CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CANNAROYALTY CORP.
D/B/A ORIGIN HOUSE
(Unaudited)

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

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the CannaRoyalty Corp. discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements.

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ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	**June 30, 2019**	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		**$ 14,781,857**	$ 69,206,193
Restricted cash	17	**8,248,598**	-
Amounts receivable	5	**9,010,256**	3,110,989
Inventory	6	**13,491,119**	8,036,522
Biological assets	7	**1,145,588**	270,528
Prepaid and other assets	8	**3,904,420**	2,590,576
Deferred financing charges	20	**-**	824,735
Advances and loans receivable	9	**6,430,541**	1,929,684
		57,012,379	85,969,227
Non-current			
Derivative assets	9	**205,483**	-
Deferred financing charges	20	**-**	529,238
Advances and loans receivable	9	**4,378,960**	-
Right of use asset	13	**19,088,330**	-
Interest in equity accounted investees	10	**1,273,697**	1,902,575
Investments	11	**11,603,992**	18,557,130
Royalty investments	12	**327,175**	1,281,826
Property, plant and equipment	14	**21,783,802**	13,804,114
Intangible assets	15	**60,157,698**	51,135,189
Goodwill	15	**82,987,945**	57,518,746
Total Assets		**$ 258,819,461**	$ 230,698,045
LIABILITIES			
Current			
Amounts payable and accrued liabilities	16	**$ 18,837,337**	$ 11,015,285
Purchase consideration payable	16	**15,495,191**	683,167
Other liabilities	17	**25,975,809**	13,649,360
Lease obligation	13	**1,966,805**	-
Convertible debt	18	**-**	4,214
Current tax liability		**568,164**	806,429
		62,843,306	26,158,455
Non-current			
Purchase consideration payable	16	**2,465,061**	1,184,482
Lease obligation	13	**16,426,861**	-
Convertible debt	18	**-**	16,026,098
Deferred tax liability		**14,130,872**	14,356,878
Total Liabilities		**95,866,100**	57,725,913
Commitments and contingencies	21		
SHAREHOLDERS' EQUITY			
Share capital	23	**$ 211,264,076**	$ 154,235,588
Share subscription and contingent shares	23	**26,818,516**	33,809,266
Warrants reserve	23	**-**	21,790
Contributed surplus		**11,940,713**	14,378,873
Accumulated other comprehensive (loss) income		**(167,870)**	5,686,087
Accumulated deficit		**(86,726,699)**	(35,236,253)
Equity attributable to owners of the parent		**163,128,736**	172,895,351
Non-controlling interest	23	**(175,375)**	76,781
Total Equity		**162,953,361**	172,972,132
Total Liabilities & Shareholders' Equity		**$ 258,819,461**	$ 230,698,045

Subsequent events (Notes 30, 31)

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board

/s/"Marc Lustig" Director   /s/"Dan O'Neill" Director

ORIGIN HOUSE
(Formally CannaRoyalty Corp.)
Condensed Interim Consolidated Statements of Net (Loss) Income

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenue	27	**$ 21,376,203**	$ 3,511,466	**$ 32,537,364**	$ 4,154,903
Cost of sales	27	**(17,478,221)**	(2,690,531)	**(27,122,607)**	(3,363,598)
Gross margin, excluding fair value items		**3,897,982**	820,935	**5,414,757**	791,305
Realized fair value amounts of inventory sold	7	**(1,849,594)**	-	**(2,820,737)**	-
Unrealized fair value gain on biological assets	7	**2,389,632**	-	**3,496,727**	-
Gross margin		**4,438,020**	820,935	**6,090,747**	791,305
Operating expenses					
Sales and marketing		**6,061,787**	1,219,066	**10,506,769**	1,697,582
Research and product development		**897,936**	75,445	**1,684,161**	151,410
General and administrative	28	**14,592,297**	4,456,638	**25,949,186**	8,207,064
Amortization of intangible assets	15	**1,915,842**	529,067	**3,558,180**	704,174
Loss from operations		**(19,029,842)**	(5,459,281)	**(35,607,549)**	(9,968,925)
Other income (expenses)					
Gain on disposal of investments	11	**-**	-	**174,773**	-
Gain on disposal of royalty investments	12	**-**	-	**383,869**	-
Impairment of loans receivable	9	**(470,095)**	-	**(470,095)**	-
Revaluation of acquisition related contingent consideration	4,16	**(6,463,136)**	-	**(6,463,136)**	-
Accelerated amortization of deferred financing fees	20	**(954,033)**	-	**(954,033)**	-
Changes in fair value of investments	11	**(6,976,548)**	15,222,971	**(7,095,744)**	15,565,077
Recovery (impairment) of convertible notes receivable	8	**186,704**	-	**186,704**	(375,472)
Fair value loss on warrants	9	**(35,508)**	-	**(33,109)**	-
(Loss) profit from equity accounted investees net of tax	10	**(212,366)**	(295,246)	**(436,338)**	158,558
Post combination remuneration	4	**(203,071)**	-	**(380,324)**	-
Foreign exchange (loss) gain		**(123,939)**	111,145	**(196,286)**	35,115
Interest expense	19	**(1,458,849)**	(341,293)	**(2,635,109)**	(661,283)
Net (loss) income before tax		**(35,740,683)**	9,238,296	**(53,526,377)**	4,753,070
Current tax expense		**(288,946)**	(115,898)	**(198,505)**	(116,332)
Deferred tax recovery		**1,127,296**	176,090	**1,388,269**	7,277
Net (loss) income for the period		**$ (34,902,333)**	$ 9,298,488	**$ (52,336,613)**	$ 4,644,015
Total net (loss) income for the period attributable to:					
Owners of the Company		**(34,535,980)**	9,200,127	**(51,672,286)**	4,571,124
Non-controlling interest	23	**(366,353)**	98,361	**(664,327)**	72,891
		$ (34,902,333)	$ 9,298,488	**$ (52,336,613)**	$ 4,644,015
Net (loss) income per common share - basic	25	**(0.47)**	0.18	**(0.73)**	0.10
Net (loss) income per common share - diluted	25	**(0.47)**	0.17	**(0.73)**	0.09
Weighted average number of common shares outstanding - basic	25	**73,821,839**	51,560,197	**71,215,343**	48,536,866
Weighted average number of common shares outstanding - diluted	25	**73,821,839**	55,308,327	**71,215,343**	52,462,527

See accompanying notes to the condensed interim consolidated financial statements.

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30 2019	June 30 2018	**June 30 2019**	June 30 2018
Net (loss) income for the period	**$ (34,902,333)**	$ 9,298,488	**$ (52,336,613)**	$ 4,644,015
Other comprehensive (loss) income for the period:				
Foreign currency translation differences	**(5,334,252)**	698,464	**(5,853,957)**	1,244,069
Total comprehensive (loss) income for the period	**$ (40,236,585)**	$ 9,996,952	**$ (58,190,570)**	$ 5,888,084
Total comprehensive (loss) income for the year attributable to:				
Owners of the Company	**(39,870,232)**	9,898,591	**(57,526,243)**	5,815,193
Attributable to non-controlling interest	**(366,353)**	98,361	**(664,327)**	72,891
	$ (40,236,585)	$ 9,996,952	**$ (58,190,570)**	$ 5,888,084

See accompanying notes to the condensed interim consolidated financial statements.

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

2019	Number of common shares (note 23)	Number of compressed shares (note 23)	Number of Subordinate Voting Shares (note 23)	Share capital (note 23)	Share subcriptions and 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, 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**
Adoption of IFRS 16 (Note 15)	-	-	-	-	-	-	-	-	288,651	-	**288,651**
Balance at January 1, 2019	60,263,768	56,089	-	154,235,588	33,809,266	21,790	14,378,873	5,686,087	(34,947,602)	76,781	**173,260,783**
Net loss for the period	-	-	-	-	-	-	-	-	(51,672,286)	(664,327)	**(52,336,613)**
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	(5,853,957)	-	-	**(5,853,957)**
Shares issued for exercise of restricted share units (Note 23)	624,962	-	-	1,570,647	-	-	(1,570,647)	-	-	-	**-**
Shares issued for exercise of stock options (Note 23)	27,500	-	-	117,284	-	-	(37,234)	-	-	-	**80,050**
Origin House share unit and share option plan (Note 24)	-	-	-	-	-	-	948,991	-	-	-	**948,991**
Trichome equity incentive plan	-	-	-	-	-	-	-	-	-	412,171	**412,171**
Contingent shares issued on the reaching of Kaya and Alta performance milestones (Note 23(2))	423,220	-	-	1,604,004	(1,604,004)	-	-	-	-	-	**-**
Shares issued for exercise of warrants (Notes 23(3,4))	16,388	-	-	92,517	(18,975)	(21,790)	-	-	-	-	**51,752**
Shares issued for 8% convertible debt converted to equity (Note 23(7))	3,034,080	-	-	18,398,175	-	-	(1,743,282)	-	-	-	**16,654,893**
Shares re-purchased under normal course issuer bid (Note 23(5))	(22,700)	-	-	(38,311)	-	-	-	-	(106,811)	-	**(145,122)**
Common shares issued for the acquisition of 180 Smoke (Note 4(iii))	3,081,397	-	-	28,502,922	-	-	-	-	-	-	**28,502,922**
Conversion of Class A compressed shares into commons shares (Note 23(1))	82,000	(820)	-	-	-	-	-	-	-	-	**-**
Contingent consideration on the acquisition of 180 Smoke (Note 4 (iv) and 4(v))	-	-	-	-	1,413,479	-	-	-	-	-	**1,413,479**
Subordinate voting shares issued	-	-	50,000,000	411	-	-	-	-	-	-	**411**
Transaction cost related to the creation and grant of subordinate voting shares	-	-	-	(411)	-	-	(35,988)	-	-	-	**(36,399)**
RPE compressed shares issued related to contingent consideration on the RVR acquisition (note 23)	-	14,000	-	6,781,250	(6,781,250)	-	-	-	-	-	**-**
Balance at June 30, 2019	**67,530,615**	**69,269**	**50,000,000**	**$ 211,264,076**	**$ 26,818,516**	**$ -**	**$ 11,940,713**	**$ (167,870)**	**$ (86,726,699)**	**$ (175,375)**	**$ 162,953,361**

