses

Expected credit loss allowances at December 31, 2018 and December 31, 2017 are as follows:

Allowance for credit losses		**December 31, 2018**		December 31, 2017
Allowance for doubtful accounts at January 1 calculated under IAS 39	**$**	**28,026**	$	-
Amount re-stated through opening retained earnings under IFRS 9		**109,138**		-
Opening credit loss provision at January 1		**137,164**		-
Effect of foreign currency translation		**1,867**		-
Expected credit loss provision recognised during the year		**398,583**		69,837
Receivables written-off during the year net of recoveries		**(152,508)**		(41,811)
Allowance for credit losses at December 31	**$**	**385,106**	$	28,026

The credit loss provision for 2017 was determined using the incured loss measurement basis under IAS 39, while the 2018 credit loss provision was determined using the IFRS 9 expected loss model (Note 3). Trade receivables are derecognised when there is no reasonable expectation of recovery.

Aging of trade accounts receivable

Age of receivables and the credit loss assessed and provided for are as shown below:

December 31, 2018		**Amounts receivable days past due**										
		Current		**< 30 days**		**31 - 60**		**61 - 90**		**> 90 days**		**Total**
Expected credit loss %		4%		5%		4%		9%		41%		13%
Gross carrying amount	$	1,118,185	$	630,199	$	358,295	$	197,087	$	683,934	$	2,987,700
Lifetime expected credit loss		(45,048)		(28,488)		(14,108)		(18,622)		(278,840)		(385,106)
Net trade accounts receivable	**$**	**1,073,137**	**$**	**601,711**	**$**	**344,187**	**$**	**178,465**	**$**	**405,094**	**$**	**2,602,594**

January 1, 2018		Amounts receivable days past due										
		Current		< 30 days		31 - 60		61 - 90		> 90 days		Total
Expected credit loss %		3%		-		6%		21%		60%		17%
Gross carrying amount	$	535,029	$	-	$	40,196	$	66,065	$	171,762	$	813,052
Lifetime expected credit loss		(18,059)		-		(2,273)		(14,121)		(102,710)	$	(137,163)
Net trade accounts receivable	$	516,970	$	-	$	37,923	$	51,944	$	69,052	$	675,889

As at December 31, 2018, no customer accounted for more than 10% of total trade receivables (December 31, 2017 – two customers, 82%).

Royalties receivable

As at December 31, 2018, royalty receivables, net of allowances, were nil (December 31, 2017 - $471,739).

Allowance for doubtful royalties receivable		**December 31, 2018**		December 31, 2017
Allowance for doubtful royalty receivables at January 1	**$**	**919,481**	$	-
Provision for impairment		-		919,481
Written off during the year		**(919,481)**		-
Allowance for doubtful royalty accounts at December 31	**$**	**-**	$	919,481

The credit loss provision for 2017 was determined using the incured loss measurement basis under IAS 39 (Note 3).

6. Inventory

		December 31, 2018		December 31, 2017
Finished goods	**$**	**6,886,377**	$	248,944
Raw materials		**1,150,145**		21,225
Total Inventory	**$**	**8,036,522**	$	270,169

During the year ended December 31, 2018, the Company had inventory write-downs and write-offs of $1,376,555. The Company recorded a recovery of $441,871, within cost of sales, related to inventory that was previously impaired. The amount of inventory that was included in cost of sales was $13,730,143 ($1,294,895 – 2017).

7. Biological Assets

		December 31, 2018
Carrying amount, upon acquisition	**$**	**657,500**
Changes in fair value less costs to sell due to biological transformation		**1,611,617**
Impact of foreign exchange		**49,468**
Transferred to inventory upon harvest		**(2,048,057)**
Total Biological Assets	**$**	**270,528**

As at December 31, 2018, the fair value of biological assets was comprised of cannabis plants. Significant estimates used in determining the fair value of cannabis plants are as follows:

1) yield per plant;
2) stage of growth estimated as the percentage of costs incurred of total costs as applied to the estimated total fair value per gram (less fulfilment costs) to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested;
3) percentage allocation of costs incurred for each stage of plant growth;
4) and selling price per gram less costs to sell.

Unobservable inputs	**Input values**	**Sensitivity**
Yield per plant: Obtained through historical harvest results	99 to 162 grams per plant	An increase or decrease of 5% applied to the average yield per plant would result in a change of approximately $13,500 in the valuation of biological assets at period end.
Average stage of growth: Obtained through the estimates of stage of completion	20%	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $66,000 in the valuation of biological assets at period end.

A 5% change in the selling price less costs to sell per gram would not result in a material change to the valuation of biological assets at December 31, 2018.

The Company views its biological assets as a Level 3 fair value estimate and estimates the probability of certain harvest rates. As at December 31, 2018, it is expected that the Company's biological assets will yield approximately 218,000 grams of cannabis. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

The valuation of biological assets is based on the income approach in which the fair value at the point of harvesting is estimated based on selling prices less costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant's life relative to the stages within the harvest cycle.

8. Prepaid and Other Assets

		December 31, 2018		December 31, 2017
Inventory (1)	**$**	**1,041,051**	$	1,257
Royalty fees (2)		**138,753**		-
Insurance		**561,648**		103,149
Other (3)		**849,124**		146,338
Total Prepaid and other assets	**$**	**2,590,576**	$	250,744

(1) Prepaid inventory is comprised of the following:

a) Prepaid inventory of $968,100 related to an agreement with Calith Creations Inc., SCU Inc., and Monterey Bay Alternative Medicine Health Products Inc. (collectively known as "Utopia"), an unrelated company. This prepayment was made on September 12, 2018 and the inventory is due by January 14, 2019. If the prepayment of inventory is not delivered in-full by Utopia by the due date, the balance of the prepayment will begin to accrue interest at an annual rate of 10%. Deliveries of inventory commenced in October 2018. At December 31, 2018, the remaining balance of prepaid Utopia inventory was $559,488.

b) Prepaid inventory of $481,567 in connection with inventory from Humboldt Hills Natural Farms Inc., Undertow LLC, and Mattole Farms Inc. (collectively known as "Humboldt's Finest" or "Humboldt"), an unrelated entity. The funds advanced by the Company are for the future purchase of cannabis and related products. As part of the arrangement the Company has renewed and extended its exclusive distribution right to Humboldt's products.

(2) The Company has $138,753 of prepaid royalties outstanding with respect to advances made on exclusive distribution arrangements.

(3) Other prepaid expenses are made up of prepaid rent, legal fees, and security deposits.

9. Loans Receivable

	December 31, 2017	New loans and advances	Accrued Interest	Repayments	Included in Acquisition Price	Converted into License	Impairments / (Recoveries)	Foreign exchange impact	December 31, 2018
Loans receivable - current									
180 Smoke (1)	$ -	$ 1,884,615	$ 45,069	$ -	$ -	$ -	$ -	$ -	**$ 1,929,684**
Wagner Dimas (2)	446,639	-	23,119	-	-	(195,306)	(290,672)	16,220	-
Promissory Note - Alta (3)	370,845	41,571	-	-	(412,416)	-	-	-	-
Promissory Note - Kaya (3)	214,562	889,551	-	-	(1,104,113)	-	-	-	-
Stockes Confections (4)	63,837	-	-	-	-	-	(69,275)	5,438	-
Other Advances (5)	6,285	12,650	-	(18,975)	-	-	-	40	-
Loans Receivable - current	**$ 1,102,168**	**$ 2,828,387**	**$ 68,188**	**$ (18,975)**	**$ (1,516,529)**	**$ (195,306)**	**$ (359,947)**	**$ 21,698**	**$ 1,929,684**
							$ -		
Loans receivable - long-term									
CannaCraft (6)	66,421	-	- -	66,839	-	-	-	418	-
Loans Receivable - long-term	**$ 66,421**	**$ -**	**$ -**	**$ (66,839)**	**$ -**	**$ -**	**$ -**	**$ 418**	**$ -**
Total Loans Receivable	**$ 1,168,589**	**$ 2,828,387**	**$ 68,188**	**$ (85,814)**	**$ (1,516,529)**	**$ (195,306)**	**$ (359,947)**	**$ 22,116**	**$ 1,929,684**

	December 31, 2016	New loans and advances	Accrued Interest	Repayments	Impairments / (Recoveries)	Foreign exchange impact	December 31, 2017
Loans receivable - current							
Rich Extracts (7)	$ 2,428,672	$ 1,185,555	$ -	$ -	$ (3,457,025)	$ (157,202)	$ -
Cascadia (8)	364,463	-	-	-	(339,757)	(24,706)	-
Santa Barbara (9)	-	-	-	(31,134)	31,134	-	-
Promissory Note - Alta (3)	-	370,845	-	-	-	-	370,845
Promissory Note - Kaya (3)	-	214,562	-	-	-	-	214,562
Stockes Confections (4)	68,255	-	-	-	-	(4,418)	63,837
Wagner Dimas (2)	-	439,985	6,654	-	-	-	446,639
Other Advances (5)	10,753	6,286	-	-	(10,433)	(321)	6,285
Loans Receivable - current	$ 2,872,143	$ 2,217,233	$ 6,654	$ (31,134)	$ (3,776,081)	$ (186,647)	$ 1,102,168
					$ -		
Loans receivable - long-term							
CannaCraft (6)	71,018	-	-	-	-	(4,597)	66,421
Loans Receivable - long-term	$ 71,018	$ -	$ -	$ -	$ -	$ (4,597)	$ 66,421
Total Loans Receivable	$ 2,943,161	$ 2,217,233	$ 6,654	$ (31,134)	$ (3,776,081)	$ (191,244)	$ 1,168,589

(1) On May 9, 2018 the Company entered a secured term credit facility with 180 Smoke Inc. (“180 Smoke”) for principal of up to $2.5 million (the “180 Smoke Facility”). As at December 31, 2018, the Company and its subsidiary Trichome, have jointly lent $1,850,000 to the borrower with remaining credit to be released based on certain conditions. Interest accrued to date is $45,069.

Included in the value of the 180 Smoke Facility, are 2,920,434 warrants issued by 180 Smoke to the Company and its subsidiary Trichome, on an equal basis, during the year ended December 31, 2018. The fair value of the warrants at period-end was $34,615, which was calculated based on a Black-Scholes Model. The key assumptions in this model are Level 3 inputs under the IFRS 13 fair value hierarchy. These inputs include volatility of 65%, based on the volatility of a closely comparable publicly listed Company, risk free rate of 1.85%, expected life of 1-month, and exercise price of $0.387 per share. A +/- 10% change in the volatility input of the Black-Scholes Model would impact the fair value of the warrants by approximately +/- $6,500. Similarly, a +/- 10% change in the useful life input would impact the fair value of the warrants by approximately +/- $3,400.

Subsequent to year end, the Company acquired 100% of the outstanding shares of 180 Smoke, and the loan was settled upon acquisition (Note 32).

(2) On July 5, 2017, $188,565 (US $150,000) of unsecured debt was advanced to Wagner Dimas, Inc. ("Wagner Dimas"), an equity accounted investee (Note 11). Subsequent to a term sheet entered into on September 22, 2017, Wagner Dimas granted Origin House an option to convert the debt into a Canadian License Grant for a term of 15 years from the date of conversion. The Canadian License Grant grants an exclusive and assignable license solely for the territory of Canada, including but not limited to, rights to license its products, processes, brands, machinery, and intellectual property. On August 14, 2018, the Company closed a transaction with Aurora Cannabis Inc. ("Aurora"), to sell its Canadian License Grant in Wagner Dimas. The transaction was settled in 756,348 Aurora common shares, and the value of these shares of $4.5 million was based on the closing price of Aurora common shares the day prior to announcement. A gain of $4.2 million was recorded on derecognition of the loan receivable.

In October 2017, a promissory note of $251,420 (US $200,000) was advanced to Wagner Dimas. The note bears interest of 12% per annum. Accrued interest of $29,773 has been recorded prior to the loan being written off (December 31, 2017 - $6,654). This note was written-off in the fourth quarter of fiscal 2018 as it was no longer expected to be collectible.

(3) In accordance with a binding term sheet signed on November 28, 2017 with Kaya and Alta, the Company extended various promissory notes to meet working capital requirements. These promissory notes were settled as part of the acquisition and have been included in the related purchase price (Note 4).

(4) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"). Stokes Confections is based in California and produces low dose, cannabis-infused edibles. An advance of $63,837 (US $50,000) was made as an up-front fee and is repayable, with annual interest of 2.5%. It is not expected that this loan will be collected and the loan was written off in the fourth quarter of fiscal 2018.

(5) Loans in the amount of $18,975 (US $15,000) were repaid via the provision of legal services.

(6) The Company advanced funds of $328,400 (US $250,000) to CannaCraft, Inc. ("CannaCraft") on May 16, 2016. As at December 31, 2018, this advance has been fully offset by the purchase of equipment and product from CannaCraft.

(7) On February 9, 2017, Origin House entered into a term sheet with Rich Extracts LLC ("Rich Extracts"). At December 31, 2017, the Company had the right to convert prior advances of $2,702,765 (US $ 2,150,000) into a 30% royalty on Rich Extracts' gross revenues in perpetuity. This included $431,295 (US $ 343,087) of new advances in fiscal 2017. Subsequent to the agreement, the Company provided additional advances of $754,260 (US $600,000) that would need to be repaid to Origin House. There are no set repayment terms or interest on these advances. These advances are secured by a general security agreement, whereby the Company has rights to all of Rich Extract's present and after-acquired personal property. The Company believes that the debtor is in default. The Company has determined that the collection of these advances is unlikely, and the costs to obtain benefits from a security agreement could be onerous. As a result, a full impairment loss of $3,457,025 was recorded at December 31, 2017.

(8) In 2016, Origin House advanced funds to provide Cascadia Holdings LLC ("Cascadia"), a royalty investee, additional working capital. These advances were non-interest bearing, unsecured and had no set terms for repayment. At December 31, 2017, the Company determined that the collectability of these loans is unlikely and recorded a full impairment loss of $339,757.

(9) During 2017 the Company received a payment proposal from Santa Barbara Patients Collective and Healing Center ("SBPHC") in which the debtor would repay the principal portion of a loan of $125,710 (US $100,000). A full allowance had been provided against this loan at December 31, 2016. Payments of $31,134 (US $25,000) were received in 2017.