See accompanying notes to the condensed interim consolidated financial statements.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

2018	Number of common shares	Number of compressed shares	Number of subordinate voting shares	Share capital	Share subcriptions and contingent shares	Warrants Reserve	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	-	-	-	-	-	-	-	-	(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 income for the period	-	-	-	-	-	-	-	-	4,571,124	72,891	4,644,015
Change in foreign currency translation adjustment	-	-	-	-	-	-	-	1,244,069	-	-	1,244,069
Shares issued for exercise of restricted share units	423,984		-	884,399	-	-	(884,399)	-	-	-	-
Stock based compensation	-	-	-	-	-	-	3,032,278	-	-	-	3,032,278
Shares issued in acquisitions of equity interests	1,254,816	-	-	4,755,754	-	-	-	-	-	-	4,755,754
Shares issued for exercise of warrants	1,156,993	-	-	5,578,202	-	(916,214)	-	-	-	-	4,661,988
Shares issued for exercise of broker warrants	308,228	-	-	1,341,277	-	(403,371)	-	-	-	-	937,906
Shares issued on exercise of warrants by Sprott Inc.	900,000	-	-	2,806,200	-	(961,200)	-	-	-	-	1,845,000
Shares issued for interest on Sprott line of credit	33,129	-	-	119,444	-	-	-	-	-	-	119,444
Contingent shares recorded on acquisition on Kaya and Alta	-	-	-	-	5,839,730	-	-	-	-	-	5,839,730
Contingent shares issued on the reaching of performance milestones	531,830	-	-	2,015,636	(2,015,636)	-	-	-	-	-	-
Shares and Warrants issued for financing purposes	4,312,500	-	-	11,888,206	-	3,756,734	-	-	-	-	15,644,940
Shares issued as investment and prepayments on royalties to Bhang	125,022	-	-	480,450	-	-	-	-	-	-	480,450
Shares issued for the settlement of Aphria convertible debt	750,000	-	-	1,500,000	-	-	-	-	-	-	1,500,000
Capital contribution of Trichome minority shareholders	-	-	-	-	-	-	-	-	-	180,000	180,000
Balance at June 30, 2018	53,694,947	-	-	$ 81,377,459	$ 3,824,094	$ 5,625,652	$ 12,050,171	$ 211,350	$ (17,919,831)	$ 75,885	$ 85,244,780

See accompanying notes to the condensed interim consolidated financial statements.

ORIGIN HOUSE

(Formally CannaRoyalty Corp.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Six months ended	
	June 30, 2019	June 30, 2018
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net (loss) income for the period	**$ (52,336,613)**	$ 4,644,015
Items not affecting cash (Note 29)	**24,391,876**	(10,919,321)
	(27,944,737)	(6,275,306)
Changes in non-cash items relating to operations:		
(Increase) decrease in amounts receivable	**(3,106,469)**	389,738
Increase in inventory	**(3,729,901)**	(725,391)
Increase in prepaid and other assets	**(772,953)**	(436,653)
Increase in accounts payable and accruals	**7,483,165**	707,975
Increase in biological assets	**(226,935)**	-
Increase in current tax liability	**(54,780)**	(11,239)
	(28,352,610)	(6,350,876)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Additions of property, plant, and equipment (Note 14)	**(8,021,340)**	(295,223)
Purchase of intangible assets (Note 15)	**(128,318)**	-
Payments for acquisitions, net of cash received (Note 4)	**(3,905,207)**	(1,018,428)
Proceeds from the sale of investments (Note 11)	**702,937**	-
Proceeds from the sale of royalty investments (Note 12)	**109,588**	-
Royalty financing arrangements	**-**	(1,290,000)
Loans advanced to debtors including issuance costs, net of repayment (Note 8)	**(12,072,104)**	(2,163,234)
	(23,314,444)	(4,766,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issued shares in bought deal financing, net of costs	**-**	11,888,206
Proceeds from issuance of warrants, net of issuance costs	**-**	3,756,734
Proceeds from exercise of warrants (Note 23)	**51,752**	7,444,895
Repayment of loans (Note 17)	**(22,231)**	(7,702)
Repayment of line of credit (Note 20)	**-**	(1,000,000)
Proceeds from common shares issued to minority shareholders of Trichome	**-**	180,000
Proceeds from deposit for shares of Trichome (Note 17)	**8,469,051**	-
Interest payments on convertible debt (Note 18)	**(243,284)**	-
Payments related to share buyback bid (Note 23)	**(145,122)**	-
Proceeds from Opaskwayak Cree Nation loan, net of costs (Note 17(4))	**2,884,693**	-
Costs from issuance of subordinate voting shares, net of proceeds (Note 23)	**(35,988)**	-
Payment of lease obligation (Note 13)	**(1,748,825)**	-
Restricted cash in Trichome (Note 17(3))	**(8,248,598)**	-
Proceeds from issuance of stock options (Note 24)	**80,050**	-
	1,041,498	22,262,133
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**$ (50,625,556)**	$ 11,144,372
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**69,206,193**	4,522,644
Effect of movement of exchange rates on cash held	**(3,798,780)**	57,829
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 14,781,857**	$ 15,724,845

See accompanying notes to the condensed interim 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. The Company has also expanded into Canada, and operates a retail, wholesale and online nicotine vape business.

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 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

These unaudited condensed interim consolidated financial statements ("Financial Statements") are expressed in Canadian dollars and have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018 and December 31, 2017, which have been prepared in accordance with IFRS. In the opinion of management, these condensed interim consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

During the six months ended June 30, 2019, the Company completed the acquisitions of 180 Smoke and Cub City (Note 4). The results of these acquisitions from the acquisition dates to June 30, 2019 have been included in the preparation of these condensed interim consolidated financial statements.

In preparing these unaudited condensed interim consolidated financial statements, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018, with the exception of estimates related to leases under IFRS 16 which was implemented on January 1, 2019 (Note 3) and income tax liabilities which is determined in the condensed interim consolidated financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on August 29, 2019.

Going concern

During the quarter, the Company cancelled plans to raise additional capital pursuant to the conditions of the planned acquisition by Cresco Labs ("Cresco"). On June 10, 2019, the Company and Cresco received Second Requests from the United States Department of Justice under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"), which delayed close of the deal, originally targeted for June 2019 (Note 31).

Despite the delayed close, the Company has continued expansion in anticipation of the acquisition by Cresco. Based on the cash position of the Company as at June 30, 2019, as well as future plans regarding expansion of operations in California and Canada, the Company has obtained a written commitment for a $15 million bridge loan to be funded in early September ("Bridge Financing"). The Company believes it is probable that the Bridge Financing will be sufficient to satisfy its cash needs between the release of these consolidated condensed interim financial statements and the close of the Cresco acquisition in order to continue as a going concern, however, there can be no guarantee that the acquisition will close within the expected timeline, and further financing may be required.

The Company has a strong history of raising funds, however, if the acquisition by Cresco unexpectedly fails to occur and the Company is unable to raise additional financing, while management believes these events are not probable, it cannot be guaranteed that they will not occur. As such, this material uncertainty would cast significant doubt on the Company's ability to continue as a going concern.

If the going concern assumption is not appropriate, material adjustments to the financial statements could be required. These condensed interim consolidated financial statements have been prepared on a going concern basis.

3. Significant accounting policies and new standards

The accounting policies applied in these unaudited condensed interim consolidated Financial Statements are the same as those applied in the Company's audited consolidated financial statements as at and for the year ended December 31, 2018, except as noted below. The revenue recognition policy has been updated as a result of the 180 Smoke acquisition in the first quarter of fiscal 2019 (Note 4).

Revenue recognition

Retail, online, and wholesale sales

Revenue from the sale of goods includes merchandise sold by 180 Smoke and its affiliates ("180 Smoke") (Note 4) to the general public and other retailers. Revenue is recognized when control of the goods passes to customers. For retail customers, control passes upon point of sale, and for wholesale and online customers, control passes upon delivery. Revenue from the sale of goods is measured at the fair value of the consideration received less an appropriate deduction for returns, discounts, rebates, and loyalty program costs, net of sales taxes.

Customer loyalty programs

180 Smoke has a customer loyalty program. Loyalty reward credits issued as part of a sales transaction results in revenue being deferred until the loyalty reward is redeemed by the customer. In addition, the obligation is measured at fair value by reference to the fair value of the rewards for which they could be redeemed and based on the estimated probability of their redemption, which is measured based on monitoring historical redemption rates where applicable. Loyalty program costs are recorded as a reduction to revenue. Consideration is allocated between the loyalty program awards and the goods on which the awards were earned, based on their relative stand-alone selling prices.

Royalties and licence fees

Royalties and licence fee revenues from franchisees of 180 Smoke are recognized as they are earned in accordance with the substance of the relevant agreement and are measured on an accrual basis.

IFRS 16 Leases

Effective January 1, 2019, the Company adopted 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.

Upon entering a lease arrangement, the Company determines 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 cumulative effect of adopting IFRS 16 is being recognized in equity as an adjustment to the opening balance of retained earnings in the current period. Prior periods have not been restated. Instead of performing an impairment review of right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16. 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. For those leases previously recognized as finance leases under IAS 17 and IFRIC 4, the right-of-use asset and lease liability are measured at the date of initial application at the same amount as under IAS 17 immediately before the date of initial application. 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 and vehicles, as well as office, cultivation, manufacturing, distribution, and retail space in Canada and 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. For those right-of-use assets which the Company has taken the election, the lease expense has been accounted for on a straight-line basis over the remaining lease term.

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's incremental borrowing rate at the time of transition on January 1, 2019 was 17.4%. 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.

(Unaudited - Expressed in Canadian Dollars)

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.

The right-of-use asset 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.

Under the modified retrospective 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.

The following table is a reconciliation between the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease obligation on initial transition to IFRS 16 *Leases* on January 1, 2019.

Total commitments at December 31, 2018		**$ 11,008,623**
Recognition exemptions:		
Leases of low value assets	$ -	
Lease with remaining term of less than 12 months	(276,905)	
Variable lease payments not recognized	(4,720,141)	
Other adjustment to commitment disclosures	1,009,768	
		(3,987,278)
Operating lease obligations before discounting		7,021,345
Discounted using incremental borrowing rate at January 1, 2019		(2,101,464)
Operating lease obligations		4,919,881
Operating lease obligations reasonably certain to exercise		3,671,551
Finance leases		216,040
Total lease obligations at January 1, 2019		**$ 8,807,472**

(Unaudited - Expressed in Canadian Dollars)

4. Acquisitions

Acquisition of 180 Smoke

On February 19, 2019, the Company acquired 100% of the outstanding shares of 180 Smoke. The acquired business is a retailer, wholesaler, and online seller of nicotine vape and vape-related products and accessories.

The identifiable assets acquired, and liabilities assumed of the business were recorded at their fair values on the date of the acquisition. The primary purpose of this acquisition was to expand the Company's operations into Canada.

A preliminary purchase price allocation was performed using fair values determined by the Company's best estimates and assumptions after consideration of all relevant information available. The following table summarizes purchase consideration and relevant allocations to the tangible assets, liabilities, intangible assets, and goodwill acquired:

Purchase consideration		
Cash	$	2,343,000
Settlement of pre-existing loans		2,556,000
Issued shares		28,502,922
Contingent consideration		5,335,479
Total Purchase Price	$	38,737,401
Identified tangible net assets		
Cash and cash equivalents	$	327,585
Amounts receivable		240,358
Prepaid expenses		132,419
Inventory		2,532,007
Other assets		266,705
Property, equipment and software		1,257,520
Right-of-use asset		8,343,181
Amounts payable and accrued liabilities		(676,368)
Lease liabilities		(8,185,583)
Loans payable and other liabilities		(84,033)
Identified intangible items		
Brand		7,000,000
Customer relationships		1,200,000
Franchise network		1,100,000
Deferred tax liability		(2,464,500)
Goodwill		27,748,110
Total Allocated	$	38,737,401

(Unaudited - Expressed in Canadian Dollars)

Consideration transferred

Purchase consideration was comprised of the following upon initial recognition:

	Shares		Fair Value
Cash (i)		$	2,343,000
Settlement of pre-existing loan (ii)			2,556,000
Issued shares (iii)	3,081,397		28,502,922
Holdback shares (iv)	25,241		233,479
Contingent consideration - equity classified (v)	1,483,680		1,180,000
Contingent consideration - liability classified (v)	variable		3,922,000
Total consideration issued		**$**	**38,737,401**

(i) Acquisition consideration consisted of $0.7 million in cash paid upon close, as well as $1.6 million in shareholder loans, bonuses, and other amounts paid directly on close by the Company;

(ii) Forgiveness of principal and interest owing from the 180 Smoke Facility (Note 9);

(iii) 3,081,397 Origin House common shares issued at the acquisition date with a closing share price of $9.25;

(iv) An estimated 25,241 holdback common shares to be issued upon finalization of working capital adjustments; and

(v) Contingent consideration was comprised of the following:

Equity classified

- An additional 1,483,680 common shares to be issued, conditional on the performance of the Company's publicly traded stock price, as well as the achievement of certain revenue milestones by 180 Smoke. The fair value has been determined to be $1.2 million.

Liability classified

- Up to an additional $12.5 million in common shares issued upon achievement of certain annual revenue milestones over three years ("Revenue Milestones"), the fair value of which has been determined to be $3.7 million upon initial recognition. The Revenue Milestones accelerate upon a change in control of the Company. In connection with the planned acquisition by Cresco (Note 31), the Company remeasured the fair value of the Revenue Milestones by probability weighting the estimated likelihood of possible outcomes. The likelihood of the Cresco acquisition closing was determined using the differential in the publicly available share prices of the Company and Cresco as at quarter-end; and

- Up to an additional $2.5 million in common shares issued upon achievement of a Standard Processing License issued by Health Canada, the fair value of which has been determined to be $0.2 million.

As at June 30, 2019, the liability classified contingent consideration was remeasured to $10,608,094.

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 the milestones, as well as time value of money. Management assessed the probabilities of achieving these milestones and discounted to present value to arrive at a fair value of the contingent consideration.

Intangible assets and goodwill

The Company recognized the following identifiable intangible assets within the 180 Smoke acquisition:

Brand: Recorded in connection with 180 Smoke's private label e-juice brand and store banner brand.

Customer relationship: Recorded in connection with the value of 180 Smoke's retail and wholesale customers.

Franchisee network: Represents the value of existing franchisees for which 180 Smoke sells the rights to 180 Smoke-branded retail locations.

The Company recorded a deferred tax liability related to timing differences on intangible assets, and property and equipment, based on the corporate tax rates in 180 Smoke's tax jurisdictions.

The goodwill balance reflects the benefits of the 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 of Cub City

On May 2, 2019, the Company acquired 100% of the outstanding shares of Cub City. The acquired company's facility was under construction, and there were no active operations at the time of acquisition. The acquisition was therefore classified as an asset acquisition under the requirements of IFRS 3 *Business Combinations.*

The identifiable assets acquired were recorded at their relative fair values on the date of the acquisition. The primary purpose of this acquisition was to expand the Company's cannabis cultivation capacity through access to an additional licensed cultivation facility.

(Unaudited - Expressed in Canadian Dollars)

The relative fair values of items acquired are as follows:

Purchase consideration		
Cash	$	2,221,230
Settlement of payable to Cub City		(255,908)
Working capital adjustment		952,079
Future consideration		4,711,700
Total Purchase Price	$	7,629,101
Acquired tangible items		
Cash	$	331,438
Accounts receivable		190,914
Inventory		17,770
Prepaids		201,526
Equipment and leasehold improvements		1,024,230
Other assets		99,869
Accounts payable and accrued liabilities		(54,631)
Taxes payable		(90,715)
Acquired intangible item		
License		5,981,479
Less capitalized transaction costs		(72,779)
Total Allocated	$	7,629,101

Consideration transferred

Purchase consideration was comprised of the following:

	Shares		Fair Value
Cash (i)	-	$	2,221,230
Settlement of payable to Cub City (i)	-		(255,908)
Working capital adjustment (i)	-		952,079
Future consideration (ii)	-		4,711,700
Total consideration issued		**$**	**7,629,101**

(i) Acquisition consideration consisted of $2.1 million (US $1.54 million) in cash paid upon closing, less $0.3 million (US $0.2 million) in accounts payable owed by the Company to Cub City for inventory purchases, and an additional $1.1 million (US $0.8 million) in cash owing to the former owners related to working capital.

(ii) Future consideration consisting of $4.7 million (US $3.5 million) is due on May 2, 2020. The future consideration will be adjusted based on the budget-to-actual variance in costs associated with Cub City's facility construction, up to certain maximums.

The Company recorded an intangible asset related to the cultivation license owned by Cub City. In March 2019, Cub City received an annual cultivation license from Sonoma County.

(Unaudited - Expressed in Canadian Dollars)

Acquisition related costs

Origin House incurred expenses of $495,559 related to the 180 Smoke acquisition. These costs were recorded in general and administrative expenses in the period the acquisition was recorded.

In connection with the asset acquisition of Cub City, $72,779 in acquisition costs were capitalized.

Pro forma disclosures

In the first six months of 2019, the 180 Smoke acquisition contributed revenues of $5.5 million and a net loss of $1.7 million to Origin House's consolidated results, including the $0.6 million impact of fair value adjustments and any amortization of intangibles assumed on acquisition. If the acquisition had occurred on January 1, 2019, management estimates that Origin House's consolidated revenue would have increased by $1.9 million and the net loss would have increased by $0.3 million for the six months ended June 30, 2019. The estimated increased loss includes an additional charge related to the acquired intangibles of $0.1 million net of deferred tax recovery. In determining these amounts, the Company 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, 2019.

Acquisition of FloraCal Farms

For the three and six month periods ended June 30, 2019, the Company expensed $203,071 and $380,324, respectively, related to post-combination renumeration.

5. Amounts receivable

Amounts receivable		**June 30, 2019**		December 31, 2018
Trade accounts receivable	**$**	**8,719,904**	$	2,987,700
Allowance for expected credit losses		**(942,991)**		(385,106)
Interest receivable		**63,200**		-
Kaya and Alta final working capital adjustment		**467,941**		487,786
Other receivables		**702,202**		20,609
Total amounts receivable	**$**	**9,010,256**	$	3,110,989

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

<u>Allowance for expected credit losses</u>

Expected credit loss allowances as at June 30, 2019 and June 30, 2018 are as follows:

Allowance for credit losses		**June 30, 2019**		June 30, 2018
Opening credit loss provision at January 1	**$**	**385,106**	$	28,026
Effect of foreign currency translation		**(19,609)**		985
Credit loss provision recognised during the period		**767,792**		48,285
Receivables written-off net of recoveries		**(190,298)**		(3,314)
Total allowance for expected credit losses	**$**	**942,991**	$	73,982

(Unaudited - Expressed in Canadian Dollars)

Trade receivables are derecognised when there is no reasonable expectation of recovery.

Aging of trade accounts receivable

The aging of receivables and expected credit losses are as follows:

June 30, 2019	**Amounts receivable days past due**					
	Current	**< 30 days**	**31 - 60**	**61 - 90**	**> 90 days**	**Total**
Expected credit loss %	1%	5%	7%	26%	69%	11%
Gross carrying amount	$ 2,955,626	$ 2,920,706	$ 1,595,438	$ 513,184	$ 734,950	$ 8,719,904
Lifetime expected credit loss	(39,042)	(152,140)	(111,664)	(133,151)	(506,994)	(942,991)
Net trade accounts receivable	**$ 2,916,584**	**$ 2,768,566**	**$ 1,483,774**	**$ 380,033**	**$ 227,956**	**$ 7,776,913**

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

As at June 30, 2019, no customer accounted for more than 10% of the total trade receivables (December 31, 2018 – nil).