10. Convertible Notes Receivable

In July 2016, Origin House advanced $377,230 (US $300,000) to BAS Research ("BAS") in exchange for two senior convertible promissory notes ("BAS Promissory Notes"). The BAS Promissory Notes matured in January 2018 after an eighteen-month term and the Company did not exercise its option to convert the debt into shares. At December 31, 2017, the Company recorded an impairment charge of $44,008 based on the expected terms of a payment plan. In fiscal 2018, a payment of $436,135 (US $333,692) was received in connection with the previously impaired notes, including interest of $44,035 (US $33,692). A gain of $4,146 was recorded in fiscal 2018, due to the reversal of impairment charges previously recognized.

During 2016, the Company entered into a loan agreement with Eureka Management Services Inc. ("Eureka"), a California corporation that managed Magnolia Wellness ("Magnolia"), a medical cannabis dispensary in Oakland, California. The loan was provided to assist Eureka in expanding Magnolia's operations. The loan was made in exchange for a convertible promissory note receivable with a face value of US $400,000 and maturing in February 2019. At December 31, 2017 due to the significant uncertainty regarding the collection of this loan, an impairment loss of $515,837 was recorded.

The option to settle payments in both BAS common shares and Eureka common shares represented an embedded derivative in the form of a call option to the Company. This derivative asset was initially recognized by comparing a similar instrument without the conversion option and discounting the fair value of the host contract with the non-convertible instrument interest rate. As the Company elected not to convert the BAS debt into equity and there was significant collection uncertainty regarding the Eureka loan, the fair value of the derivative assets were valued at nil at December 31, 2017. This resulted in a loss of $110,965 relating to the change in the fair value of the derivative asset for the year ended December 31, 2017.

11. Interest in Equity Accounted Investees

		December 31, 2018		December 31, 2017
Associated Companies				
Resolve (1)	**$**	**1,710,035**	$	2,538,014
Wagner Dimas (2)		**-**		865,779
		1,710,035		3,403,793
Joint Venture				
Mobile Medicine (3)		**192,540**		192,540
Total Equity accounted investments	**$**	**1,902,575**	$	3,596,333

Associated Companies

(1) On November 16, 2015, Origin House invested $750,000 in Resolve Digital Health Inc. ("Resolve"), an Ontario corporation based in Toronto, in return for 11% in equity interest. On April 1, 2016, in a transaction with Vida Cannabis Corp., the Company purchased an additional 24% of the common shares of Resolve for consideration of $1,695,000. This consideration was paid via the issuance of 2,260,000 Origin House shares at a value equivalent to the Company's other private transactions at the time of $0.75 per share.

During the year ended December 31, 2018, Resolve completed private placement financing and issued anti-dilutive shares, which reduced the Company's interest in Resolve from 27.7% to 25.6% (2017 – 35.0% to 27.7%). These transactions resulted in a dilution gain of $543,348 for the year end ended December 31,2018 which was included in the profit from equity accounted investees (December 31, 2017 – profit of $1,017,831).

(2) On May 25, 2016, Origin House acquired a 20% equity interest in Wagner Dimas, a Nevada corporation with operations in California. The Company purchased 2,000,000 shares of Wagner Dimas for $818,125 (US $625,000). On September 22, 2017, Origin House purchased an additional 2% equity interest in Wagner Dimas from an existing shareholder for $246,780 (US $200,000) which was paid on October 6, 2017.

On November 19, 2018 the Company sold its entire 22% equity interest in Wagner Dimas to Australis Capital Inc. ("Australis") for cash considerations of $1,500,000 as well as Australis shares and warrants valued at $1,115,763 (Note 12). This sale resulted in a gain on investment of $1,785,944.

The following tables summarize the financial information of Origin House's associates at December 31, 2018 and 2017:

		December 31, 2018		December 31, 2017
Current assets	**$**	**501,316**	$	2,921,366
Non-current assets		**87,373**		11,064,644
Current liabilities		**(531,945)**		(891,454)
Net assets	**$**	**56,744**	$	13,094,556

		December 31, 2018		December 31, 2017
Selected financial results of equity accounted investees				
Revenue	**$**	**131,619**	$	559,385
Net loss from operation and total comprehensive loss		**(5,056,453)**		(4,864,772)
Share of profit (loss) from equity accounted investees				
Origin House's share of loss and total comprehensive loss		**(1,456,600)**		(1,298,011)
Add - gain on deemed disposal after dilution		**543,348**		1,017,831
Origin House's loss from equity accounted investees	**$**	**(913,252)**	$	(280,180)

Joint Venture

(3) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. Origin House has joint decision-making with CannaCraft, 50% ownership interest, and a residual interest in the net assets of Mobile Medicine. Accordingly, this interest has been classified as a joint venture.

Under the terms of the agreement, Origin House was to contribute two thirds of the funding required for a 50% equity interest, of which $192,540 has been advanced (December 31, 2017 - $192,540).

12. Investments

The following table summarizes the Company's investments at December 31, 2018 and 2017:

	December 31 2018	December 31 2017
AltMed (1)	**$ 13,990,553**	$ 6,277,456
Bodhi (2)	**3,740,000**	250,000
Fleurish (3)	**283,637**	250,000
Australis (4)	**542,940**	-
Anandia (5)	**-**	10,465,886
Total Investments	**$ 18,557,130**	$ 17,243,342

	December 31, 2017	**Additions**	**Proceeds**	**Realized Gains/(Losses)**	**Unrealized Gains / (Losses)**	**Foreign exchange**	**December 31, 2018**
AltMed (1)	$ 6,277,456	$ -		$ -	$ 6,868,042	$ 845,055	**$ 13,990,553**
Bodhi (2)	250,000	-	-	-	3,490,000	-	**3,740,000**
Fleurish (3)	250,000	-	-	-	33,637	-	**283,637**
Australis (4)		1,115,763	-	-	(607,784)	34,961	**542,940**
Anandia (5)	10,465,886	160,000	(16,778,456)	6,152,570	-	-	**-**
Aurora (6)		21,226,036	(27,900,861)	6,668,775		6,050	-
Total Investments	**$ 17,243,342**	**$ 22,501,799**	**$ (44,679,317)**	**$ 12,821,345**	**$ 9,783,895**	**$ 886,066**	**$ 18,557,130**

	December 31, 2016	Additions	Net Gains / (Losses)	December 31, 2017
AltMed (1)	$ 1,850,070	$ -	$ 4,427,386	$ 6,277,456
Bodhi (2)	250,000	-	-	250,000
Eureka (7)	128,680	-	(128,680)	-
Farmacopeia (3)	-	250,000	-	250,000
Anandia (5)	-	3,882,438	6,583,448	10,465,886
Total Investments	$ 2,228,750	$ 4,132,438	$ 10,882,154	$ 17,243,342

(1) In 2015, the Company purchased 1,500 Class A units in Alternative Medical Enterprises, LLC ("AltMed"), a Florida limited liability company focused on medical cannabis. AltMed owns 100% of NuTrae LLC ("NuTrae"), a company that develops drug delivery systems and products. The units were purchased for $1,850,070 (US $1,500,000), which represented an 8.3% equity interest at that time. As at December 31, 2018, Origin House's ownership percentage in AltMed was diluted to 4.8%.

As at December 31, 2018, the Company has assessed the fair value of its equity holding in AltMed at $13,990,553. This assessment was based on Level 3 inputs under the IFRS 13 fair value hierarchy. The inputs used in determining the fair value of this investment were based on similar precedent transactions involving comparable companies in the market as well as based on an earnings multiple for cannabis dispensaries. Below is a summary of the impact in the change in fair value of the investment for a +/- 5% change in the value of the significant unobservable inputs which are used in determining the fair value of the investment:

- change in earnings multiple for dispensaries: impact of $102,193
- change in value per square foot of operational cannabis cultivation businesses: impact of $107,467
- change in value per square foot of non-operational cannabis cultivation businesses: impact of $102,001

As at December 31, 2017, the assessment was based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices for AltMed shares in a private market. The fair value was based on the closing of several financing transactions within a designated series completed during the final half of fiscal 2017.

(2) On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi Research Inc. ("Bodhi") for $250,000. The investee is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post-concussive syndrome.

On December 6, 2018, Bodhi entered a term sheet to sell 51% of its equity to Green Relief Inc. "Green Relief". As part of the agreement, Origin House would receive proceeds of $1,740,000 consisting of Green Relief shares. Furthermore, Bodhi has an option to sell the remaining 49% of its equity over the course of the 9 months after the completion of the deal which would generate an additional $2,000,000 in the form of Green Relief shares. This additional $2,000,000 would be paid out over a five-year period from the original closing date of the transaction. The total proceeds from the transaction, including equity, are Level 3 inputs which is the basis for the fair value of the Company's investment in Bodhi at December 31, 2018. The unobservable inputs in the determination of the fair value of the investment is the discount rate used to determine the present value of the future payments to be received from the additional $2,000,000 in shares of Green Relief. With a +/- 1% change in the discount rate, the expected fair value of the investment at December 31, 2018 would change by approximately $60,000.

The transaction closed on January 18, 2019.

(3) During July 2017, the Company advanced $250,000 to Farmacopeia Inc., which changed its name to Fleurish Cannabis Inc. ("Fleurish"), in exchange for a 2.1% equity interest. Fleurish is a corporation based in the province of Ontario and has a cannabis production licence from Health Canada.

As of December 31, 2018, the Company has assessed the fair value of Fleurish at $283,637. This assessment is based on Level 2 inputs under the IFRS 13 fair value hierarchy and consists of observable transaction prices from a private placement completed in November 2018. As at December 31, 2018, Origin House's ownership percentage in Fleurish has decreased to 1.42%.

(4) On November 19, 2018, in exchange for its equity stake of Wagner Dimas (Note 11), the Company received 738,916 Australis shares and 369,458 Australis share purchase warrants. Upon receipt, the shares were valued at $1,042,713 based on the share price of Australis at the closing date. The share purchase warrants to purchase shares, with a exercise price of $2.64 for two years after closing date, were valued at $73,050 based on the Black-Scholes Model using the following key assumptions; a stock price of $1.45, exercise price of $2.64, expected life of 1 year, volatility of 78.9% based on a blended rate of the Origin House historical volatility and comparable cannabis companies, and a risk-free rate of 2.19%.

At December 31, 2018 the Australis shares were valued at $539,410 based on the closing share price of Australis. The share purchase warrants were valued at $3,532 using the Black-Scholes Model and the following key assumptions; a stock price of $0.73, exercise price of $2.64, expected life of 0.88 years, volatility of 71.2% based on a blended rate of the Origin House historical volatility and comparable cannabis companies, and a risk-free rate of 1.85%.

All of the 738,916 Australis shares were disposed in March 2019 for proceeds of $0.7 million.

(5) On February 17, 2017, Origin House agreed to acquire a fully diluted equity stake in Anandia Laboratories Inc. ("Anandia") of 20%. Anandia is a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. Origin House agreed to provide aggregate consideration of $4,042,439 in exchange for the equity interest which was satisfied through a combination of $500,000 in equipment and services to be provided by Origin House in fiscal 2017, $1,521,218 in cash, and 689,568 Origin House shares ("the original transaction"). In 2017, the Company received 487,520 shares of Anandia, based on the original transaction date share price, subsequent to the delivery of equipment valued at $340,000.

At December 31, 2017, the value of the Anandia investment was increased from its initial investment value of $3,882,439 to a fair value of $10,465,886 based on recent financing transactions. A further 229,421 shares, representing a value of $160,000 based on the original transaction date share price were delivered in January 2018 for the provision of advisory services to Anandia.

On June 12, 2018, Anandia and Aurora signed a term sheet in which Aurora would acquire Anandia in exchange for Aurora shares and warrants. This transaction closed on August 8, 2018. The Company recorded total proceeds on disposal of $16,778,456 based on the closing value of 2,258,204 Aurora shares, a publicly traded company (valued at $13,910,537) and 1,129,102 warrants received (valued at $2,867,919). Anandia shareholders received half-share warrants in Aurora which have an expiry of 5 years. These warrants were valued at August 8, 2018, using a Black-Scholes Model. The key assumptions included a share price of $6.18, an exercise price of $9.37, an expected life of 3 years, a volatility of 78% based on the historical volatility of Aurora shares, and a risk-free interest rate of 2.07%.

(6) As part of the close of the Anandia transaction in August 2018 (Note 12) the Company received 2,258,204 shares in Aurora with a value of $13.9 million and Aurora warrants with a value of $2.9 million.
As part of the close of the transaction to sell a Canadian Technology License in August 2018 (Note 9), the Company received 756,348 shares in Aurora with a value of $4.5 million.

Prior to end of the third quarter, the Company sold its 3,014,552 shares in Aurora for proceeds of $26.2 million and sold its warrants for proceeds of $1.7 million. The net gain from all Aurora related holdings was $6.7 million. As at December 31, 2018, the Company no longer holds shares of Aurora.

(7) On May 5, 2016, the Company acquired a 6% equity interest in Eureka. The consideration given was $128,680 (US $100,000) for 350,000 common shares in Eureka. At December 31, 2017, the Company determined that this investment was impaired and recorded an impairment loss of $128,680 for the year ended December 31, 2017. The fair value of this investment was nil as at December 31, 2018.

13. Royalty Investments

The following is a summary of the carrying amount of the Company's royalty investments with related terms. Royalty investments are recorded at cost less accumulated amortization and any impairment losses. The investments are amortized over the term of the royalty agreement.