6. Inventory

	June 30, 2019	December 31, 2018
Finished goods	**$ 12,213,211**	$ 6,886,377
Work in process	**32,316**	-
Raw materials	**1,245,592**	1,150,145
Total Inventory	**$ 13,491,119**	$ 8,036,522

For the three and six months ended June 30, 2019, inventories of $367,876 and $428,616 (June 30, 2018 – nil and nil) were written-off due to obsolescence.

During the three and six months ended June 30, 2019 inventory totalling $14,281,417 and $22,744,720 (June 30, 2018 –$2,742,859 and $4,503,056) was included in cost of sales.

(Unaudited - Expressed in Canadian Dollars)

7. Biological assets

		June 30, 2019
Carrying amount, December 31, 2018	$	270,528
Changes in fair value less costs to sell due to biological transformation		3,082,554
Impact of foreign exchange		(11,007)
Transferred to inventory upon harvest		(2,196,487)
Total Biological Assets	**$**	**1,145,588**

As at June 30, 2019, 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; and

4. selling price per gram less costs to sell.

Unobservable inputs	Input values	Sensitivity
Yield per plant: Obtained through historical harvest results	20 to 133 grams per plant	An increase or decrease of 5% applied to the average yield per plant would result in a change of approximately $45,000 in the valuation of biological assets at period end.
Average stage of growth: Obtained through the estimates of stage of completion	40%	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $59,000 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 June 30, 2019.

The Company views its biological assets as a Level 3 fair value estimate and estimates the probability of certain harvest rates. As at June 30, 2019, it is expected that the Company's biological assets will yield approximately 532,000 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.

(Unaudited - Expressed in Canadian Dollars)

8. Prepaid and other assets

		June 30, 2019		December 31, 2018
Inventory (1)	$	**1,423,601**	$	1,041,051
Royalty fees		**98,153**		138,753
Insurance		**622,642**		561,648
Share issuance costs (2)		**415,502**		-
Other (3)		**1,157,818**		849,124
Loan recovery (4)		**186,704**		-
Total Prepaid and other assets	**$**	**3,904,420**	$	2,590,576

(1) Prepaid inventory is comprised of the following:

a) As at June 30, 2019, prepaid inventory of $33,174 (December 31, 2018 - $nil) relates to advances paid to suppliers of 180 Smoke in relation to their ordinary operations.

b) As at June 30, 2019, prepaid inventory of $723,297 (December 31, 2018 - $481,567) related to 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 were part of an exclusive distribution agreement and strategic investment made on February 4, 2019 in the amount of $935,968. The funds relate to prepayment of cannabis and cannabis-related products. As part of the arrangement, the Company has renewed and extended its distribution right of Humboldt’s products. Prior to June 30, 2019 the Company received $212,671 of the total $935,968 prepaid amount. Any amounts received are netted against the prepaid balance at the time and recorded separately as inventory.

c) On February 15, 2019, the Company entered a strategic partnership with EH Tech Inc. d/b/a Nature’s Market (“Kurvana”), a premium cannabis vape brand in California. As part of the strategic partnership, the Company became the exclusive distributor of Kurvana products in Northern California. As part of the arrangement, the Company prepaid $2,004,450 for inventory to be received at a later date. During the six months ended June 30, 2019, $1,337,320 of the $2,004,450 prepaid amount had been received. This balance was netted against the prepaid amount and separately recorded as inventory upon receipt.

As part of the partnership, the Company has also agreed to lend Kurvana up to $13.4 million in strategic financing through a promissory note (Note 9).

(2) Prepaid share issuance costs relate to transaction fees paid by Trichome, a subsidiary of the Company, towards the pending reverse takeover (Note 30).

(3) Other prepaid expenses comprise prepaid rent, legal fees, security deposits, licenses, taxes, regulatory fees, and other items.

(4) During the year ended December 31, 2017, the Company fully impaired a convertible note receivable from Eureka due to significant uncertainty regarding the collectability of this loan with a principal balance of US$400,000. In June 2019, Eureka presented a settlement amount of $186,704 ($US140,000) to Origin House. The Company believes it is probable that it will receive a recovery of at least this amount and is seeking a larger recovery. This recovery has been recorded within other income for the three months ended June 30, 2019.

(Unaudited - Expressed in Canadian Dollars)

9. Loans receivable

		June 30, 2019		December 31, 2018
180 Smoke (1)	**$**	**-**	$	1,929,684
Henry's (2)		**2,348,218**		-
Kurvana (3)		**2,711,021**		-
Blissco Holdings (6)		**1,324,226**		-
Other		**228,433**		-
Allowance for expected credit loss		**(181,357)**		-
Total loans receivable: current	**$**	**6,430,541**	**$**	**1,929,684**
James E. Wagner Cultivation (4)	**$**	**3,189,466**	$	-
C.G.S Foods Facility A (5a)		**779,588**		-
C.G.S Foods Facility B (5b)		**419,664**		-
Allowance for expected credit loss		**(9,758)**		-
Total loans receivable: long-term	**$**	**4,378,960**	**$**	**-**
Total loans receivable	**$**	**10,809,501**	**$**	**1,929,684**

(1) On May 9, 2018 the Company entered a secured term credit facility with 180 Smoke for principal of up to $2.5 million (the "180 Smoke Facility"). On February 19, 2019, the Company completed the acquisition of 180 Smoke (Note 4). The loan receivable was settled with 180 Smoke as part of the transaction consideration. During the three and six months ended June 30, 2019 the Company recorded interest revenue of nil and $5,903 prior to the acquisition date.

(2) The Company entered into two lending arrangements with Heritage Holding of California, Inc. d/b/a Henry's Original ("Henry's"):

a. A funding arrangement for inventory purchases of up to US $2.5 million between December 1, 2018 and March 1, 2019. Under the agreement, the Company provided funding and delivery of inventory; Henry's owes 0.75% monthly interest and had one year from the inventory purchase date to repay the principal and interest. As at June 30, 2019, $2,093,947 was drawn in connection with this arrangement.

b. On March 5, 2019, the Company entered into a term loan agreement whereby up to US $2.5 million in funding may be loaned to Henry's. The secured term loan bears annual interest of 10%, with a 3-month interest free period, and matures 6 months from the closing date. As at June 30, 2019, $654,350 was drawn in connection with this arrangement.

In May 2019, the Company discontinued its arrangements with Henry's. On July 18, 2019 Henry's paid $2,348,217 to the Company to settle the two lending arrangements. The Company recorded an impairment for the remaining amount of $400,080 and considers the amount uncollectible.

(3) On February 15, 2019, the Company entered into an agreement to provide financing to Kurvana. Included in the agreement was a promissory note arrangement in which the Company would advance up to $13.1 million (US$10.0 million) under the terms of a binding Memorandum of Understanding ("MOU"). During the six months ended June 30, 2019, the Company loaned $2.6 million, and advanced $2.0 million for prepaid inventory (Note 8).

The Company recorded the loan at amortized cost subsequent to initial measurement. The promissory note accrues interest at a rate of 10% per annum compounded monthly on the then-outstanding balance. Principal and interest are due 12 months from the anniversary date of the loan. During the three and six months ended June 30, 2019, the Company accrued interest revenue of $64,595 and $95,402 based on an effective interest rate of 10.47% calculated using the effective interest rate method.

(4) On February 20, 2019, the Company's subsidiary, Trichome, signed a senior secured term loan with James E. Wagner Cultivation Corporation ("JWC") to loan $3.5 million. The term loan was issued at a 5% discount from its face value of $3.5 million set-up fees of $105,000, with a 2-year maturity, and annual interest of 9.25%. The loan is secured by first ranking perfected security interest in the assets of JWC and is guaranteed by each of its subsidiaries.

Upon close, JWC issued 291,667 warrants to Trichome, exercisable for two years at a price of $0.80 per share, which is based on the publicly available price per share. On issuance, the warrants had a fair value of $84,526, which was calculated using a Black-Scholes option pricing model with an exercise price of $0.80, an expected life of 2 years, annualized volatility of 64.32%, and a risk-free rate of 1.77%. On initial recognition the fair value of the warrants was netted against the value of the loan and recorded separately as a derivative asset. As at June 30, 2019, the warrants were recorded at their fair value of $75,252, resulting in a revaluation loss of $9,274 for the six-month period ended June 30, 2019. This fair value was determined using a Black-Scholes option pricing model with a strike price of $0.80, an expected useful life of 1.6 years, an annualized volatility of 82.07%, and a risk-free rate of 1.52%.

The term loan was recorded on initial recognition at its fair value of $3,136,536. This was based on a face value of $3,500,000 less warrants, set-up fees, discount on issuance, and transaction costs. Subsequent to initial recognition, the loan is recorded at its amortized cost, with an effective annual interest rate of 15.3%. During the three and six months ended June 30, 2019, the Company recorded interest and accretion income on the loan of $106,589 and $160,536.

(5) On March 18, 2019, the Company's subsidiary, Trichome, entered into a lending arrangement with C.G.S. Food Inc. d/b/a Ganjika House ("CGS"), a retail cannabis license holder in Ontario, Canada. The lending arrangement consists of a revolving credit facility ("Facility A") and a term loan ("Facility B").

a. The revolving credit Facility A provides for up to $1.0 million in funding, subject to a cap of 75% of CGS's eligible inventory, and $750,000 lent on closing. The facility earns interest at a monthly rate of 1.80% of the principal balance. As part of the arrangement, the facility also accrues interest at a monthly rate of 0.5% on the undrawn amount. The facility was initially recorded at its fair value of $784,747, which was based on CGSs' initial draw of $750,000, plus transactions costs of $34,747. Subsequent to initial recognition, the facility is recorded at amortized cost, with an effective annual interest rate of 19.47%. During the three and six months ended June 30, 2019, the company recorded interest income on the loan of $45,163 and $52,538, which is gross of the amortization expense on transaction fees of $737 and $5,159 for the three and six months ended June 30, 2019.

b. The Facility B term loan provides for funding up to $1.0 million, with $500,000 provided on closing. The loan bears interest at an annual rate of 8.5% if interest is paid monthly or 12% if interest is deferred until the maturity of the loan for an elected period. The maturity date of the loan is March 15, 2021, and principal is due upon maturity. CGS has the option to prepay principal by paying a penalty of 12% on unpaid amounts. The penalty declines by 2% per month over the term of the loan until the penalty reaches 0% or the maturity date occurs.