	Term	Accounting Basis	December 31, 2018	December 31, 2017
NuTrae (1)	10 years	Amortized Cost	**$ 940,776**	$ 1,013,428
Three Leaf (2)	2 years	Amortized Cost	**-**	100,000
Natural Ventures (3)	10 years	Amortized Cost	**341,050**	336,025
River (4)	7 Years	Amortized Cost	**-**	4,385,160
Total			**$ 1,281,826**	$ 5,834,613

Cost	December 31, 2017	Additions	Disposals	Included in acquisition	Impact of foreign exchange	**December 31, 2018**
NuTrae (1)	$ 1,130,000	$ -	$ -	$ -	$ -	**$ 1,130,000**
Three Leaf (2)	100,000	-	(100,000)	-	-	**-**
Natural Ventures (3)	336,025	-	-	-	5,025	**341,050**
River (4)	4,779,600	1,897,500	-	(6,522,000)	(155,100)	**-**
Total	$ 6,345,625	$ 1,897,500	$ (100,000)	$ (6,522,000)	$ (150,075)	**$ 1,471,050**

Accumulated Amortization	December 31, 2017	Amortization	Disposals	Included in acquisition	Impact of foreign exchange	**December 31, 2018**
NuTrae (1)	$ (116,572)	$ (125,567)	$ -	$ -	$ 52,915	**$ (189,224)**
Three Leaf (2)	-	-	-	-	-	**-**
Natural Ventures (3)	-	-	-	-	-	**-**
River (4)	(394,440)	(723,244)	-	1,111,454	6,230	**-**
Total	$ (511,012)	$ (848,811)	$ -	$ 1,111,454	$ 59,145	**$ (189,224)**
Net Book Value	$ 5,834,613					**$ 1,281,826**

Cost	December 31, 2016	Additions	Disposals	Included in acquisition	Impact of foreign exchange	**December 31, 2017**
NuTrae (1)	$ 1,130,000	$ -	$ -	$ -	$ -	$ 1,130,000
Three Leaf (2)	100,000	-	-	-	-	100,000
Natural Ventures (3)	336,025	-	-	-	-	336,025
River (4)	-	4,779,600	-	-	-	4,779,600
Cascadia (5)	1,027,866	-	-	-	-	1,027,866
Total	$ 2,593,891	$ 4,779,600	$ -	$ -	$ -	**$ 7,373,491**

Accumulated Amortization	December 31, 2016	Amortization	Impairments	Included in acquisition	Impact of foreign exchange	**December 31, 2017**
NuTrae (1)	$ -	$ (118,013)	$ -	$ -	1,441	$ (116,572)
Three Leaf (2)	-	-	-	-	-	-
Natural Ventures (3)	-	-	-	-	-	-
River (4)	-	(375,948)	-	-	(18,492)	(394,440)
Cascadia (5)	-	-	(1,014,211)	-	(13,655)	(1,027,866)
Total	$ -	$ (493,961)	$ (1,014,211)	$ -	$ (30,706)	$ (1,538,878)
Net Book Value	$ 2,593,891					$ 5,834,613

(1) The Company purchased a 3.5% royalty interest on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016. The total consideration for this purchase was $1,130,000 (US $878,889). NuTrae, a wholly owned subsidiary of AltMed (Note 12) develops drug delivery systems and products including MüV branded products. This royalty investment stream is for a definite period and it is recorded at amortized cost. NuTrae has commenced commercial operations that earned revenue in February 2017, and accordingly amortization commenced during 2017 and is included within cost of sales.

Subsequent to year end a binding term sheet was signed to convert the royalty investment in NuTrae for equity in AltMed (Note 32).

(2) On April 10, 2017, Origin House amended its royalty financing arrangement with Three Leaf Holdings Corporation ("Three Leaf") such that the end of the 2% referral fee period was extended from May 12, 2017 until March 12, 2018. Furthermore, this amendment contained a guarantee whereby if the total royalties earned from the arrangement were less than $100,000 in total, an equalizing cash payment would be made by Three Leaf at the end of the referral fee period. No royalties were earned, and the full balance of $100,000 was subsequently paid in July 2018.

(3) On December 20, 2016, Origin House entered into a binding term sheet with Natural Ventures PR, LLC ("Natural Ventures") regarding a royalty financing arrangement of $341,050 (US $250,000). Pursuant to the arrangement, Natural Ventures agreed to grant Origin House a 2.5% royalty on Natural Ventures' net income, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from Origin House for the Puerto Rican market over a 10-year period.

The 10-year period to earn revenue and to record amortization will begin in the first quarter after Natural Ventures has generated net income, which has yet to occur as at December 31, 2018.

(4) On May 15, 2017, the Company completed an agreement regarding a strategic financing and other related arrangements with RVR, a licensed cannabis wholesale logistics, distribution, and transportation company in the state of California.

The agreement included the following components:

- Promissory note financing of $6,828,000 (US $5,000,000) to RVR over fiscal 2017. The terms of the investment contemplated repayment of principal and 15% annual interest that commenced in January 2018.

  As of December 31, 2017, the Company had made financing advances of $4,779,600 (US $3,500,000). A further $1,897,500 (US $1,500,000) of advances were completed during the first half of 2018 and have been added to the royalty investment balance. Of the advances, $1,296,050 (US $1,000,000) were provided in cash and the remainder were settled against other balances owed to Origin House.

- A consulting services arrangement which includes the provision of services by Origin House such as product launch, marketing, development and other services. The compensation payable to Origin House for consulting services is based on a formula net of any other payments made to Origin House under the arrangement. This ensures total compensation from RVR within this arrangement being equal to 2.25% of RVR's net sales revenues until repayment of the initial US $5,000,000 promissory note, and 1.75% thereafter until December 31, 2024.

- A preferred product distribution arrangement which provides a significant channel for Origin House's products to access the California market. The arrangement entitles Origin House to preferential rates on RVR's distribution services.

As this agreement resulted in Origin House receiving a prescribed benefit based on the revenue earned by RVR, the components of this agreement combine to make up a royalty financing arrangement. This royalty financing arrangement ceased upon the Company's acquisition of RVR (Note 4).

(5) During the year ended December 31, 2017 the royalty investment in Cascadia was considered impaired, due to a lack of payment of prior earned royalties and uncertainty over future payments. An impairment loss of $1,014,211 was recorded during the year ended December 31, 2017.

14. Property and Equipment

	Accounting basis	Term	**December 31, 2018**	December 31, 2017
Construction in progress	Straight-line	Not yet in use	**$ 6,940,200**	$ -
Building not ready for use	Straight-line	Not yet in use	**3,369,117**	-
Processing equipment	Straight-line	2-5 years	**536,681**	249,475
Filling, labelling, and packaging equipment	Straight-line	4-10 years	**614,823**	642,248
Furniture and fixtures	Straight-line	2-15 years	**255,596**	115,377
Computers and related equipment	Straight-line	3-5 years	**763,691**	30,503
Motor vehicles	Straight-line	3-5 years	**594,739**	-
Leasehold improvements	Straight-line	term of lease	**729,267**	46,495
			$ 13,804,114	$ 1,084,098

The following is a summary of the activity for the year-ended December 31, 2018:

Cost	December 31, 2017	Additions from acquisitions	Additions	Disposals	Impact of foreign exchange	**December 31, 2018**
Construction in progress	$ -	$ 1,671,299	$ 5,014,328	$ -	$ 254,573	**$ 6,940,200**
Building not ready for use	-	-	3,222,820	-	146,297	**3,369,117**
Processing equipment	368,398	353,406	95,135	-	21,153	**838,092**
Filling, labelling, and packaging equipment	725,761	-	-	-	59,207	**784,968**
Furniture and fixtures	138,966	137,670	37,778	-	14,712	**329,126**
Computers and related equipment	43,209	473,741	342,138	-	26,450	**885,538**
Motor vehicles	-	654,462	-	(25,300)	28,523	**657,685**
Leasehold improvements	51,324	521,550	258,910	-	46,215	**877,999**
Total cost	$ 1,327,658	$ 3,812,128	$ 8,971,109	$ (25,300)	$ 597,130	**$ 14,682,725**

Accumulated Depreciation	December 31, 2017	Depreciation	Disposals	Impact of foreign exchange	**December 31, 2018**
Construction in progress	$ -	$ -	$ -	$ -	**$ -**
Building not ready for use	-	-	-	-	**-**
Processing Equipment	(118,923)	(181,409)	-	(1,079)	**(301,411)**
Filling, labelling, and packaging equipment	(83,513)	(72,998)	-	(13,634)	**(170,145)**
Furniture and fixtures	(23,589)	(47,854)	-	(2,087)	**(73,530)**
Computers and related equipment	(12,706)	(106,421)	-	(2,720)	**(121,847)**
Motor vehicles	-	(60,913)	628	(2,661)	**(62,946)**
Leasehold improvements	(4,829)	(138,417)	-	(5,486)	**(148,732)**
Total accumulated depreciation	$ (243,560)	$ (608,012)	$ 628	$ (27,667)	**$ (878,611)**
Net Book Value	$ 1,084,098				**$ 13,804,114**

At December 31, 2018, there were $924,950 in property and equipment additions included in amounts payable.

In connection with the FloraCal acquisition (Note 4), the Company committed to the previous owners to spending $10.2 million (US $7.5 million) for the construction of a new facility. The Company committed a total of $8.9 million to a construction company for the project, of which approximately $3.6 million remained committed at December

31, 2018.

The following is a summary of activity for the year ended December 31, 2017:

Cost	December 31, 2016	Additions	Disposals	Impact of foreign exchange	**December 31, 2017**
Processing equipment	$ 663,702	$ -	$ (293,056)	$ (2,248)	**$ 368,398**
Filling, labelling, and packaging equipment	766,306	6,872	-	(47,417)	**725,761**
Furniture and fixtures	56,004	86,639	-	(3,677)	**138,966**
Computers and related equipment	18,431	24,837	-	(59)	**43,209**
Leasehold improvements	-	52,031	-	(707)	**51,324**
Total cost	$ 1,504,443	$ 170,379	$ (293,056)	$ (54,108)	**$ 1,327,658**

Accumulated Depreciation	December 31, 2016	Depreciation	Disposals	Impact of foreign exchange	**December 31, 2017**
Processing equipment	$ (96,321)	$ (66,137)	$ 48,571	$ (5,036)	**$ (118,923)**
Filling, labelling, and packaging equipment	(11,684)	(74,202)	-	2,373	**(83,513)**
Furniture and fixtures	(3,191)	(21,082)	-	684	**(23,589)**
Computers and related equipment	(135)	(12,571)	-	-	**(12,706)**
Leasehold improvements	-	(4,829)	-	-	**(4,829)**
Total accumulated depreciation	$ (111,331)	$ (178,821)	$ 48,571	$ (1,979)	**$ (243,560)**
Net Book Value	$ 1,393,112				**$ 1,084,098**

The amortization for property and equipment has been recorded within the following expense lines during the year-ended December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Cost of sales	**$ 14,062**	$ 62,778
General and administration	**409,145**	116,043
Sales and marketing	**184,805**	-
Total Depreciation	**$ 608,012**	$ 178,821

15. Intangible Assets and Goodwill

The following is a summary of the intangible assets at December 31, 2018:

Cost	December 31, 2017	Internally generated additions	Additions from acquisitions	Disposals	Impact of foreign exchange	**December 31, 2018**
Acquired brands	$ 2,216,544	$ -	$ 6,706,500	$ -	$ 439,761	**$ 9,362,805**
Acquired technology	4,667,072	-	-	-	397,616	**5,064,688**
Employment agreement	280,645	-	-	(280,645)	-	**-**
Product formulations	315,864	-	-	-	4,723	**320,587**
Licenses	-	-	21,881,900	-	900,240	**22,782,140**
Retail and customer relationships	-	-	12,371,520	-	588,380	**12,959,900**
Distribution network	-	-	4,705,180	-	205,940	**4,911,120**
Favourable lease	-	-	1,052,000	-	39,360	**1,091,360**
Software and systems	-	273,513	-	-	6,477	**279,990**
Total of Intangible Assets	$ 7,480,125	$ 273,513	$ 46,717,100	$ (280,645)	$ 2,582,497	**$ 56,772,590**
Goodwill	4,759,377	-	50,157,830	-	2,601,539	**57,518,746**
Total	$ 12,239,502	$ 273,513	$ 96,874,930	$ (280,645)	$ 5,184,036	**$ 114,291,336**

Accumulated Amortization	December 31, 2017	Amortization	Disposals	Impact of foreign exchange	**December 31, 2018**
Acquired brands	$ (258,597)	$ (562,683)	$ -	$ (46,805)	**$ (868,085)**
Acquired technology	(1,519,492)	(367,523)	-	(148,764)	**(2,035,779)**
Employment agreement	(65,484)	(56,129)	121,613	-	**-**
Product formulations	(28,954)	(30,597)	-	(1,752)	**(61,303)**
Licenses	-	(1,746,303)	-	(71,239)	**(1,817,542)**
Retail and customer relationships	-	(489,961)	-	(19,432)	**(509,393)**
Distribution network	-	(273,645)	-	(11,118)	**(284,763)**
Favourable lease	-	(58,080)	-	(2,456)	**(60,536)**
Software and systems	-	-	-	-	**-**
Total of Intangible Assets	$ (1,872,527)	$ (3,584,921)	$ 121,613	$ (301,566)	**$ (5,637,401)**
Net Book Value	$ 10,366,975		$ (159,032)		**$ 108,653,935**

The following is a summary of the intangible assets at December 31, 2017:

Cost	December 31, 2016	Additions	Impairment	Impact of foreign exchange	December 31, 2017
Acquired brands	$ 2,369,944	$ -	$ -	$ (153,400)	$ 2,216,544
Acquired technology	4,990,066	-	-	(322,994)	4,667,072
Employment agreement	280,645	-	-	-	280,645
Product formulations	315,864	-	-	-	315,864
Total of Intangible Assets	$ 7,956,519	$ -	$ -	$ (476,394)	$ 7,480,125
Goodwill	6,438,885	-	-	(319,508)	6,119,377
Total	$ 14,395,404	$ -	$ -	$ (795,902)	$ 13,599,502

Accumulated Amortization	December 31, 2016	Amortization	Impairment	Impact of foreign exchange	December 31, 2017
Acquired brands	$ (39,241)	$ (229,497)	$ -	$ 10,141	$ (258,597)
Acquired technology	(82,625)	(483,221)	(975,000)	21,354	(1,519,492)
Employment agreement	(9,355)	(56,127)	-	(2)	(65,484)
Product formulations	-	(28,038)	-	(916)	(28,954)
Total Intangible Assets	$ (131,221)	$ (796,883)	$ (975,000)	$ 30,577	$ (1,872,527)
Goodwill	-	-	(1,360,000)	-	(1,360,000)
Total	$ (131,221)	$ (796,883)	$ (2,335,000)	$ 30,577	$ (3,232,527)
Net Book Value	$ 14,264,183				10,366,975

All additions above, with the exception of software and system, pertains to goodwill and identified intangibles on the acquisitions of Kaya and Alta in the first quarter and the acquisitions of FloraCal and RVR in the third quarter of fiscal 2018 (Note 4).

Amortization of intangible assets is classified as a separate line within operating expense. Software and systems charges include internal costs related to the development of an enterprise resource management system which has not been deployed as at December 31, 2018.

Intangible assets and goodwill have been tested for impairment during the fourth quarter of fiscal 2018. The Company impaired an intangible asset related to an employment agreement in connection with the retirement of an employee.

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

The Cultivation CGU is solely made up of the Company's subsidiary FloraCal Farms. Included in the Cultivation CGU are intangible assets which were obtained on acquisition of the entity in July 2018 (Note 3). Those intangible assets at year-end include licenses, a distribution network, a favourable lease and brands with an aggregate net book value of $28,535,845, in addition to goodwill of $10,008,014.

The Manufacturing CGU is made up of Kaya, Dreamcatcher, and all of the Company's acquired brands, which were moved from the California Brands CGU at December 31, 2017 to the Manufacturing CGU in 2018 (Note 3). Included in the CGU are intangible assets made up of distribution networks, brands, product formulations, and acquired technology with a year-end net book value of $6,558,326, in addition to goodwill of $9,216,061.

The Distribution CGU is made up of Alta Supply and River Distribution, which were both acquired in the current year and merged into one entity in the third quarter of 2018 (Note 3). The intangible assets included in the CGU are licenses, as well as retail relationships with an aggregate year-end net book value of $15,761,028, in addition to goodwill of $36,792,008.

The recoverable amount of the Cultivation, Manufacturing, and Distribution CGUs are based on fair value less costs of disposal, which is estimated using a five-year cash flow projection, with a terminal growth rate of 2.0% beyond the five-year period. The range of weighted average cost of capital was determined to be approximately 15% - 22% based on a risk-free rate, equity risk premium, equity beta, size premium, company-specific premium, and pre-tax cost of debt. The recoverable amount is estimated using an earnings-based approach whereby the forecasted revenues are based on external forecasts detailing growth in the California recreational cannabis markets. The Company has determined that the estimated recoverable amount of the Cultivation, Manufacturing, and Distribution CGUs were in excess of their carrying values as at December 31, 2018. As a result, no impairment charge was recognized during this fiscal period. The Company believes that a slight change in the key assumptions would not cause the recoverable amount to decrease below the carrying value.

16. Amounts Payable and Accrued Liabilities

Amounts payable and accrued liabilities consist of the following balances:

		December 31, 2018		December 31, 2017
Trade accounts payable	**$**	**5,316,702**	$	290,260
Other accrued liabilities (1)		**1,992,161**		1,196,725
Payroll accruals		**2,652,568**		-
Sales tax payable		**447,863**		-
Other payables (2)		**605,991**		119,704
Total amounts payable	**$**	**11,015,285**	$	1,606,689

(1) Included in other accrued liabilities for the year ended December 31, 2018 was nil accrued interest on the Company's line of credit (December 31, 2017 – $36,111).
(2) The December 31, 2017 other payables were mainly made up of a payable for a warrant exercise in the amount of $95,990.

17. Other Liabilities

		December 31, 2018		December 31, 2017
Promissory notes (1)	**$**	**-**	$	425,345
Vehicle loans (2)		**99,188**		-
Preferred shares held by non-controlling interests (3)		**13,550,172**		-
Total other liabilities	**$**	**13,649,360**	$	425,345

(1) On November 30, 2016, in connection with Origin House's acquisition of 70% membership interest in Achelois, a promissory note for $433,709 (US $336,000) was issued by Achelois to its founding shareholder. The note bore interest at 0.66% per annum and was fully repayable. On June 11, 2018, the minority shareholder to whom this note was payable agreed to waive this note in exchange for the return of inventory which had a value of $433,709 (US $336,000) on the acquisition of Achelois. This inventory was fully impaired in 2017, and accordingly the recovery in its value has been recorded as a reduction in cost of sales during the second quarter of fiscal 2018.

(2) As part of the acquisition of Alta, the Company inherited loans related to the purchase of delivery vehicles. The loans fully mature in fiscal 2020, and bear interest at a rate of 2.91% to 4.84%.

(3) Trichome, a subsidiary of the Company, issued Class A Preferred shares at the subsidiary level as part of a private placement which closed on September 5, 2018, for $4.73 per share. Proceeds were $13.5 million, net of the Company's investment, excluding issuance costs of $480,383. The shares are convertible to cash, at the option of the holder, for $5.15 per share should an Initial Public Offering of Trichome fail to occur or other events fails to occur by September 5, 2019. Consequently, the Class A Preferred shares are classified as liabilities on the Company's statement of financial position, and issuance costs have been netted against gross proceeds.

    Included in the balance of $13,550,172 at December 31, 2018 is accrued interest expense of $558,302 based on an annualized effective interest rate of 11.9%. This annualized effective interest rate is based on a 9% interest rate before taking transaction costs into consideration.

The following is a reconciliation of the promissory note activity for the years ended December 31, 2018 and December 31, 2017:

		2018		2017
Opening balance, January 1	**$**	**425,345**	$	451,618
Promissory notes issued		**71,662**		-
Accrued interest		**765**		2,959
Loans and interest waived		**(433,210)**		-
Promissory notes repaid		**(71,662)**		-
Impact of foreign exchange		**7,100**		(29,232)
Closing balance, December 31	**$**	**-**	$	425,345

18. Convertible Debt

8% unsecured convertible debentures

On July 12, 2018, the Company closed a private placement of 32,980 convertible debentures at a price of $1,000 per debenture for aggregate gross proceeds to the Company of $32,980,000, including an over-allotment option of $2,980,000. The convertible debentures have a maturity date of three years from the closing date and bear interest from the date of closing at 8.0% per annum, payable semi-annually on June 30 and December 31 of each year. The debentures can be convertible, at the option of the holder, into common shares of the Company at any time prior to the maturity date at a conversion price of $6.25 per common share. At any time following the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the outstanding convertible debentures at the Conversion Price should the daily volume weighted average trading price of the common shares be greater than $9.00 for any ten consecutive trading days.

In accordance with IAS 32 *Financial Instruments – Presentation,* the Company allocated the above proceeds of $32,980,000 net of transaction costs of $1,730,261 as follows; $4,124,998 was the value of the conversion feature while an amount of $27,124,741 was classified as debt. A deferred tax charge of $1,093,124 was applied to the conversion feature and the net amount of $3,031,874 was recorded within equity. The amount recorded in equity reflects the estimated residual value of the conversion feature, using the discounted cash flow method. This valuation model considers the present value of cash flows associated with the debentures, discounted at prevailing market borrowing rate presently available to the Company for lending facilities with similar terms. The difference between the principal amount of the debentures and the discounted cash flows represents the initial value of the conversion feature.

At December 31, 2018 interest payable was $4,214 as the semi-annual interest payments were paid prior to December 31, 2018 as required by the warrant indenture.

Management has identified that the discount rate used in determining the fair value of the option in the compound instrument constitutes a significant unobservable input as an increase or decrease in the discount rate will result in an increase or decrease in fair value. It does not however expect a significant variation in the discount rate that could result in a material change to the valuation of instruments.

		December 31, 2018
Balance of 8% convertible debentures, January 1	**$**	**-**
Net Proceeds from issuance of 8% unsecured convertible debetures		**31,249,738**
Value of conversion feature at initial recognition		**(4,124,998)**
Interest accreted during the year		**668,330**
Value of debt converted to equity during the year (note 23(10))		**(11,766,972)**
Closing balance, December 31	**$**	**16,026,098**

As at December 31, 2018 the holders of the options representing 42.5% of the initial issued debentures had exercised their right and converted 14,017 units ($14.0 million) of this debt into 2,242,720 Origin House common shares.

Aphria Inc. ("Aphria") secured convertible debt

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria, a publicly traded company, and licensed medical cannabis producer in Ontario, for $1.5 million. The debenture, which was to mature on October 19, 2019, was secured by the assets of the Company and availed at an interest rate of 5% per annum, payable annually. The option to settle payments in common shares represented an embedded derivative to the Company and was valued at $138,417 at inception based on the value of the loan and assigning the residual to equity. This was included in contributed surplus at initial recognition but has been re-classified to share capital on conversion of the debt (Note 23). The loan was convertible by Aphria, in whole, or in part, into common shares of the Company at a conversion rate of $2.00 per share at any time prior to maturity. During April 2018, Aphria elected to convert the debt into 750,000 shares of Origin House.

		2018		2017
Balance of Aphria convertible debt, January 1	**$**	**1,431,950**	$	1,376,583
Accreted interest		**(3,370)**		55,367
Conversion option exercised by Aphria (Note 23(8))		**(1,428,580)**		-
Closing balance, December 31	**$**	**-**	$	1,431,950

19. Interest Expense

The following is a summary of interest expense for the years ended December 31, 2018 and December 31, 2017.

	Years ended			
		December 31, 2018		December 31, 2017
Interest accretion on Floracal contingent consideration (Note 4)	**$**	**85,470**	$	-
Interest expense on Class A Preferred shares Series 1 (Note 17(3))		**558,302**		-
Interest and accretion expense on Aphria convertible note (Note 18)		**30,534**		130,367
Interest and accretion expense on 8% convertible debenture (Note 18)		**1,801,982**		-
Amortization of deferred financing fees on line of credit (Note 20)		**185,210**		64,740
Interest on Sprott line of credit (Note 20)		**183,521**		36,111
Amortization of Sprott transaction costs (Note 20)		**640,800**		229,986
Loan Payable		**-**		3,064
Other interest expense		**41,709**		3,689
Total	**$**	**3,527,528**	$	467,957

20. Deferred Financing Charges (Line of Credit)

		January 1, 2018		**Repayment of credit**		**Transaction cost**		**Amortization of cost**		**December 31, 2018**
Line of credit at January 1, 2018	$	(3,000,000)	$	-	$	-	$	-	**$**	**(3,000,000)**
Amount repaid		-		3,000,000		-		-		**3,000,000**
Warrants issued to Sprott		1,692,414		-		-		(640,800)		**1,051,614**
Agents commission and legal fees		481,069		-		6,500		(185,210)		**302,359**
Deferred financing fees (line of credit) at December 31, 2018	$	(826,517)	$	3,000,000	$	6,500	$	(826,010)	**$**	**1,353,973**

Of the outstanding fees as at December 31, 2018, an amount of $824,735 will be amortised over the next 12 months and has been classified as a current asset. (December 31, 2017 - nil).

	Line of credit	Repayment of credit	Transaction cost	Amortization of cost	December 31, 2017
Line of Credit at January 1, 2017	$ -	$ -	$ -	$ -	$ -
Amount drawn	(3,000,000)	-	-	-	(3,000,000)
Warrants issued to Sprott	-	-	1,922,400	(229,986)	1,692,414
Agents commission and legal fees	-	-	545,810	(64,741)	481,069
Line of Credit at December 31, 2017	$ (3,000,000)	$ -	$ 2,468,210	$ (294,727)	$ (826,517)

On August 23, 2017, the Company executed an agreement with Sprott Inc. ("Sprott") to complete a $12.0M financing. The financing is comprised of a revolving $12.0 million secured credit facility ("the Facility") with a three-year term. The Facility bears interest at an annual rate of 10%, payable quarterly in cash or Origin House shares. Per the agreement, if the interest is repaid in Origin House shares, the share price will be determined based on a 10% discount of the volume weighted average price in the five trading days immediately prior to the second last business day of the quarter. As there is no balance drawn on the line of credit with Sprott, the net balance is in an asset position as of December 31, 2018.

At December 31, 2018, the Company has nil drawn on the line of credit (December 31, 2017 - $3,000,000). During April 2018, following the closing of a bought deal financing (Note 23), the Company utilized $1,000,000 of the proceeds to reduce the line of credit. The remaining balance of $2,000,000 with interest of $40,000 was repaid in full on September 10, 2018.

Interest expense on the line of credit was $183,521 for the year ended December 31, 2018 (December 31, 2017 - $36,111).

Warrants Issued and other financing charges in connection with the Facility

In connection with the Facility, Origin House issued Sprott 1,800,000 non-transferable common share purchase warrants which were valued at $1,922,400. These have been recorded as transaction costs which offset the line of credit balance. The warrants are exercisable for $2.05 each, in whole or in part for a 36-month period following the date of issuance. These warrants were valued using the Black-Scholes Model with the following key assumptions; a grant price of $2.05, exercise price of $2.05, volatility of 80% based on comparable industry benchmarks, life of 3 years, and a risk-free interest rate of 1.27%. The current value of these financing fees is $1,051,614, which represents the original value of $1,922,400 net of amortization of $870,786. These costs are amortized on a straight-line basis over the three-year term of the line of credit.

In 2017 Origin House recorded legal fees of Sprott Inc. in the amount of $117,810 as well as agent commission costs of $428,000, which were paid in the form of warrants (Note 23)

Agent commission and legal financing fees of $185,210, and amortized warrants of $640,800 were expensed during the year as components of interest expense ($64,741 and $229,986 for the year ended December 31, 2017). The current amortized value of the fees is now $302,359.

21. Commitments and Contingencies

The Company leases office, manufacturing, and commercial space in Ontario and California. The Company also leases a fleet of vans for its distribution subsidiary.

At December 31, 2018, the Company has the following future aggregate minimum lease payments:

2019	$	3,540,189
2020		2,403,210
2021		1,398,415
2022		1,231,845
2023		2,434,964
Total	**$**	**11,008,623**

Included in the above commitments are monthly rent expenses as well as the estimated monthly operating costs expected to be incurred related to the leased facilities. Total rent expense for the year ended December 31, 2018 was $1,195,611 (2017 - $369,632).

In addition to future aggregate minimum lease payments, the Company has committed $223,715 related to leased computer hardware and technical support services for offices in Ontario and California. This commitment will be settled over the next two years.

The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. This agreement guarantees royalty payments of $5.1 million (US $3.8 million) based on separate quarterly guarantees over a 5-year period ending December 31, 2022. As part of the agreement, the Company has also agreed to spend a minimum of $1.4 million (US $1.0 million) on operational infrastructure and sales and marketing prior to the end of February 2020.

In connection with the FloraCal acquisition (Note 4), the Company committed to the previous owners to spending $10.2 million (US $7.5 million) for the construction of a new facility. The Company committed a total of $8.9 million to a construction company for the project, of which approximately $3.6 million remained committed at December 31, 2018.

An audit of a subsidiary of the Company is in process by a tax authority. The information usually required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the audit.