(Unaudited - Expressed in Canadian Dollars)

In connection with Facility B, Trichome was issued common share warrants of CGS as well as the right to receive a minimum number of additional warrants. The number of warrants issued to Trichome will vary based on the dollar value of funds advanced to CGS and certain future events. At inception, the warrants were valued at $119,451 based on the implied value using a market effective interest rate when fair valuing Facility B of 19.47%. The warrants and warrants receivable are recorded at their fair value through profit and loss, and the fair value was calculated using the residual value remaining after valuing the loan portion of Facility B using a market interest rate of 19.47%. As at June 30, 2019, the warrants and warrants receivable were revalued at $130,231. A gain of $10,780 was recorded for the six-month period ended June 30, 2019.

The term loan was recorded on initial recognition at its fair value of $408,120, which is based on an effective interest rate calculation using a market interest rate of 19.47% and transaction costs of $10,000. For the three and six months ended June 30, 2019, the Company recorded interest income on the loan of $23,380 and $27,172. The Company also recorded accretion income $1,575 and $9,969 for the three and six months ended June 30, 2019.

(6) On May 14, 2019, Trichome, a subsidiary of the Company, entered into an agreement to provide a $4.5 million trade finance facility (the “Blissco Facility”) and a $1.5 million mortgage loan (the “Blissco Mortgage”) to Blissco Holdings Ltd. (“Blissco”). The Blissco Facility provides the borrower with up to $4.5 million, to be drawn at its option, against qualifying receivables and inventory and matures 12 months from issuance with an option to extend for an additional 12 months, and is secured by Blissco Cannabis Corp. Upon close, $1.5 million was advanced towards the Blissco Mortgage. For the three and six months ended June 30, 2019, Trichome did not advance funds to Blissco under the Blissco Facility and recorded interest income of $24,123 related to the Blissco Mortgage.

The Blissco mortgage loan was recorded on initial recognition at its fair value of $1,300,132 calculated using an effective annual interest rate of 14.35%, a set-up fee of $30,000, as well as an upfront lump sum payment of the aggregate monthly interest over the term of the loan, totalling $127,500.

On July 15, 2019, the outstanding balance on the Blissco Mortgage was repaid, and no further amounts are outstanding from Blissco. The repayment was made in connection with Supreme Cannabis Inc.’s acquisition of Blissco, which closed on July 12, 2019.

The fair value of warrants issued to Trichome as part of the JWC and CGS loans are as follows:

	June 30, 2019	December 31, 2018
James E. Wagner Cultivation warrants	**$ 75,252**	$ -
C.G.S Foods warrants	**87,949**	-
C.G.S Foods warrants receivable	**42,282**	-
Total derivative assets	**$ 205,483**	$ -

(Unaudited - Expressed in Canadian Dollars)

10. Interest in equity accounted investees

		June 30, 2019		December 31, 2018
Associated Companies				
Resolve (1)	**$**	**1,273,697**	$	1,710,035
Joint Venture				
Mobile Medicine (2)		**-**		192,540
Total Equity accounted investments	**$**	**1,273,697**	$	1,902,575

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 six months ended June 30, 2019, Resolve issued anti-dilutive shares, which reduced the Company's interest in Resolve to 25.56% (December 31, 2018 – 25.62%). These transactions resulted in a dilution loss of $3,861 for the three and six months ended June 30, 2019 which was included in the profit from equity accounted investees (June 30, 2018 – gain of nil and $846,925 respectively).

The Company currently has 14,176,738 shares in Resolve (December 31, 2018 - 14,176,738). Resolve's last financing raise in December 2018 was at $1.00 per share.

The following tables summarize the financial information of Origin House's associates at June 30, 2019 and 2018:

		June 30, 2019		December 31, 2018
Current assets	**$**	**108,068**	$	501,316
Non-current assets		**87,373**		87,373
Current liabilities		**(1,666,899)**		(531,945)
Net assets	**$**	**(1,471,458)**	$	56,744

	Three months ended June 30				Six months ended June 30			
		2019		2018		**2019**		2018
Selected financial results of equity accounted investees								
Revenue	**$**	**-**	$	(91,035)	**$**	**-**	$	86,527
Net loss from operations and total comprehensive loss		**(830,867)**		(1,129,388)		**(1,690,534)**		(2,613,372)
Share of profit (loss) from equity accounted investees								
Origin House's share of loss and total comprehensive loss		**(212,366)**		(295,246)		**(432,477)**		(688,367)
Add - (loss)/gain on deemed disposal after dilution		**-**		-		**(3,861)**		846,925
Origin House's gain (loss) from equity accounted investees	**$**	**(212,366)**	$	(295,246)	**$**	**(436,338)**	$	158,558

(Unaudited - Expressed in Canadian Dollars)

Joint venture

(2) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation that supplies equipment and cannabis-based medicines. Under the terms of the agreement, Origin House contributes two thirds of the funding required for a 50% equity interest, of which $196,305 has been advanced (December 31, 2018 - $192,540). The venture never commenced operations and the initial investment will be repaid with cannabis oil of the same value. The balance has been re-classified to other receivables in the first quarter of fiscal 2019.

11. Investments

The following table summarizes the Company's investments at June 30, 2019 and December 31, 2018:

		June 30, 2019		December 31, 2018
AltMed (1)	**$**	**7,786,111**	$	13,990,553
Bodhi (2)		**1,922,322**		3,740,000
Green Relief (2)		**1,740,000**		-
Fleurish (3)		**155,559**		283,637
Australis (4)		**-**		542,940
Total Investments	**$**	**11,603,992**	$	18,557,130

The following table summarizes gains and losses on investments for the three and six-month periods ended June 30, 2019 and June 30, 2018:

	Three months ended				Six months ended			
	June 30, 2019		June 30, 2018		**June 30, 2019**		June 30, 2018	
	Unrealized gain/(loss)	**Realized gain/(loss)**	Unrealized gain/(loss)	Realized gain/(loss)	**Unrealized gain/(loss)**	**Realized gain/(loss)**	Unrealized gain/(loss)	Realized gain/(loss)
AltMed	**$ (6,972,996)**	**$ -**	$ (113,873)	$ -	**$ (6,886,536)**	**$ -**	$ (245,263)	$ -
Bodhi	**14,902**	**-**	-	-	**(77,678)**	**-**	-	-
Fluerish	**(1,534)**	**-**	-	-	**(128,078)**	**-**	202,184	-
Australis	**(16,920)**	**-**	-	-	**(3,452)**	**174,773**	-	-
Anandia	-	-	15,336,844	-	-	-	15,608,156	-
Total gain/(loss)	**$ (6,976,548)**	**$ -**	$ 15,222,971	$ -	**$ (7,095,744)**	**$ 174,773**	$ 15,565,077	$ -

(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%.

In the first quarter of fiscal 2019, the Company acquired additional shares of AltMed in return for releasing its royalty investment in NuTrae, a subsidiary company of AltMed. This increased Origin House's ownership percentage in AltMed to 5.1%.

As at June 30, 2019, the Company has assessed the fair value of its equity holding in AltMed at $7,786,111 (December 31, 2018 - $13,990,553), which resulted in a loss of $6,972,996 for the quarter ended June 30, 2019. This assessment was based on a cash offer from a potential suitor during the second quarter ended June 30, 2019. The Company eventually sold its investment in AltMed for this amount on July 26, 2019 (Note 30). This valuation at June 30, 2019 was based on a level 2 input under the IFRS 13 fair value hierarchy.

(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. This transaction was closed on January 18, 2019 and the Company received Green Relief shares. At June 30, 2019, these Green Relief shares are valued at $1,740,000 using Level 2 inputs, based on the expected share price in an upcoming initial public offering. The company recorded interest income of nil related to this investment for the six-month period ended June 30, 2019.

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 January 18, 2019 closing date of the transaction. The total proceeds from the transaction, including equity, are Level 3 inputs which are the basis for the fair value of the Company's investment in Bodhi at June 30, 2019. 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 June 30, 2019 would change by approximately $60,000 (December 31, 2018 - $60,000). The investment in Bodhi has been valued at $1,922,322 on June 30, 2019.

(3) During July 2017, the Company advanced $250,000 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 June 30, 2019, the Company has assessed the fair value of Fleurish at $155,559. 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 the first quarter of fiscal 2019. During the six months ended June 30, 2019, Origin House's ownership percentage in Fleurish decreased to 1.30% (December 31, 2018 - 1.42%).

(4) On November 19, 2018, in exchange for its equity stake of Wagner Dimas, the Company received 738,916 Australis shares and 369,458 Australis share purchase warrants.

At December 31, 2018 the Company's shares in Australis were valued at $539,410 based on the closing share price of Australis. The share purchase warrants were valued at $3,532 using a 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%.

On March 15, 2019, the 738,916 shares were sold for proceeds of $702,937, resulting in a realized gain of $174,773 for the six months ended June 30, 2019. The Company has retained a portion of warrants which have been revalued to nil at June 30, 2019, resulting in an unrealized loss of $3,532 for the six-month period ended June 30, 2019.

(Unaudited - Expressed in Canadian Dollars)

12. 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		June 30, 2019		December 31, 2018
NuTrae (1)	10 years	Amortized Cost	$	-	$	940,776
Natural Ventures (2)	10 years	Amortized Cost		**327,175**		341,050
Total			**$**	**327,175**	$	1,281,826

The following table is a summary of the amortization expense on royalty investments for the six-month periods ended June 30, 2019 and June 30, 2018:

		June 30, 2019		June 30, 2018
NuTrae (1)	**$**	**17,038**	$	62,809
River		-		577,714
	$	**17,038**	$	640,523

(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 11), 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.

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. In converting its MÜV Royalty to AltMed equity, the Company received 125 equity units valued at $1.1 million as well as cash consideration of $109,588, which resulted in a gain of $383,869.

(2) 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 $336,025 (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 June 30, 2019.

13. Right-of-use assets and lease obligations

The following is a summary of the Company's right-of-use asset activity for the six months ended June 30, 2019:

		Net book value - January 1, 2019		Additions		Amortization		Impact from foreign exchange		**Net book value - June 30, 2019**
Facilities and warehouses	$	8,550,497	$	3,019,452	$	(781,280)	$	(442,581)	**$**	**10,346,088**
Offices		1,064,082		-		(124,945)		-		**939,137**
Retail stores		-		7,966,928		(354,105)		-		**7,612,823**
Vehicles		216,040		29,423		(53,324)		(7,615)		**184,524**
Equipment		7,677		-		(1,919)		-		**5,758**
Total	$	9,838,296	$	11,015,803	$	(1,315,573)	$	(450,196)	**$**	**19,088,330**

(Unaudited - Expressed in Canadian Dollars)

Additions totalling $11,015,803 during the six-month period ended June 30, 2019, relate to leases added through the acquisitions of 180 Smoke and Cub City (Note 4).

The following table shows a breakdown of the lease obligations relating to the right-of-use asset as at June 30, 2019:

	June 30, 2019
Total lease obligations	**18,393,666**
Current portion of lease obligations	**(1,966,805)**
Long-term portion of lease obligations	**16,426,861**

The following table is the contractual undiscounted cash outflows for lease obligations as at June 30, 2019:

	June 30, 2019
Less than one year	**4,280,650**
Two to nine years	**25,288,129**
Total undiscounted lease obligations	**29,568,779**

As at June 30, 2019, the Company had commitments of $163,278 relating to short-term leases which were not included in the calculation of the right-of-use asset and lease obligation on transition to IFRS 16 on January 1, 2019. Interest expense on the lease obligations for the three and six months ended June 30, 2019 was $556,319 and $952,783. Total cash outflow during the period was $2,169,216, of which $420,391 was for short-term leases. Expenses for low-dollar leases were not material. The amount of variable lease payments not included in the measurement of the lease obligations was nil.

Management has assessed the likelihood of exercising any optional lease terms as follows; for any extensions which are expected to be exercised, the value of the optional terms has been included in the right-of-use asset and lease liability balance at inception of IFRS 16 *Leases* (January 1, 2019) under the Modified Retrospective approach (Note 3).

(Unaudited - Expressed in Canadian Dollars)

14. Property, plant and equipment

The following is a summary of activity for the six months ended June 30, 2019:

Cost	January 1, 2019	Additions from acquisition	Additions	Adjustments	Effect of foreign exchange	June 30, 2019
Building not ready for use	**$ 3,369,117**	$ -	$ 2,812	$ -	$ (144,889)	$ 3,227,040
Construction in progress	**6,940,200**	1,024,230	6,896,011	(6,311,530)	(164,467)	8,384,444
Processing equipment	**838,092**	98,513	95,930	(12,649)	(23,902)	995,984
Filling, labelling, and packaging equipment	**784,967**	-	-	-	(16,054)	768,913
Furniture and fixtures	**329,126**	332,631	30,783	(39,283)	(9,316)	643,941
Computers and related equipment	**885,538**	21,334	328,664	(12,267)	(31,320)	1,191,949
Motor vehicles	**657,686**	32,954	-	(259,684)	(12,710)	418,246
Leasehold improvements	**877,999**	459,791	667,140	6,330,877	(325,911)	8,009,896
Retail equipment	-	96,613	-	-	-	96,613
Total	**$ 14,682,725**	**$ 2,066,066**	**$ 8,021,340**	**$ (304,536)**	**$ (728,569)**	**$ 23,737,026**

Accumulated Depreciation	January 1, 2019	Amortization	Adjustments	Effect of foreign exchange	June 30, 2019
Processing equipment	**$ (301,411)**	$ (116,129)	$ (5,048)	$ 7,227	$ (415,361)
Filling, labelling, and packaging equipment	**(170,145)**	(38,241)	-	9,636	(198,750)
Furniture and fixtures	**(73,530)**	(38,663)	-	(1,427)	(113,620)
Computers and related equipment	**(121,847)**	(203,345)	12,016	5,006	(308,170)
Motor vehicles	**(62,946)**	(77,963)	43,644	(2,380)	(99,645)
Leasehold improvements	**(148,732)**	(680,186)	-	19,999	(808,919)
Retail equipment	**-**	(8,759)	-	-	(8,759)
Total	**$ (878,611)**	**$ (1,163,286)**	**$ 50,612**	**$ 38,061**	**$ (1,953,224)**
Net book value	**$ 13,804,114**				**$ 21,783,802**

During the six months ended June 30, 2019, a construction project with total costs of $6,311,530 was completed. The construction was at one of the Company's leased facilities (Note 13). The costs were moved out of construction in progress, recorded within leasehold improvements, and began to depreciate once production at the facility began in January 2019. The Company is depreciating the asset over the expected term of the leased facility, which includes the optional terms that are expected to be exercised in the future.

Effective January 1, 2019, the Company implemented IFRS 16 (Note 3). Under this new standard, leases which were previously recognized as a finance lease under IAS 17 *Leases* would continue to be recognized in a similar manner. However, the assets are no longer considered an item of property, plant, and equipment and instead are reclassified as a right-of-use asset (Note 13) on initial recognition (January 1, 2019). During the six months ended June 30, 2019, the Company reclassified vans with a net book value of $216,040 (cost of $259,684 and accumulated depreciation of $43,644) from property, plant and equipment to right-of-use assets.

(Unaudited - Expressed in Canadian Dollars)

The following is a summary of activity for the six months ended June 30, 2018:

Cost	January 1, 2018	Additions	Effect of foreign exchange	June 30, 2018
Processing equipment	$ 368,398	$ 155,485	$ 4,417	$ 528,300
Filling, labelling, and packaging equipment	725,761	-	48,871	774,632
Furniture and fixtures	138,966	6,565	2,985	148,516
Computers and related equipment	43,209	76,424	572	120,205
Motor vehicles	-	86,039	1,669	87,708
Lease improvements	51,324	216,616	4,749	272,689
Total	$ 1,327,658	$ 541,129	$ 63,263	$ 1,932,050

Accumulated Depreciation	January 1, 2018	Amortization	Effect of foreign exchange	June 30, 2018
Processing equipment	$ (118,923)	$ (38,162)	$ (573)	$ (157,658)
Filling, labelling, and packaging equipment	(83,513)	(36,433)	(4,757)	(124,703)
Furniture and fixtures	(23,589)	(12,742)	(705)	(37,036)
Computers and related equipment	(12,706)	(11,879)	(24)	(24,609)
Motor vehicles	-	(6,598)	(183)	(6,781)
Lease improvements	(4,829)	(19,984)	(463)	(25,276)
Total	$ (243,560)	$ (125,798)	$ (6,705)	$ (376,063)
Net book value	1,084,098			1,555,987

Included in the additions of $541,129 during the six months ended June 30, 2018, were additions of $245,906 from the acquisitions of Kaya and Alta which were both acquired by the Company on March 27, 2018. The remaining amount of $295,223 pertains to additions not related to acquisitions.

The depreciation for property and equipment has been recorded within the following expense lines during the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended		**Six months ended**	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
General and administrative	**$ 411,989**	$ -	**$ 732,897**	$ 125,798
Sales and marketing	**148,170**	-	**224,975**	-
Cost of sales	**205,414**	45,268	**205,414**	-
Total	**$ 765,573**	$ 45,268	**$ 1,163,286**	$ 125,798

(Unaudited - Expressed in Canadian Dollars)

15. Intangible assets and goodwill

The following is a summary of intangible assets and goodwill for the six months ended June 30, 2019:

	January 1, 2019	Additions from acquisition	Additions	Amortization	IFRS 16 adjustments	Effect of foreign exchange	June 30, 2019
Acquired brands	$ **8,494,720**	$ 7,000,000	$ -	$ (706,684)	$ -	$ (336,769)	$ 14,451,267
Acquired technology	3,028,909	-	-	(187,405)	-	(119,589)	2,721,915
Product formulations	259,284	-	-	(15,668)	-	(10,395)	233,221
Licenses	20,964,598	5,981,479	-	(1,631,408)	-	(988,985)	24,325,684
Retail and customer relationships	12,450,507	1,200,000	-	(739,158)	-	(494,863)	12,416,486
Distribution network	4,626,357	-	-	(238,076)	-	(183,769)	4,204,512
Favourable lease	1,030,824	-	-	-	(1,030,824)	-	-
Software and systems	279,990	332,563	128,318	-	-	3,523	744,394
Franchise network	-	1,100,000	-	(39,781)	-	-	1,060,219
Total intangible assets	$ **51,135,189**	$ 15,614,042	$ 128,318	$ (3,558,180)	$ (1,030,824)	$ (2,130,847)	$ **60,157,698**
Goodwill	57,518,746	27,748,111	-	-	-	(2,278,912)	**82,987,945**
Total	$ **108,653,935**						$ **143,145,643**

As part of the adoption of IFRS 16, $1.0 million of favourable leases have been re-classified as right-of-use assets. The remaining deferred tax recovery of $288,651 associated with this intangible has been included in accumulated deficit upon the inception of IFRS 16.

The following is a summary of intangible assets and goodwill for the six months ended June 30, 2018:

	January 1, 2018	Additions from acquisition	Amortization	Effect of foreign exchange	June 30, 2018
Acquired brands	$ 1,957,947	$ -	$ (112,679)	$ 84,707	$ 1,929,975
Acquired technology	3,147,580	-	(181,141)	136,598	3,103,037
Employment agreement	215,161	-	(28,065)	-	187,096
Product formulations	286,910	-	(15,018)	(6,928)	264,964
Licenses	-	3,866,400	(252,048)	70,028	3,684,380
Customer and retail relationships	-	3,093,120	(115,223)	57,522	3,035,419
Total intangible assets	$ 5,607,598	$ 6,959,520	$ (704,174)	$ 341,927	$ 12,204,871
Goodwill	4,759,377	8,082,331	-	590,889	13,432,597
Total	$ 10,366,975				$ 25,637,468

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 June 30, 2019.