22. Related Party Transactions

The following is a summary of the related party balances at December 31, 2018 and December 31, 2017:

	2018	2017
Management bonus and vacation payable (1)	**(545,560)**	(565,638)
Working capital adjustment due from acquiree (2)	**487,786**	-
Net payable	**(57,774)**	(565,638)

The Company's key management personnel have the authority and responsibility for planning, directing, and controlling the activities of the Company and consists of the Company's executive management team and management directors. The following is a summary of related party transactions, including key management compensation for the years ended December 31, 2018 and 2017.

		2018		2017
Salaries and short-term benefits	$	**1,797,556**	$	1,875,321
Director's fees		**107,076**		-
Share-based compensation - key management and Board of Directors (3)		**2,949,767**		3,138,116
Rent and occupancy costs (4)		**360,693**		26,007
Royalties for exclusive distribution rights (5)		**450,922**		-
Total	$	**5,666,014**	$	5,039,444

(1) The management bonus and vacation payable are included in the amounts payable and accrued liabilities balance (Note 16).

(2) A working capital adjustment in connection with the Alta acquisition, in the amount of $487,786 (US $357,562) is owed by a member of key management, and former owner of Alta (Note 4). This balance is included in amounts receivable as at December 31, 2018 (Note 5).

(3) Includes share-based compensation of $2,016,828 issued to key management and $932,939 issued to the Board of Directors (2017 - $2,469,786 and $668,330 respectively).

(4) For the year ended December 31, 2018, rent expense of $360,693 was paid to a Board member in relation to FloraCal's production facility.

(5) The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. In connection with this agreement, Origin House issued 125,022 shares, valued at $480,450, which were recognized as prepaid royalty payments. During 2018, the Company incurred royalties of $450,922.

Other related party transactions

i) As part of the acquisition of Kaya and Alta, the Company inherited two loans, valued at $75,713 (US $55,500), to the former majority shareholder of the acquired companies. This individual is now a member of the Company's key management. These loans were fully repaid prior to year end.

ii) During the year, the Company issued 889,884 common shares to two members of key management. These were issued based on Alta and Kaya reaching certain post acquisition performance milestones (Note 4).

iii) The Company paid a balance of $833,442 to an entity owned by a member of key management for inventory that was purchased by Kaya at the beginning of fiscal 2018. This entity is now inactive, and no future purchase transactions are expected.

iv) During the year Trichome issued 200,000 shares to members of key management for total consideration of $40,000.

v) The Company acquired $95,911 (US $74,000) in inventory from Cub City, a cultivator partially owned by the former owners of FloraCal. FloraCal sold $167,197 (US $129,000) of inventory to Cub City in an unrelated transaction before the Company acquired FloraCal; this amount was included in accounts receivable upon acquisition.

23. Share Capital

Authorized:

Unlimited number of common shares

Issued and outstanding:

60,263,768 common shares, voting, 35,088 Class A compressed shares, voting, and 21,001 RPE compressed shares, non-voting.

	Number of shares	$
Common shares	60,263,768	$ 123,566,588
Class A compressed shares	35,088	17,544,000
RPE compressed shares	21,001	13,125,000
Balance at December 31, 2018		**$ 154,235,588**

Common shares

The following table summarized share issuances for the year ended December 31, 2018:

	Number	Amount
Balance at January 1, 2018	**43,898,445**	**$ 50,007,891**
Shares issued due to exercise of warrants issued to Sprott at $2.05 (1)	900,000	2,806,200
Shares issued due to exercise of warrants at $1.50 and $4.50 (2)	2,673,603	13,685,854
Shares issued due to exercise of compensation warrants at $2.00-$5.50 (3)	989,968	5,009,053
Shares issued for interest on Sprott line of credit (4)	44,668	179,632
Shares issued for purchase of Kaya and Alta (5)	2,253,310	8,540,045
Shares issued due to exercise of warrants at $5.50 (6)	2,242,272	15,538,944
Shares issued for April 2018 financing and over allotment shares at $4.00 (6)	4,312,500	11,940,687
Shares issued on release of RSUs (note 24 "share unit plan")	737,274	1,590,978
Shares issued on exercise of stock options (note 24 "share option plan")	50,000	306,500
Shares repurchased under a Normal Course Issuer Bid (7)	(975,900)	(1,647,019)
Shares issued for the settlement of Aphria convertible debt (8)	750,000	1,566,997
Shares issued as prepayment of royalty and initial distribution rights (9)	144,908	582,765
Shares issued for conversion of 8% unsecured convertible debentures (10)	2,242,720	13,458,061
Balance at December 31, 2018	**60,263,768**	**$ 123,566,588**

(1) These warrants were issued in connection with a line of credit from Sprott (Note 20). The total charge to share capital of $2,806,200 includes cash proceeds from these exercises of $1,845,000 and their initial fair value of $961,200.

(2) These warrants were issued as part of the July 2016 and February 2017 bought deal financing. The total charge to share capital of $13,685,854 includes cash proceeds from these exercises of $11,486,735 and the initial fair value of these warrants of $2,199,119.

(3) Compensation warrants were issued to agents as part of equity financing raises in November 2016, February 2017, and April 2018. The total charge to share capital of $5,009,053 includes cash proceeds from exercises of $3,591,839 and the initial fair value of these warrants of $1,417,214.

(4) In accordance with the line of credit with Sprott, quarterly interest of 10% can be paid via the issuance of shares (Note 20). These shares were issued in consideration for extinguishing interest of $179,632 in fiscal 2018.

(5) In connection with the acquisition of Alta and Kaya (Note 4), 579,691 and 675,125 shares were issued at the acquisition date. During the year, 998,494 milestone performance shares were issued to specific shareholders of Kaya and Alta.

(6) On April 13 and April 17, 2018, the Company completed a bought deal financing, including an over-allotment, for gross proceeds of $17,250,000. This financing resulted in the issuance of 4,312,500 Origin House units (including over-allotment units) at $4.00 per unit. Each unit comprised one Origin House common share and a half-share purchase warrant exercisable at $5.50. The total proceeds of $17,250,000 were allocated as follows; 4,312,500 financing and over-allotment common shares valued at $11,940,687, the 2,156,250 financing warrants were fair valued at $3,062,402 (see section *Warrants*), and the total transaction cost of $2,246,911. As part of the transaction costs, 258,750 compensation warrants were issued to brokers with a fair value of $641,844. The fair value of the warrants was determined using the Black-Scholes Model, with the difference between the issue price of the units and the fair value of the warrants allocated to shares. The transaction and compensation warrant costs were bifurcated, with $1,874,855 applied against the value of the shares, and $372,055 applied against the value of warrants. The amount assigned to share capital and the warrant reserve is stated net of transaction and compensation warrant costs, which have been allocated proportionately between shares and warrants.

A total of 2,242,272 warrants (including compensation half warrants) were exercised following the acceleration of their expiry date on November 23, 2018. The additional share capital of $15,538,944 was made up of the proceeds from exercises of $12,332,495 and the initial fair value of the warrants of $3,206,449. A total of 26,966 warrants representing a fair value of $41,452 expired.

(7) On August 27, 2018, the Company commenced a share buy-back bid to repurchase its stock on the open market. During the year, 975,900 common shares were bought back for cash of $5,978,390, with $4,331,371 recorded in accumulated deficit. The additional deficit has been derived based on the difference between the fair value of the shares at the buy-back date as compared to the average cost per common share capital prior to the buy-back transaction.

(8) Following the exercise of the conversion option by Aphria (Note 18) in April 2018, $1,566,997 was added to share capital, which was comprised of the conversion value of the debt of $1,428,580, as well as the $138,417 allocated to equity at inception of the debt and previously recorded in contributed surplus.

(9) During 2018, the Company issued shares as prepayment of royalties for distribution rights as follows:

On February 21, 2018, Kaya, a wholly-owned subsidiary of Origin House entered into a licensing agreement. A sum of $480,450 (US $375,000) was advanced as stock and prepaid royalties in the form of 125,022 Origin House common shares at $3.85 per share. Under the terms of the agreement, the shares were valued based on a trailing 15-day average Origin House share price issued within ten days of execution of the licensing agreement.

In July 2018, Company entered into a royalty agreement with Pacific Remedy ("PR") to manufacture and distribute PR products. Following the achievement of a milestone by PR, 19,886 Origin House common shares valued at $102,315 were issued. The shares were valued based on the closing price of Origin House shares on the date prior to the announcement of the agreement which occurred on July 12, 2018.

(10) As at December 31, 2018, 14,017 units of debentures were converted to common shares, representing a fair value of $11,766,972 based on the value of the debt at initial recognition. The value recognised in share capital includes the amounts of $1,288,592 and $402,497 which were reclassified to share capital from contributed surplus and deferred tax liability respectively based on the percentage of debt that had been converted.

	Number	Amount
Balance at January 1, 2017	**36,006,956**	**31,351,441**
Shares issued in connection with the exercise of share options at $1.00 per share - January 17, 2017	25,000	53,414
Shares issued in connection with a bought deal financing at $2.52 per share - February 15, 2017 (net of share issuance costs of $958,046 and value of broker warrants of $531,000) (11)	5,000,000	11,110,954
Shares issued in connection with Anandia purchase at $2.93 per share - February 17, 2017 (12)	689,568	2,021,222
Shares issued due to exercise of warrants at $1.50 during fiscal 2017 (13)	762,202	1,524,404
Shares issued due to exercise of broker warrants at $2.00 during fiscal 2017 (14)	81,219	236,347
Shares issued in connection with conversion of RSUs - during fiscal 2017	88,333	169,849
Shares issued for consulting services - July 10, 2017 at $2.55 per share	11,765	30,000
Shares issued in connection with prior share subscription - August 24, 2017 - subscribed at $2.05 per share (15)	243,902	500,000
Shares issued in connection with termination penalty - August 24, 2017 (16)	89,500	204,060
Shares issued due to exercise of warrants issued to Sprott at $2.05 (17)	900,000	2,806,200
Balance at December 31, 2017	**43,898,445**	**50,007,891**

(11) On February 15, 2017, the Company closed an equity financing of 5,000,000 units at a price of $3.00 per unit, for aggregate gross proceeds to the Company of $15.0 million. Each unit was comprised of one common share and half of one share purchase warrant. Each half share purchase warrant was valued at $0.48, leaving a value of $2.52 for each common share. Furthermore, as part of this financing 300,000 compensation warrants were issued, with a value of $1.77 per warrant, totalling $531,000. When the compensation warrants are exercised at $3.00 per share, an additional one-half share purchase warrant would be issued at $4.50 per share. The total issuance costs related to the offering were $1,773,998 including compensation warrant costs. Of this amount, $1,489,046 was allocated to share capital and $284,952 was allocated to warrant reserve, based on the relative fair values of each component.

(12) On February 17, 2017, the Company closed an investment with Anandia, representing a 20% equity interest, for share consideration of $2,021,222. As per the agreement, 682,097 common shares were issued to Anandia at a price of $2.93. The share price was based on the volume-weighted average price of the shares in the ten days prior to closing. A further 7,471 common shares were issued at closing to maintain the Company's 20% equity interest. These shares were valued at $2.84 based on the prior day closing price.

(13) Share capital includes 762,202 exercised warrants with an exercise price of $1.50, an initial fair value of $381,101, and proceeds of $1,143,303.

(14) Share capital includes 81,219 exercised compensation warrants with an exercise price of $2.00, an initial fair value of $73,909, and proceeds of $162,438.

(15) In connection with a letter of intent with Zenabis Limited Partnership ("Zenabis"), Zenabis paid $500,000 to the Company during November 2016. This payment was made to subscribe to 243,902 shares. These shares were issued on August 24, 2017.

(16) On August 24, 2017 the Company issued 89,500 shares as consideration for not completing a letter of intent transaction. These shares were valued based on the prior day closing share price and $204,060 was recorded in the consolidated statement of loss and comprehensive loss as penalties from non-completion of transactions.

(17) During December 2017, Sprott exercised 900,000 warrants at an exercise price of $2.05, for total proceeds of $1,845,000. The increase to share capital of $2,806,200 includes the initial fair value of these warrants of $961,200.

Class A Compressed Shares

Pursuant to the purchase agreement dated July 2, 2018, the Company issued 35,088 Origin House Class A compressed shares as a component of purchase consideration for FloraCal (Note 4) which are valued at $17,544,000. Each Class A compressed share is convertible into 100 common shares of Origin House, subject to certain conditions and restrictions and once converted are valued at $5.00 per common share, based on the Level 1 observable value of the Company's publicly traded common shares on July 2, 2018.

Class A compressed shares are entitled to vote together with holders of common shares, with respect to any matters upon which holders of common shares have the right to vote. Each Class A compressed share carries the right to one vote for each common share into which it can be converted.

RPE Compressed Shares

The Company closed the acquisition of RVR Distribution (Note 4). The vendors received 21,001 RPE compressed shares as a component of purchase consideration for RVR which were valued at $13,125,000. The RPE compressed shares will enable the recipients to acquire one Class A compressed share and each Class A compressed share is convertible to 100 common shares of Origin House valued at $6.25 based on level 1 observable value. The share price is based on Origin House share price at the acquisition date of August 31, 2018, the date at which the Company assumed control of RVR.

RPE shares have no voting rights until the RPE shares are exchanged for Origin House Class A compressed shares.

Shares to be issued and contingent shares

The following summarizes the shares to be issued and outstanding contingent shares at December 31, 2018:

	Number of shares		$
Contingent Class A compressed shares for acquisition of FloraCal (note 4)	35,088	$	**11,266,335**
Contingent RPE compressed shares to be issued to RVR (note 4)	49,000		**20,468,518**
Contingent common shares payable to Kaya and Alta (note 4)	607,498		**2,055,438**
Common shares to be issued for warrant exercises	3,450		**18,975**
Closing balance, December 31		$	**33,809,266**

Warrants

As at December 31, 2018, the outstanding share purchase and compensation warrants may be exercised for 12,938 common shares (December 31, 2017 – 4,112,712).

The following tables summarize the movement of warrants for the years ended December 31, 2018 and December 31, 2017:

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2018	**4,112,712**	**$**	**0.99**	**$**	**3.67**
Grants	2,744,375		1.51		5.25
Exercises	(6,809,293)		1.15		4.30
Expirations	(34,856)		1.38		5.27
Outstanding and exercisable at December 31, 2018	**12,938**	**$**	**1.68**	**$**	**4.00**

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2017	1,113,633	$	0.56	$	1.58
Grants	4,750,000		0.96		3.48
Exercises	(1,743,421)		0.82		1.81
Expirations	(7,500)		0.50		1.50
Outstanding and exercisable at December 31, 2017	4,112,712	$	0.99	$	3.67

The warrants reserve of $21,790 at December 31, 2018 (December 31, 2017 - $4,149,703), is based on the number of outstanding warrants and their weighted average grant date value.