The addition of goodwill and intangible assets during the six months ended June 30, 2019 pertain to the acquisition of 180 Smoke in February 2019 and the cultivation license obtained through the Cub City asset acquisition in May 2019 (Note 4). The additions to goodwill and intangible assets during the six months ended June 30, 2018 pertain to the acquisitions of Alta and Kaya in March 2018.

(Unaudited - Expressed in Canadian Dollars)

16. Amounts payable, accrued liabilities, and purchase consideration payable

Amounts payable and accrued liabilities consist of the following balances:

		June 30, 2019		December 31, 2018
Trade accounts payable	$	**12,166,744**	$	5,316,702
Payroll accruals		**2,526,452**		2,652,568
Other accrued liabilities		**1,386,928**		1,992,161
Sales tax payable		**1,414,243**		447,863
Other payables		**1,342,970**		605,991
Total amounts payable and accrued liabilities	**$**	**18,837,337**	$	11,015,285

Purchase consideration payable at June 30, 2019 and December 31, 2018 consists of balances from the following acquisitions:

		June 30, 2019		December 31, 2018
180 Smoke (1)	**$**	**9,278,004**	$	-
FloraCal (2)		**711,179**		683,167
Cub City (3)		**5,506,008**		-
Current purchase consideration		**15,495,191**		683,167
180 Smoke (1)		**1,330,089**		-
FloraCal (2)		**1,134,972**		1,184,482
Long-term purchase consideration		**2,465,061**		1,184,482
Total purchase consideration	**$**	**17,960,252**	$	1,867,649

(1) On February 19, 2019, the Company acquired all of the outstanding shares of 180 Smoke. As part of the arrangement, the Company may pay contingent consideration based on the achievement of revenue milestones. A portion of the contingent consideration has been classified as a liability. This contingent consideration is to be fully paid via the issuance of shares. The liability classified contingent consideration is measured at fair value based on level 3 inputs under IFRS 13 and was remeasured as at June 30, 2019 in connection with the acquisition by Cresco (Note 4). The increase in the fair value of the liability resulted in a charge of $6,463,136 within other expenses on the consolidated statement of net loss for the three months ended June 30, 2019.

(2) On July 2, 2018, the Company acquired 100% of FloraCal. As at June 30, 2019 the liability classified contingent consideration owed by the Company had a fair value of $1,846,151 (December 31, 2018 - $1,867,649), of which $711,179 is expected to be paid out within the next 12 months (December 31, 2018 - $683,167). 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 fair value of contingent consideration.

(Unaudited - Expressed in Canadian Dollars)

(3) The Company acquired all of the outstanding shares of Cub City on May 2, 2019. As part of the arrangement, the Company will pay future consideration of $4,580,450 within the next year (December 31, 2018 – nil) as well as an estimated working capital adjustment of $925,558 (Note 4). The future consideration is measured at fair value based on level 3 inputs of IFRS 13 and is adjusted at each reporting period for the passage of time.

17. Loans payable and other liabilities

		June 30, 2019		December 31, 2018
Vehicle loans (1)	$	**107,113**	$	99,188
Preferred shares held by non-controlling interest (2)		**14,454,354**		13,550,172
Deposit for shares held by non-controlling interest (3)		**8,469,052**		-
Short term loan from OCN (4)		**2,900,290**		-
Other liabilities		**45,000**		-
Total loans payable and other liabilities	**$**	**25,975,809**	$	13,649,360

(1) As part of the acquisition of Alta in 2018 as well as the acquisition of 180 Smoke in 2019, the Company inherited loans related to company vehicles.

(2) 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 fail 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. Trichome is in the process of seeking an extension to complete the initial public offering.

Included in the balance of $14,454,354 at June 30, 2019 (December 31, 2018 – 13,550,172) is accrued interest expense of $1,462,382 based on an annualized effective interest rate of 11.9% (December 31, 2018 - $558,200). This annualized effective interest rate is based on a 9% interest rate before taking transaction costs into consideration.

(3) During the first quarter of 2019, Trichome, a subsidiary of the Company, launched a non-brokered private placement of subscription receipts in connection with a reverse takeover (Note 30). The balance of $8,469,052 represents funds raised during the six month period ended June 30, 2019 in connection with the private placement. Of the total funds raised, $8,248,598 relates to the first tranche, closed on April 25, 2019, which was placed in trust and recorded as restricted cash.

(4) On June 27, 2019 the Company entered into a loan agreement with Opaskwayak Cree Nation ("OCN") whereby OCN would loan the Company $12.0 million in two advances each evidenced by an unsecured promissory note of $3.5 million and $8.5 million respectively. The loan will be due and payable in full on December 31, 2019 and attracts an annual interest rate of 10% per annum compounded monthly in addition to a commitment fee of $600,000 payable monthly in six equal installments of $100,000. At June 30, 2019 the first promissory note of $3.5 million was received and interest payable on this amount was $3,836.

(Unaudited - Expressed in Canadian Dollars)

The balance of the current loan payable at June 30, 2019 net of fees, is made up of the following:

Balance at January 1, 2019	$	-
Loan from OCN		3,500,000
Transaction cost		(615,307)
Accrued interest		3,836
Accreted expense		11,761
Balance of OCN loan at June 30, 2019	$	2,900,290

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 had the option to 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.

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. In the first quarter of fiscal 2019, the remaining $18,963,000 of convertible debt recorded at December 31, 2018 was converted into 3,034,080 Origin House common shares.

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.

Balance of 8% convertible debentures, January 1, 2019	**$**	**16,026,098**
Interest accreted		**156,836**
Value of debt converted to equity (Note 23(7))		**(16,182,934)**
Balance at June 30, 2019	**$**	**-**

Interest expense accrued and paid during the six months period was $243,284 (June 30, 2018 – nil). At June 30, 2019 there was no outstanding interest payable on the debentures (December 31, 2018 - $4,214).

(Unaudited - Expressed in Canadian Dollars)

19. Interest expense

The following is a summary of interest expense for the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Amortization of Sprott transaction costs (Note 20)	**$ 152,739**	$ 159,761	**$ 310,744**	$ 317,766
Amortization of deferred financing fees on line of credit (Note 20)	**43,842**	46,362	**89,196**	92,487
Interest accretion on 180 Smoke contingent consideration (Note 4)	**198,223**	-	**222,958**	-
Interest accretion on FloraCal contingent consideration (Note 16(2))	**28,319**	-	**55,517**	-
Interest and accretion expense on OCN loan (Note 17(4))	**15,597**	-	**15,597**	-
Interest and accretion on 8% unsecured convertible debenture (Note 18)*	**-**	-	**73,698**	-
Interest and accretion on Aphria convertible note	**-**	72,290	**-**	101,954
Interest expense on capitalized leases (Note 13)	**556,319**	-	**952,783**	-
Interest expense on Class A Preference shares Series 1 (Note 17)	**461,134**	-	**904,182**	-
Interest expense on Sprott line of credit (Note 20)	**-**	60,187	**-**	143,520
Other interest expense	**2,676**	2,693	**10,434**	5,556
Total	**$ 1,458,849**	$ 341,293	**$ 2,635,109**	$ 661,283

*Interest expense on the 8% convertible debentures is stated net of capitalised interest of $322,209 which has been charged to capital projects.

20. Deferred financing charges (line of credit)

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 was no balance drawn on the line of credit with Sprott, the net balance of unamortized fees was recorded as an asset as of December 31, 2018.

In connection with the commencement of the Facility in 2017, 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. These costs were amortized on a straight-line basis over the three-year term of the line of credit.

On July 1, 2019, the Company terminated the line of credit facility with Sprott Inc. The line of credit facility was replaced with a $12.0 million loan with the Opaskwayak Cree Nation (Note 17(4)). Accordingly, all unamortized fees relating to the Sprott agreement have been expensed during the six months ended June 30, 2019. The unamortized amount of $954,033 was recorded as part of other expenses on the statement of net loss. Interest expense on the Sprott line of credit for the three and six months ended June 30, 2019 was nil and nil (June 30, 2018 - $60,187 and $143,520).

	January 1, 2019	**Amortization of cost**	**Accelerated amortization on termination**	**June 30, 2019**
Outstanding loan	$ -	$ -	$ -	**$ -**
Warrants issued to Sprott	1,051,614	(310,744)	(740,870)	**-**
Agents commission and legal fees	302,359	(89,196)	(213,163)	**-**
Total	**$ 1,353,973**	**$ (399,940)**	**$ (954,033)**	**$ -**

(Unaudited - Expressed in Canadian Dollars)

The $1,353,973 deferred financing fees at December 31, 2018, included a current portion of $824,735 and a long-term portion of $529,238.

		January 1, 2018		Repayment of credit		Interest expense		Amortization of cost		June 30, 2018
Outstanding loan	$	(3,000,000)	$	1,000,000	$	-	$	-	$	(2,000,000)
Accrued interest		-		-		(60,187)		-		(60,187)
Warrants issued to Sprott		1,692,414		-		-		(317,766)		1,374,648
Agents commission and legal fees		481,069		-		-		(85,987)		395,082
Total	$	(826,517)	$	1,000,000	$	(60,187)	$	(403,753)	$	(290,457)

21. Commitments and contingencies

The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. As at June 30, 2019, this agreement guarantees further royalty payments of $3.9 million (US $3.0 million) based on separate quarterly guarantees ending December 31, 2022.

In connection with the FloraCal acquisition, the Company committed to spending $10.0 million (US $7.5 million) for the expansion of FloraCal's cultivation facility for phases one and two of the three phase project. The Company committed a total of $8.7 million (US $6.5 million) to a construction company for phases one and two of the project, of which approximately $0.7 million remained committed at June 30, 2019. With the near completion of phase two at June 30, 2019, the Company has committed an additional $5.0 million (US $3.8 million) to the same construction company for phase 3 of the project.