On February 22, 2018, the Company issued 200,000 warrants at an exercise price of $4.00 to settle agent commission services provided in 2017. These options will expire in 3 years and have a value of $1.89 per warrant. These warrants were valued using the Black-Scholes Model with the following key assumptions: a grant price of $4.00 based on the closing price, volatility of 75% based on a weighted average of the Company's historical and industry benchmarks, and a risk-free interest rate of 1.75%.

In connection with the bought deal financing completed in April 2018, an aggregate of 3,750,000 units of Origin House, at a price of $4.00 per unit were issued. Each unit consist of one Origin House common share and half of one Origin House common share purchase warrant at an exercise price of $5.50. Each purchase warrant is exercisable to acquire one common share for a period of three years following the closing date of the offering, at the exercise price of $5.50. The underwriters were also granted an additional 562,500 over-allotment units at $4.00 each which were fully exercised. These units consisted of one share and one-half share purchase warrant, or a total of 281,750 warrants. In addition, a total of 225,000 warrants, 112,500 half warrants, 33,750 over-allotment and 16,875 over-allotment half warrants (aggregate 388,125 warrants) were issued as compensation warrants to the underwriters. The compensation warrants had an exercise price of $4.00 per warrant and will expire within 2 years from close of the issuance, while the compensation half warrants had an exercise price of $5.50 per warrant and will expire within 3 years of close of the issuance.

The April 2018 financing and compensation warrants were valued using a Black-Scholes Model with the following key assumptions and fair value. The financing warrants are valued net of the financing cost.

		Financing warrants		Financing over-allotment warrants		Broker warrants		Broker over allotment		Broker half warrant		Broker over allotment half warrant
Grant price	$	4.20	$	4.34	$	4.20	$	4.34	$	4.20	$	4.34
Blended volatility		73.30%		73.30%		73.30%		73.30%		73.30%		73.30%
Risk-free interest rate		1.99%		2.01%		1.86%		1.88%		1.99%		2.01%
Expected life		2.5yrs		2.5yrs		1.75yrs		1.75yrs		2.5yrs		2.5yrs
Time to expiry (actual life)		3yrs		3yrs		2yrs		2yrs		3yrs		3yrs
Black Scholes fair value	**$**	**1.43**	**$**	**1.52**	**$**	**1.67**	**$**	**1.77**	**$**	**1.58**	**$**	**1.67**

The blended volatility is based on a weighted average of the Company's historical and industry benchmarks.

On September 18, 2018, subsequent to meeting an acceleration trigger, the Company accelerated the expiry date of all outstanding common share purchase warrants issued pursuant to the warrant indenture dated February 15, 2017. A total of 2,492,110 financing warrants with proceeds of $11,214,495, and a grant date fair value of $2,108,373 were exercised from the issuance date to the end of the early expiry period on October 9, 2018. A total of 7,890 warrants, representing a fair value of $6,675 expired.

On November 23, 2018 the Company accelerated the expiry date of all outstanding common share purchase warrants issued pursuant to the warrant indenture dated April 13, 2018, subsequent to meeting the acceleration trigger. A total of 26,966 warrants representing a fair value of $41,452 expired.

The following table summarized the expiry date of outstanding warrants as at December 31, 2018. On average, the warrants will expire in 1.3 years.

Expiry date	Warrants and exercisable		Exercise price
April 13, 2020	12,938		4.00
Total	**12,938**	**$**	**4.00**

Non-controlling Interests

The table below shows the summarized financial information of the Company's subsidiaries with non-controlling interests. Amounts shown are before elimination of inter-company balances.

As at December 31, 2018		Achelois		Trichome
Cash and equivalents	$	873	$	13,810,095
Receivables		-		464,848
Accrued liabilities		-		(272,607)
Other payables		(299,939)		(15,231,083)
Non-Controlling Interests		107,912		(173,818)
Equity attributable to Origin House	$	(191,154)	$	(1,402,565)

The net changes in the non-controlling interests is as follows:

		Achelois		Trichome		Total
As at December 31, 2017	$	(177,006)	$	-	**$**	**(177,006)**
Equity		-		180,000		**180,000**
Net income/(loss)		79,969		(699,775)		**(619,806)**
Equity incentive plan		-		693,593		**693,593**
As at December 31, 2018	$	(97,037)	$	173,818	**$**	**76,781**

24. Share-Based Compensation

The following is a summary of the share-based compensation expenses by type for the years ended December 31, 2018 and December 31, 2017:

		Years ended		
		December 31, 2018		December 31, 2017
Share-based compensation:				
Share unit plan (1)	**$**	**3,550,721**	$	3,035,010
Share option plan (2)		**983,789**		548,871
Total Origin House plan		**4,534,510**		3,583,881
Subsidiary company plan (3)		**693,593**		-
Total	**$**	**5,228,103**	$	3,583,881

The following is a summary of share-based compensation expenses by function for the years ended December 31, 2018 and December 31, 2017:

	Years ended			
		December 31, 2018		December 31, 2017
General and administrative	**$**	**4,484,380**	$	3,239,019
Sales and marketing		**714,042**		265,943
Research and development		**29,681**		78,919
Total	**$**	**5,228,103**	$	3,583,881

(1) Share unit plan – Restricted Share Units ("RSUs")

On April 29, 2016, the Company established a share unit plan to provide directors, officers, consultants, or employees working for the Company, the opportunity to acquire RSUs to allow them to participate in the long-term success of Origin House.

The share unit plan provides for a maximum number of RSUs issuable set at a rolling maximum of 10% of the Company's issued and outstanding common shares. At December 31, 2018, a total of 1,634,859 RSUs were available for grant.

The number of RSUs granted, and any applicable vesting conditions are determined at the discretion of the Origin House Board or a compensation committee of the Board. The termination provisions under the share unit plan provide for automatic vesting of any unvested RSUs in the event of retirement, death, disability, and change in control. The RSUs are equity-settled and each RSU can be settled for one common share for no consideration.

Summary of Activity

The following table provides a summary of the movement in RSUs during the years ended December 31, 2018 and December 31, 2017:

	Years ended					
	December 31, 2018			December 31, 2017		
	Amount		**grant date value***	Amount		grant date value*
Outstanding RSUs, beginning of year	**4,153,150**	**$**	**2.28**	2,774,800	$	1.73
Granted	**52,000**		**5.68**	1,601,183		3.18
Settled in common shares	**(737,274)**		**2.16**	(88,333)		1.92
Forfeitures	**(36,666)**		**2.82**	(99,999)		2.09
RSU's withheld as tax on exercise	-		-	(34,501)		2.06
Outstanding RSUs, end of year	**3,431,210**	**$**	**2.47**	4,153,150	$	2.28

*the weighted average value of the RSUs at the Grant Date

The fair value of RSUs is based on the grant date share price. The average annual forfeiture rate for RSUs granted in the year ended December 31, 2018 is 4.5% (2017 – 0% to 4.5%).

Of the outstanding RSUs at December 31, 2018, 2,551,839 have vested but have not been converted (December 31, 2017 – 1,933,587), as employees may elect to defer the conversion of RSUs into common shares for a period of three years after the vesting date. A total of 879,371 unvested RSUs will vest in an average of 1.52 years.

(2) Stock Option Plan

The plan provides for a maximum number of common shares issuable with the ceiling set at a rolling maximum of 10% of the Company's issued and outstanding shares. At December 31, 2018, a total of 5,097,377 stock options were

available for grant.

As at December 31, 2018, there are 929,000 stock options outstanding. The outstanding options generally vest as follows; one-quarter at the grant date, and one-quarter at each of the following three grant date anniversaries.

The following is a summary of stock options for the respective years ended December 31, 2018 and December 31, 2017:

	December 31, 2018			December 31, 2017		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	**850,000**	**$**	**3.68**	25,000	$	1.00
Granted	**280,500**		**5.43**	850,000		3.68
Forfeitures	**(151,500)**		**3.73**	-		-
Exercised	**(50,000)**		**3.73**	(25,000)		1.00
Outstanding, end of year	**929,000**	**$**	**4.19**	850,000	$	3.68
Exercisable at end of year	**420,125**	**$**	**3.90**	212,500	$	3.68

The 508,875 unvested options as at December 31, 2018 will vest over an average of 1.2 years.

The fair value of stock options is determined using the Black-Scholes Model. The volatility is based on a weighted average of the Company's historical stock volatility and comparable industry benchmarks. The following outlines the range of assumptions used for 280,500 options granted during the year ended December 31, 2018 and 850,000 options granted for the year ended December 31, 2017.

	December 31, 2018	December 31, 2017
Expected life, in years	**4.0 - 5.75**	2.5 - 5.75
Volatility	**72.5% - 73.3%**	69.2% - 73.8%
Risk free interest rate	**1.93% - 2.26%**	1.54% - 1.86%
Average annual anticipated forfeiture	**4.5% - 5.8%**	0%-4.5%
Dividend yield	**0%**	0%
Closing stock price at grant date	**$4.20 - $5.38**	$2.86 - $3.73

50,000 options were exercised during 2018 (2017: 25,000). The share price at the date of exercise was $4.70 (2017: $3.06).

The following table summarizes the Company's share options by exercise price:

Range of Exercise Prices	**Number of Options Outstanding**	**Number of Options Vested**	**Weighted Average Remaining Life (Years)**
2.80	50,000	50,000	3.75
3.73	600,000	300,000	9.00
4.00-4.99	39,000	10,125	6.39
5.00 and greater	240,000	60,000	9.07
	929,000	**420,125**	**8.62**

(3) Subsidiary Plans

On September 5, 2018, the Board of Directors of Trichome approved an Equity Incentive Plan for its employees and directors. In aggregate, 850,000 common shares of the corporation are reserved for issue under the plan. The number of share units granted, and any applicable vesting conditions are determined at the discretion of the Trichome Board.

The Company recorded $693,593 (December 31, 2017 – nil) in share-based compensation expense related to the issuance of Options, RSUs and PSUs in Trichome to employees and Directors of Trichome, with a corresponding increase to non-controlling interests of the Company.

		December 31, 2018
Equity incentive plan:		
Restricted Share Units	**$**	**654,407**
Perfomance Share Units		**38,816**
Share Options		**370**
Total	**$**	**693,593**

Trichome Restricted Share Units (RSUs)

During the year ended December 31, 2018, 545,100 share units were granted to employees and directors at a weighted average grant date value of $2.76. The share units generally vests annually over three years. 53,333 of the granted units were forfeited due to the exit of two of Trichome's directors. Of the 491,767 outstanding RSUs, a total of 161,701 had vested but have not been converted at December 31, 2018. The 330,066 unvested units is expected to vest over 1.33 years and have an average expected life of 4 years.

Trichome Performance Share Units (PSUs)

During the year ended December 31, 2018, performance shares were issued to a director of Trichome. The performance shares vest following the achievement of certain milestones. The value of the performance shares is $52,500 based on the common share price at grant date of $0.25. At December 31, 2018, 140,000 of the PSUs have vested but remain unexercised. The remaining 70,000 units has a remaining contractual life of 1.42 years within which the remaining milestone is expected to have been achieved.

Trichome Share Options

During the year ended December 31, 2018, 5,000 stock options were granted to an employee at an exercise price of $4.73 based on the expected value per share within the September 2018 financing (Note 23). The options vest as follows; one-third at the grant date and one-third at each of the following two grant date anniversaries.

The fair value of stock options was determined by a Black-Scholes Model. The options have an expected life of 4.5 years and risk-free interest rate of 2.01%. Stock price at grant date was $0.25. Being its initial stock-based compensation, forfeiture rate is zero while volatility is derived by benchmarking with companies of similar profile. At December 31, 2018 1,667 of these options have vested but were unexercised. The unvested 3,333 units will vest over 1.67 years. The options have a contractual life of 10 years.

Dilutive effect of Trichome's equity incentive plan

If all Trichome's equity compensation plan vests and are fully exercised, it will result in the dilution of the holdings of Origin House in Trichome from 68.97% to 52.86%.

	Trichome	Shares held by Origin House	Origin House holding (%)
Issued and outstanding common shares	2,320,000	1,600,000	69.0%
Dilutive effect of equity compensation plan:			
Restricted share units	491,767	-	-
Performance share units	210,000	-	-
Share options	5,000	-	-
Total dilutive shares	706,767	-	-
Total Outstanding and diluted shares	**3,026,767**	**1,600,000**	**52.9%**

25. Loss per Share

The basic loss per share ("EPS") has been calculated based on the following net profit attributable to ordinary shareholders and the weighted average number of common shares outstanding:

	Years ended	
	December 31, 2018	December 31, 2017
Loss attributable to ordinary shareholders	**$ (8,413,927)**	$ (8,891,490)
Weighted average number of common shares issued and outstanding:		
Issued and outstanding ordinary shares beginning of year	**43,898,445**	36,006,956
Effect of RSUs released	**378,015**	42,465
Effect of share options exercised	**20,685**	23,836
Effect of Warrants exercised	**2,734,352**	257,587
Effect of shares issued from financing activities	**3,631,276**	4,470,431
Effect of shares issued for acquisitions	**3,575,737**	600,774
Effect of conversion of convertible debt	**260,116**	-
NCIB Purchases	**(44,841)**	-
Others	**73,150**	37,517
Weighted average number of shares	54,526,935	41,439,566
Basic and diluted loss per share	**$ (0.15)**	$ (0.21)

Included in the weighted average number of shares at December 31, 2018, are the common share equivalents of the Class A and RPE compressed shares based on the dates they were issued in the acquisitions of FloraCal and RVR (Note 4), respectively.

The calculation of diluted net loss per share for the years ended December 31, 2018 and December 31, 2017 excludes exercisable warrants (Note 23), in-the-money vested RSU's and share options (Note 24), convertible debt (Note 18) and contingent shares because their effect would have been anti-dilutive.

26. Income Taxes

Income tax expense recognized in net loss consists of the following components:

		Years ended December 31, 2018		December 31, 2017
Current tax for the year	**$**	**711,127**	$	102,236
Adjustments of previous years		**(88,001)**		2,785
Current tax expense	**$**	**623,126**	$	105,021

Components of deferred income tax recovery

		Years ended December 31, 2018		December 31, 2017
Origination and reversal of temporary differences	**$**	**(3,792,148)**	$	(1,028,430)
Difference between statutory tax rate and deferred tax rate		**1,403,571**		(577,314)
Change in temporary difference for which no deferred tax assets are r		**436,775**		(79)
Deferred tax recovery	**$**	**(1,951,802)**	$	(1,605,823)

The Company's expected tax rate is different from the combined federal and provincial income tax rate in Canada. These differences result from the following elements:

		Years ended December 31,		December 31,
Net loss before income taxes	**$**	**(10,362,409)**	$	(10,566,294)
Expected tax recovery calculated using the combined federal and provincial tax rate in Canada (26.5% at December 31, 2018)		**(2,746,038)**		(2,800,068)
Adjustments for the following items:				
Tax rate differences		**1,495,073**		(759,004)
Changes in foreign tax rates		**(72,921)**		(1,155,699)
Foreign exchange		**1,463,345**		(393,120)
Permanent differences		**(1,322,666)**		1,709,642
Disallowed items under IRC 280E		**661,722**		456,955
Change in temporary differences for which no tax assets are recorde		**(575,666)**		1,868,270
True up and other		**(231,524)**		(427,778)
Income tax recovery	**$**	**(1,328,676)**	$	(1,500,802)

The following is a reconciliation of the deferred tax assets and liabilities recognized by the Company:

		Opening December 31, 2017		Established on business combination		Recognized in Income		Recognized in Equity/OCI		Ending December 31, 2018
Investments	$	(429,974)	$	-	$	(2,279,517)	$	(142,838)	$	(2,852,329)
Intangible Assets		(1,465,502)		(13,106,718)		964,496		(555,472)		(14,163,196)
Inventory and Biological assets		-		(365,716)		221,290		(19,530)		(163,956)
Property and Equipment		(38,248)		(228,693)		206,868		(11,855)		(71,928)
Share Issue Costs		403,241		-		132,767		655,033		1,191,041
Loss carryforward		3,912,862		-		4,194,017		220,311		8,327,190
Foreign denominated loan		(56,019)		-		(466,882)		2,999		(519,902)
Other		561,696		163		(1,039,116)		(747,566)		(1,224,823)
Tax benefits not recognized		(4,166,732)		-		17,879		(730,122)		(4,878,975)
Deferred tax liability	$	**(1,278,676)**	**$**	**(13,700,964)**	**$**	**1,951,802**	**$**	**(1,329,040)**	**$**	**(14,356,878)**

	Opening December 31, 2016	Established on business combination	Recognized in Income	Recognized in Equity/OCI	Ending December 31, 2017
Investments	$ 36,570	$ -	$ (466,544)	$ -	$ (429,974)
Intangible Assets	(3,001,766)	-	1,411,751	124,513	(1,465,502)
Property and Equipment	25,511	-	(65,240)	1,481	(38,248)
Share Issue Costs	132,681	-	(108,142)	378,702	403,241
Loss carryforward	1,897,687	-	2,023,930	(8,755)	3,912,862
Foreign denominated loan	(91,218)	-	35,199	-	(56,019)
Other	(1,558)	-	563,226	29	561,696
Tax benefits not recognized	(1,999,673)	-	(1,788,357)	(378,702)	(4,166,732)
Deferred tax liability	$ (3,001,766)	$ -	$ 1,605,823	$ 117,268	$ (1,278,676)

As at December 31, 2018 and December 31, 2017 the Company had the following temporary differences for which no deferred tax asset was recognized in the consolidated statement of financial position:

	Years ended December 31, 2018	December 31, 2017
Investments	**-**	1,115,455
Intangible Assets	-	56,844
Property and Equipment	**9,265**	16,542
Share Issue Costs	**1,646,171**	1,521,663
Loss carryforward	**17,226,366**	7,289,709
Foreign denominated loan	**14,363**	-
Other	**-**	1,694,597
Total temporary differences	**$ 18,896,165**	$ 11,694,810

As at December 31, 2018, the Company has the following non-capital losses which are available to reduce income tax payable in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position. The non-capital losses can be carried to the following years:

December 31, 2038	**$ 18,934,906**
December 31, 2037	**9,743,598**
December 31, 2036	**3,548,512**
December 31, 2035	**3,117,597**
December 31, 2034	**145,173**
December 31, 2033	**210,242**
Total non-capital losses, December 31, 2018	**$ 35,700,028**

As at December 31, 2017, the Company had the following non-capital losses which are available to reduce income tax payable in future periods, for which no deferred tax asset has been recognized in the consolidated statement of financial position. The non-capital losses can be carried to the following years:

December 31, 2037	$ 6,479,311
December 31, 2036	4,768,882
December 31, 2035	3,049,654
December 31, 2033	145,173
Total non-capital losses, December 31, 2017	$ 14,443,020

Certain subsidiaries operate in California and have a combined federal and state tax rate of 27.98%. The U.S. federal tax rate is 21.00%.

27. Financial Instruments

Fair value

The following table summarized the fair values of recognized financial instruments using the valuation methods and assumptions described below. Unless otherwise noted, carrying values approximate fair values for each financial instrument:

			December 31, 2018	December 31, 2017
Cash and cash equivalents	FVTPL	Level 1	**69,206,193**	4,522,644
Investments	FVTPL	Level 1	**542,940**	-
Investments	FVTPL	Level 2	**283,637**	17,243,342
Investments	FVTPL	Level 3	**17,730,553**	-
Loans receivable	FVTPL	Level 3	**1,929,684**	1,102,168
Amounts receivable	Amortized cost		**3,110,989**	1,429,123
Convertible notes receivable	Amortized cost		**-**	373,127
Amounts payable	Amortized cost		**11,015,285**	409,964
Current purchase consideration	Amortized cost		**683,167**	-
Line of credit	Amortized cost		**-**	826,517
Convertible debt	Amortized cost		**16,030,312**	1,431,950
Non-current purchase consideration	Amortized cost		**1,184,482**	-
Loans payable and other liability	Amortized cost		**13,649,360**	425,345

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

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

The Company's financial instruments carried at fair value consist of cash and equivalents (Level 1), loans receivable (Level 3) and investments (Level 1,2, and 3). Financial instruments are valued using observable market inputs, such as the prime rate of borrowing and the Company's stock price. The Company has not transferred any financial instruments between Level 1, 2, or 3 of the fair value hierarchy during the year ended December 31, 2018, with the exception of financial instruments discussed within the financial statement note.

Management performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. Valuation techniques are based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information. The finance team reports directly to the chief financial officer and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuations team at least every year, in line with the Company's reporting dates.

The following table reconciles the carrying amounts of investments classified as Level 3:

	Bodhi	AltMed	180 Smoke Loan Receivable	Total
Balance at January 1, 2018	$ 250,000	$ 6,277,456	$ -	$ 6,527,456
Funds advanced to 180 Smoke	-	-	1,850,000	1,850,000
Unrealized gains recognized in profit or loss	3,490,000	6,868,042	34,615	10,392,657
Interest revenue	-	-	45,069	45,069
Foreign exchange impact	-	845,055	-	845,055
Balance December 31, 2018	**$ 3,740,000**	**$ 13,990,553**	**$ 1,929,684**	**$ 19,660,237**

For the year ended December 31, 2017, AltMed was considered a Level 2 investment considering its fair value was determined based on a transaction that occurred during the year and not based on unobservable inputs and valuations techniques. For the year ended December 31, 2017, investments in Fleurish (note 12) and Bodhi were recognized at cost and are now valued using Level 2 and Level 3 inputs respectively.

Financial risk management

In the normal course of business, the Company uses various financial instruments, which by their nature involve risk, including market risk, interest rate risk, liquidity risk, and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures. Furthermore, by the nature of the cannabis industry the Company has other risks such as asset forfeiture and banking risk.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risk to which the Group is exposed are described in more detail below.

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due by continuously monitoring actual and forecasted cash flows.

The Company has sustained losses since incorporation and has financed these losses primarily through a combination of equity and debt offerings, as well as the sale of non-core investment holdings. As at December 31, 2018, the Company has contractual obligations relating to amounts payable and accrued liabilities, loans, convertible debt, purchase consideration payable, and taxes.

As at December 31, 2018, the Company's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Due within				**December 31, 2018**
	6 months	6 - 12 months	1 -2 years	2 -3 years	
Amounts Payable and accrued liabilities	$ 11,015,285	$ -	$ -	$ -	**$ 11,015,285**
Current purchase consideration payable	683,167	-	-	-	**683,167**
Other liabilities (1)	-	13,550,172	-	-	**13,550,172**
Loan payable	33,063	33,062	33,063	-	**99,188**
Convertible debt (2)	16,030,312	-	-	-	**16,030,312**
Purchase consideration payable	-	-	620,870	563,612	**1,184,482**
Total	$ 27,761,827	$ 13,583,234	$ 653,933	$ 563,612	**$ 42,562,606**

	Due within				December 31, 2017
	6 months	6 - 12 months	1 -2 years	2 -3 years	
Amounts payable and accrued liabilities	$ 1,606,689	$ -	$ -	$ -	$ 1,606,689
Current purchase consideration payable	-	-	-	-	-
Loan payable (3)	212,673	212,672	-	-	425,345
Convertible debt (2)	750,000	750,000	-	-	1,500,000
Line of credit (4)	500,000	500,000	-	2,000,000	3,000,000
Non-current purchase consideration	-	-	-	-	-
Total	$ 3,069,362	$ 1,462,672	$ -	$ 2,000,000	$ 6,532,034

(1) Amount represents obligation due to Class A preferred shareholders of Trichome, following the private placement offering in September 2018.

(2) Amount includes outstanding principal amount of 8% convertible debentures not yet converted to common shares and interest thereof due but unpaid at December 31, 2018. Subsequent to this financial statement, the full amount of debt has been converted to equity (Note 32). The December 31, 2017 balance related to the secured convertible debenture sold to Aphria in October 2016. During the year ended December 31, 2018, Aphria elected to convert the debentures into 750,000 Origin House shares (Note 18).

(3) The loan payable balance at December 31, 2017, relates to a promissory note issued by Achelois to its founding shareholder. This balance was settled during fiscal 2018.

(4) In August 2017, the Company executed an agreement with Sprott for a revolving secured credit facility (Note 20). At December 31, 2018, the balance drawn on this facility was nil.

Credit Risk

Credit risk arises from the risk that a customer or counterparty will fail to meet its obligations. The Company is exposed to credit risk from cash and equivalents, amounts receivable, prepaids, and loans receivable.

The Company reviews its loans receivable accounts regularly and records a provision related to these accounts based on expected credit losses. The loss allowance is charged against earnings. Shortfalls in collections are applied against this allowance. Estimates for loss allowance are determined through a loan-by-loan evaluation of collectability at each balance sheet reporting date, considering the amounts that are past due and any available relevant information on the borrowers' liquidity and going concern issues. The historical rates are adjusted to reflect current and forward looking macroeconomic and microeconomic factors affecting the customer's ability to settle the outstanding amounts. The historical rates are then adjusted for changes in any of these factors. However, given the short period exposed to credit risk, the impact on macroeconomic factors has not been considered significant within the reporting period.

The Company generally does not hold collateral as security for trade receivables; however, it minimizes credit risk associated with its trade receivables by requiring customer deposits or prepayments in certain cases and performing credit evaluation, approval, and monitoring processes. The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. Trade receivables are written off when there is no reasonable expectation of recovery.

Foreign Currency Risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in U.S. dollars. Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy as approved by its Board. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations and to maintain

purchasing power within U.S. operations.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, amounts receivable, loans receivable, notes receivable, royalty investments, accounts payables, and loans payable which are denominated in foreign currencies. The Company's subsidiaries transact primarily in U.S. dollars.

The Company recognized a foreign exchange gain from continuing operations of $304,422 for the year ended December 31, 2018 (loss of $436,555 for the year ended December 31, 2017).

The following financial assets and liabilities are denominated in U.S. dollars and are exposed to changes in the foreign exchange rate:

in U.S. dollars		**December 31, 2018**		December 31, 2017
Cash	$	**4,028,664**	$	1,023,542
Loans Receivable		**-**		929,591
Amounts Receivable		**397,101**		819,160
Convertible Loan Receivable		**-**		296,816
Accounts Payable		**8,475**		(106,000)
Loans Payable		**-**		(338,354)
Total	**$**	**4,434,240**	**$**	**2,624,755**

As at December 31, 2018, with other variables unchanged, a 5% change in the U.S. dollar to Canadian Dollar exchange rate would impact the Company's net loss by approximately $302,459 (December 31, 2017 - $164,979).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest-bearing debts and cash equivalents on its balance sheet. The Company does not have any assets or debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable. The Company has banking relationships in all jurisdictions in which it operates.

In addition, the Company maintains cash with various U.S. banks and credit unions with balances in excess of the

Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition, results of operations and the market price of the Company's capital stock.

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company's capital is composed of equity and convertible debt. The Company's primary uses of capital are investments in companies in the cannabis industry, either through acquisitions, investments, lending, or funding the growth of existing subsidiaries. The Company also uses capital to finance operating losses, capital expenditures, and increases in non-cash working capital. The Company currently funds these requirements from cash raised through financings and divesture of non-core investments and may need to raise additional funds to reach its goals. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to build its portfolio of interests into successful businesses from which it will obtain returns on investment.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

28. Segmented Information

Origin House operates under two operating segments:

1) The Corporate segment derives income from non-operating investment and contains the Company's corporate, strategic, and administrative activities.
2) The California Operations segment combines the Company's cultivation, manufacturing, and distribution businesses.

Prior to January 1, 2018, the Company operated under one reporting segment. Due to the acquisitions of California-based cannabis companies during fiscal 2018, the Company adopted two operating segments in the current fiscal year.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on profit or loss.

	Corporate segment	**California operations segment**	**Consolidated**
Revenues[1]	1,443,151	17,249,799	18,692,950
Net income (loss) before tax	**5,614,484**	**(15,976,893)**	**(10,362,409)**
Current tax recovery/(expense)	(35,532)	(587,594)	(623,126)
Depreciation and amortization	192,418	415,594	608,012
Interest revenue	301,162	-	301,162
Interest expense	(3,527,528)	-	(3,527,528)
Gain on investments	12,821,345	-	12,821,345
Gain on sale of equity accounted investment	1,785,944	-	1,785,944
Changes in fair value of investments	9,783,895	-	9,783,895
Gain on the sale of licensed technology	4,243,187	-	4,243,187
Loss from equity accounted investees, net of tax	(913,252)	-	(913,252)
Gain on settlement of interests at acquisition	1,096,189	-	1,096,189
Segment assets	**117,849,939**	**112,848,106**	**230,698,045**
Equity accounted investments	1,902,575	-	1,902,575
Capital expenditures	414,005	12,369,232	12,783,237

[1] All revenues reported are from external customers

During the year ended December 31, 2018, the Company had the following impairment losses by operating segment:

		Corporate segment		**California operations segment**		**Consolidated**
Impairment of loans and advances	$	359,947	$	-	$	359,947
Total	**$**	**359,947**	**$**	**-**	**$**	**359,947**

During the years ended December 31, 2018 and 2017, the Company generated the following types of revenues:

	Years ended December 31			
		2018		2017
Product sales	**$**	**17,249,799**	$	977,028
Services		**757,350**		859,605
Royalties		**370,413**		1,103,645
Interest income		**301,162**		137,691
Other Income		**14,226**		-
Total	**$**	**18,692,950**	$	3,077,969

Interest income is recorded in revenue based on the Company' business model, which includes lending and investing arrangements.

Two parties generated 13% of the total sales for the year ended December 31, 2018. (2017 – three parties, 65%, largest 23%).

The cost of sales related to each type of revenue is as follows:

	Years ended December 31	
	2018	2017
Cost of product sales	**$ 15,999,390**	$ 1,391,896
Cost of services	**323,929**	218,479
Cost of royalties	**861,680**	561,965
Total	**$ 17,184,999**	$ 2,172,340

Geographic segments

The following table is a summary of revenues by geographic segments for the years ended December 31, 2018 and 2017:

	Years ended December 31	
	2018	2017
Canada	**$ 537,840**	$ 147,530
United States of America	**18,155,110**	2,930,439
Total	**$ 18,692,950**	$ 3,077,969

The geographic segment is based on the location of the purchaser of goods or services or the head office of the royalty issuer.

The Company's corporate and administrative offices are in Canada. The following summarizes the location of the Company's non-current assets as at December 31, 2018 and December 31, 2017.

	December 31, 2018		December 31, 2017	
	Canada	**USA**	Canada	USA
Loans receivable	**$ -**	**$ -**	$ -	$ 66,421
Interest in equity accounted investees	**1,710,035**	**192,540**	2,538,014	1,058,319
Deferred financing charges	**529,238**	**-**	-	-
Investments	**4,023,637**	**14,533,493**	10,965,886	6,277,456
Royalty investments	**341,050**	**940,776**	436,025	5,398,588
Property and equipment	**256,376**	**13,547,738**	120,683	963,415
Intangible assets and goodwill	**1,782,652**	**106,871,283**	1,717,824	8,649,151

29. General and Administrative Expense

	Years ended December 31	
	2018	2017
Accounting & audit fees	**$ 590,195**	$ 445,820
Expected credit loss provision	**398,583**	989,318
Board and investor relations	**894,486**	-
Advisory & consulting fees	**3,881,596**	646,539
Legal fees	**1,759,248**	484,046
Rent	**722,333**	369,631
Office & administration costs	**2,294,414**	823,719
Other non-corporate taxes	**263,046**	-
Salary-based compensation	**6,935,167**	2,502,144
Stock-based compensation	**4,443,168**	3,238,925
Depreciation	**409,183**	35,690
Travel	**631,310**	540,255
Total	**$ 23,222,729**	$ 10,076,087

30. Consolidated Statement of Cash Flows

The following is a list of items not affecting cash included within cash flows used in operating activities:

	Years Ended	
	December 31, 2018	December 31, 2017
Gain on settlement of interests at acquisition (Note 4)	**$ (1,096,189)**	$ -
Bad debt expense (Note 5)	**398,583**	989,318
Write-off of inventory, net of recoveries (Note 6)	**934,684**	422,386
Unrealized fair value gain on growth of biological assets (Note 7)	**(1,611,617)**	-
Loss on impairment of loans receivable (Note 9)	**359,947**	3,776,081
Fair value gain on warrants (Note 9(1))	**(34,615)**	-
Gain on the sale of licensed technology (Note 9(2))	**(4,243,187)**	-
Loss (Gain) on impairment of convertible notes receivable (Note 10)	**(4,146)**	559,845
Loss related to change in fair value of embedded derivatives (Note 10)	**-**	110,965
Gain on sale of equity accounted investments (Note 11(2))	**(1,785,944)**	-
Loss from equity accounted investees (Note 11)	**913,252**	280,180
Fair value gain on investments (Note 12)	**(9,783,895)**	(10,882,154)
Gains on investments (Note 12)	**(12,821,345)**	-
Loss on impairment of royalties (Note 13)	**-**	1,014,211
Amortization of royalties (Note 13)	**848,811**	493,961
Amortization of property and equipment (Note 14)	**608,012**	178,821
Gain on disposal of equipment (Note 14)	**(24,672)**	(91,674)
Impairment of intangible assets & goodwill (Note 15)	**-**	2,335,000
Disposal of intangible assets (Note 15)	**159,032**	-
Amortization of intangibles (Note 15)	**3,584,921**	796,883
Accrued interest on Trichome preference shares (Note 17(3))	**558,302**	-
Accrued and accreted interest on 8% convertible debt (Note 19)	**1,801,982**	-
Accretion of Aphria convertible debt (Note 18)	**(3,370)**	-
Additional expense related to cancellation of transaction	**-**	204,060
Amortization of fees related to line of credit (Note 20)	**819,510**	294,727
Share based compensation (Note 24)	**5,228,103**	3,583,881
Consulting fees paid via issuance of shares (Note 23)	**-**	30,000
Deferred tax recovery (Note 26)	**(1,951,802)**	(1,605,823)
Accretion of derivative assets and liabilities	**-**	76,426
Accretion of interest on purchase consideration payable	**85,470**	-
Items not affecting cash	**$ (17,060,173)**	$ 2,567,094

31. Open term sheet

On December 4, 2018, the Company signed a binding term sheet for the acquisition of a production facility and operations team from Cub City. The acquisition will allow the Company to cultivate craft cannabis products. Cub City was originally founded by the former owners of one of the Company's subsidiary companies.

32. Subsequent events

Term sheet with Alternative Medical Enterprises, LLC ("AltMed")

On January 15, 2019, the Company signed a binding term sheet with AltMed to convert the Company's 3.5% royalty interest on the sale of AltMed's MÜV branded products to AltMed equity. Prior to the signing, the Company owned a 4.8% equity interest in AltMed and a 3.5% gross product royalty on the sale of certain MÜV products. In converting its MÜV Royalty to AltMed equity, the Company received 125 equity units as well as cash consideration valued at approximately $1.2 million. This transaction increased the Company's equity stake in AltMed to 5.1%.

Sale of Bodhi Research & Development Inc. ("Bodhi Research") investment

On January 15, 2019, the Company completed the sale of 51% of its 10% equity interest in Bodhi Research to Green Relief Inc. ("Green Relief"). Green Relief purchased 51% of all outstanding stock of Bodhi Research, which included the 51% of Origin House's equity stake. As consideration for the sale, CRHC received $1.74 million in Green Relief common shares. The agreement also contains an option for Bodhi to sell the remaining 49% stake to Green Relief during the 9 months period after the agreement date which would result in additional Green Relief shares of $2.0 million being provided to Origin House.

Financing to Utopia Cannabis ("Utopia")

On January 30, 2019, the Company provided additional strategic financing of US $750,000 to Utopia, a California-based cannabis brand. As part of this additional financing, RVR Distribution will take over exclusive distribution of Utopia's cannabis flower.

Financing to Humboldt's Finest

On February 4, 2019, the Company entered into an agreement to provide strategic financing of US $704,000 to Humboldt's Finest, an alliance of heritage cannabis farms representing Humboldt County. The funds have been advanced towards the purchase of Humboldt's Finest cannabis and cannabis products at a discount to wholesale prices.

Reverse takeover of 22 Capital by Trichome

On February 14, 2019, an Origin House subsidiary, Trichome, announced the commencement of a non-brokered private placement of subscription receipts in connection with its reverse take-over of 22 Capital Corp. Trichome will be the acquirer. Trichome intends to use the proceeds of the Financing to fund the Company's growing pipeline of cannabis sector credit opportunities and for general corporate purposes.

The Company continues to progress towards closing its reverse take-over of 22 Capital Corp, with filings under review by regulators.

James E Wagner Cultivation

On February 19, 2019, Trichome signed a loan agreement with James E Wagner Cultivation Corporation ("JWC") to loan $3.5 million. The issue price of the investment is for 95% of the $3.5 million issuance, in the form of a Senior Secured term loan. The Term Loan is for a 2-year period with an annual interest rate of 9.25%. The loan is secured by a first ranking perfected security interest in the assets of JWC and is guaranteed by each of its subsidiaries. The terms of the loan contain covenants standard for this type of transaction and include numerous other contractual commitments which both reduce risk to Trichome while increasing economic returns. Upon closing JWC issued Trichome 291,667 warrants, exercisable for 2 years at a price of $0.80 per share. The full amount of the loan is due upon maturity.

Loan to EH Tech Inc. dba Nature's Market ("Kurvana")

On February 13, 2019, Origin House entered into an agreement to provide financing to Kurvana of up to US $10.0 million under the terms of a binding Memorandum of Understanding ("MOU"), under which US $3.5 million has been loaned to date. Amounts are due no less than 12 months from each funding advance date. Under the terms of

the MOU, the Company will gain exclusive distribution rights in Northern California for all Kurvana products. Once all funding has been provided to Kurvana, the Company will gain exclusive distribution rights for all of California.

The financing is expected to be paid back on a straight-line basis to the Company throughout the agreed upon term. Interest on the financing shall accrue at a rate of 10% per annum and shall be calculated and compounded at the end of each calendar month on the then-outstanding balance owed.

Close of 180 Smoke acquisition

On February 19, 2019, the Company completed the acquisition of 180 Smoke, an online and retail Canadian vape operator. The 180 Smoke Facility and warrants (Note 9) were settled upon acquisition.

Purchase consideration for the acquisition was comprised of:

(i) gross proceeds of $2.8 million paid in cash on closing and 3,294,453 Origin House common shares representing approximately $22.2 million as of the date that the Company and 180 Smoke entered into a term sheet in connection with the acquisition using the 15-day volume weighted average price ("VWAP") of the Origin House common shares on September 27, 2018 (the "Term Sheet Date"), such 3,294,453 Origin House common shares representing approximately $30.5 million as of closing share price on February 19, 2019;

(ii) up to an additional $15 million in common shares upon the successful achievement of certain milestones for the three calendar years from 2019 to 2021; and

(iii) a contingent purchase price adjustment providing for an additional 1,483,680 common shares of Origin House, payable if Origin House's VWAP during the 3-month period from October 1, 2020 to December 31, 2020 is not at least $7.75 (being the price that is 15% above the 15-day VWAP of the Origin House common shares on the Term Sheet Date), and 180 Smoke has achieved at least $25 million in exit rate revenues in 2019.

Conversion of Debentures

On February 25, 2019 the Company exercised its discretionary right to force a conversion of the outstanding debentures as the trigger event for a mandatory conversion had occurred in accordance with the terms of the debenture. On March 28, 2019 the outstanding debentures were deemed to be surrendered for conversion to common shares. Subsequent to year end, the remaining $18,963,000 of convertible debt recorded at December 31, 2018 was converted into 3,034,080 Origin House common shares.

Loan to Henry's

On March 5, 2019, the Company announced that it entered into an agreement with Mendocino-based cannabis producer, Henry's Original, whereby the Company will be the exclusive distributor of Henry's Original products in California. In addition, the Company also provided a convertible bridge loan of US $2.5 million to Henry's to fund growth expenses, including construction and operation of additional cultivation sites for the 2019 growing season.

C.G.S. Foods Inc. ("CGS" d/b/a "Ganjika House")

On March 15, 2019, Trichome closed a lending arrangement with CGS, a retail cannabis license holder in Ontario, Canada. The lending arrangement consists of a revolving credit facility ("Facility A") of up to $1.0 million and a term loan for up to $1.0 million ("Facility B"). The initial investment consisted of a $750,000 draw under Facility A and $500,000 draw under Facility B for a total investment of $1.25 million.

The revolving credit facility, Facility A, is for the purchase of inventory and bears monthly interest of 1.8%. The revolving credit facility terminates at the option of the borrower after the six-month anniversary of the close date, or if certain lending limits are not reached. Facility A has a two-year term and repayments over the course of the term of the agreement are based on a margining calculation against CGS's inventory.

The term loan is to be used for leasehold improvements, operating costs and working capital items and bears interest at 8.5% annually, unless the borrower elects to forego monthly payments, for a pre-determined quarter, at which point the term loan bears the equivalent of 12.0% annual interest for the elected period. Upon close, $500,000 was lent to the borrower, with up to $500,000 in increments no less than $100,000 to be lent at the discretion of Trichome within one year of the close date. The term loan is due upon maturity on March 15, 2021. In consideration for the Term Loan, CGS issued to Trichome a total of $500,000 warrants with a strike price determined by a CGS valuation of $6.5 million. In the event that Trichome advances a second tranche under Facility B, Trichome will receive additional warrants based on a dollar amount equal to the advance. In the event that no additional amount is advanced, Trichome will be entitled to $250,000 in additional warrants one year post the closing of the agreement.

Acquisition of the Company by Cresco Labs Inc. ("Cresco Labs")

On March 31, 2019, the Company and Cresco Labs entered into a definitive agreement (the "Sale Agreement") under which Cresco Labs will acquire all the issued and outstanding shares of Origin House (the "Origin House Shares") (the "Transaction"). Under the terms of the Sale Agreement, holders of common shares of Origin House will receive 0.8428 subordinate voting shares of Cresco Labs (the "Cresco Labs Shares") for each Origin House Share (the "Exchange Ratio").

The Transaction represents total consideration of approximately $1.1 billion on a fully-diluted basis, or $12.68 per Origin House Share (based on the Exchange Ratio and the closing price of Cresco Labs Shares on March 29, 2019, the last trading day prior to the announcement of the Transaction). The Origin House Share price was determined based on a 26% premium over the 30-day volume-weighted average price ("VWAP") of the Origin House Shares ending March 29, 2019.