With the acquisition of Cub City on May 2, 2019, the Company has also committed to spending approximately $2.4 million (US $1.9 million) for renovations of a cultivation facility.

22. Related party transactions

The following is a summary of the related party balances at June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Management bonus and vacation payable (1)	**(266,878)**	(545,560)
Working capital adjustment due from acquiree (2)	**467,941**	487,786
Working capital adjustment due to acquiree (3)	**(317,522)**	(331,009)
Net payable	**(116,459)**	(388,783)

(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 $467,941 (US $357,562) is owed by a member of key management, and former owner of Alta. This balance is included in amounts receivable. (December 31, 2018 - $487,786).

(3) A working capital adjustment in connection with the FloraCal acquisition, in the amount of $317,522 (US $230,113 is owed to members of key management, who were the former shareholders of FloraCal. This balance is recorded within other payables (Note 16). (December 31, 2018 - $331,009)

(Unaudited - Expressed in Canadian Dollars)

The following is a summary of related party transactions, excluding key management salary-based compensation for the three and six months ended June 30, 2019 and June 30, 2018:

i) The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. During the three and six-month periods ended June 30, 2019, the Company incurred royalties of $213,438 and $503,919 respectively (June 30, 2018 – nil and nil).

ii) During the three and six-month periods ended June 30, 2019, the Company paid rent of $271,054 and $536,670 respectively related to leases in California, for premises partially owned by a Board member (June 30, 2018 - nil and nil).

23. Share capital

Authorized:

Unlimited number of common shares

Issued and outstanding:

67,530,615 common shares, voting, 56,547 Class A compressed shares, voting, 12,721 RPE compressed shares, non-voting and 50,000,000 Subordinate Voting shares.

	Number of shares		Amount
Common shares	67,530,615	$	174,223,826
Class A compressed shares	56,547		30,878,656
RPE compressed shares	12,721		6,161,594
Subordinate voting shares	50,000,000		-
Issued and outstanding at June 30, 2019		**$**	**211,264,076**

Common shares

The following table summarizes share issuances for the six months ended June 30, 2019:

	Number of shares		Amount
Balance at January 1, 2019	**60,263,768**	**$**	**123,566,588**
Shares issued for the conversion of Class A compressed shares (1)	82,000		410,000
Shares issued as milestone payments related to the purchase of Kaya and Alta (2)	423,220		1,604,004
Shares issued due to exercise of warrants at $5.50 (3)	3,450		18,975
Shares issued due to exercise of warrants at $4.00 (4)	12,938		73,542
Shares issued on release of RSUs (note 24 "share unit plan")	624,962		1,570,647
Shares issued due to exercise of share options (note 24 "stock option plan")	27,500		117,284
Shares repurchased under a Normal Course Issuer Bid (5)	(22,700)		(38,311)
Shares issued for the acquisition of 180 Smoke (6)	3,081,397		28,502,922
Shares issued for conversion of 8% unsecured convertible debentures (7)	3,034,080		18,398,175
Common shares at June 30, 2019	**67,530,615**	**$**	**174,223,826**

(Unaudited - Expressed in Canadian Dollars)

(1) During February 2019, 820 Origin House Class A compressed shares were converted to 82,000 common shares based on one Class A compressed share being equivalent to 100 common shares.

(2) In connection with the acquisition of Alta and Kaya in 2018, a total of 423,220 milestone performance shares were issued to the previous shareholders of Kaya and Alta. The shares had an acquisition date value of $3.79 per common share.

(3) Compensation half warrants were issued to agents as part of equity financing raises in April 2018 at an exercise value of $5.50 per common share. At December 31, 2018, cash had been received for the exercise of 3,450 warrants, but the shares could not be released until certain procedures were completed. The amount received was therefore recorded as shares to be issued at December 31, 2018.

(4) These were compensation warrants issued as part of the April 2018 bought deal financing at an exercise value of $4.00 per common share. The total charge to share capital of $73,542 includes cash proceeds from these exercises of $51,752 and the initial fair value of these warrants of $21,790.

(5) During the six months period, 22,700 common shares were bought back for cash of $145,122 with $106,811 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.

(6) On February 19, 2019, in connection with the acquisition of 180 Smoke (Note 4), 3,081,397 Origin House common shares were issued as part of the initial purchase consideration for 100% ownership of the company. The shares were valued at $9.25 based on the Origin House closing share price on the acquisition date.

(7) During the six months period, all the outstanding 8% convertible debentures were converted to 3,034,080 Origin House common shares at the conversion value of $6.25 per share representing a fair value of $16,182,934 based on the value of the debt at initial recognition. The value recognised in share capital also includes the amounts of $1,743,282 and $471,959 which were reclassified to share capital from contributed surplus and deferred tax liability respectively representing the remaining value related to the debt which has been fully converted.

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 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.

The following is a summary of the activity for the six months ended June 30, 2019:

	Number of shares		Amount
Balance at January 1, 2019	**35,088**	**$**	**17,544,000**
Converted to common shares	(820)		(410,000)
Conversion of RPE compressed shares	22,279		13,744,656
Class A compressed shares at June 30, 2019	**56,547**	**$**	**30,878,656**

(Unaudited - Expressed in Canadian Dollars)

RPE compressed shares

The Company closed the acquisition of RVR Distribution in 2018. The vendors received 21,001 RPE compressed shares as a component of purchase consideration for RVR which were valued at $13,125,000 and will receive an additional 49,000 RPE compressed shares which are time based. The RPE compressed shares will enable the recipients to acquire one Class A compressed share which is convertible to 100 common shares of Origin House valued at $6.25 per share 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.

The following is a summary of the activity for the six months ended June 30, 2019:

	Number of shares		Amount
Balance at January 1, 2019	**21,001**		**13,125,000**
RPE compressed shares issued as part of the contingent consideration for the acquisition of RVR	14,000		6,781,250
RPE shares converted to Class A compressed shares	(22,279)		(13,744,656)
RPE compressed shares at June 30, 2019	**12,721**	**$**	**6,161,594**

Subordinate voting shares

On June 11, 2019, the Company's articles were amended to create an unlimited number of subordinate voting shares. Each subordinate voting share is convertible into 0.000001 of one Origin House Common Share.

On June 28, 2019, Origin House issued 50,000,000 subordinate voting shares as a share-based award to the Chairman and CEO of the Company at a deemed issue price of C$0.00000821 per subordinate voting share, or an aggregate of $411. This amount was recorded as an expense during the six months period. Transaction costs of $36,399 relating to the creation and issue of the shares were capitalised. $411 was recorded within share capital resulting in nil proceeds from the 50,000,000 shares issued as at June 30, 2019. The $35,988 balance of transaction costs was recorded within equity.

The subordinate voting shares are convertible into, in the aggregate, 50 Common Shares of the Company and are subject to a four month hold period.

Shares to be issued and contingent shares

The following summarizes the shares to be issued and outstanding contingent shares at June 30, 2019:

	Number of shares		Amount
Contingent Class A compressed shares for acquisition of FloraCal	35,088	**$**	**11,266,335**
Contingent RPE compressed shares for the acquisition of RVR	35,000		**13,687,268**
Contingent common shares payable for the acquisition of Kaya and Alta	184,278		**451,434**
Contingent consideration on the acquisition of 180 Smoke (note 4 (iv) and 4(v))	1,508,921		**1,413,479**
Shares to be issued and contingent shares at June 30, 2019		**$**	**26,818,516**

(Unaudited - Expressed in Canadian Dollars)

Warrants

The following tables summarize the movement of warrants for the six months period ended June 30, 2019 and June 30, 2018:

	Number of warrants		Grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2019	**12,938**	**$**	**1.68**	**$**	**4.00**
Grants	-		-		-
Exercises	(12,938)		1.68		4.00
Outstanding and exercisable at June 30, 2019	**-**	**$**	**-**	**$**	**-**

The 12,938 remaining warrants were exercised in April 2019 for proceeds of $51,752.

	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		1.65		5.25
Exercises	(2,365,221)		0.96		3.15
Outstanding and exercisable at June 30, 2018	4,491,866	$	1.25	$	4.91

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 June 30 2019		**Achelois**		**Trichome**
Cash and cash equivalents	**$**	**838**	**$**	**7,792,779**
Restricted cash		**-**		**8,248,598**
Prepaids and other current assets		**-**		**431,475**
Loans and amounts receivable		**-**		**5,816,386**
Derivative asset		**-**		**205,483**
Accrued liabilities		**(9,815)**		**(634,951)**
Loans payable		**-**		**(24,496,406)**
Other payables and deposit		**(343,183)**		**(213,572)**
Non-controlling interests		**123,100**		**44,438**
Equity attributable to Origin House	**$**	**(229,060)**	**$**	**(2,805,770)**

As at June 30 2018		Achelois		Trichome
Cash and cash equivalents	$	841	$	328,530
Prepaids		-		101,485
Loans receivable		-		288,383
Property and equipment		1,314		-
Accrued liabilities		-		(275,355)
Other payables		(229,702)		(272,318)
Non-controlling interests		85,782		(161,667)
Equity attributable to Origin House	$	(141,765)	$	9,058

(Unaudited - Expressed in Canadian Dollars)

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

	Achelois	Trichome	Total
As at January 1, 2019	$ (97,037)	$ 173,818	**$ 76,781**
Net loss	(19,951)	(644,376)	**(664,327)**
Equity incentive plan	-	412,171	**412,171**
As at June 30, 2019	$ (116,988)	$ (58,387)	**$ (175,375)**

	Achelois	Trichome	Total
As at January 1, 2018	$ (177,006)	$ -	$ (177,006)
Equity	-	180,000	180,000
Net loss	91,224	(18,333)	72,891
As at June 30 2018	$ (85,782)	$ 161,667	$ 75,885

RTO of 22 Capital Corp ("22 Capital") by Trichome (the "Qualifying Transaction")

Trichome, an Origin House subsidiary, commenced a non-brokered private placement of subscription receipts in connection with its reverse take-over of 22 Capital Corp where Trichome will be the acquirer. Trichome expects to raise gross proceeds of between $15.0 million and $30.0 million. 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.

After the RTO, Origin House is expected to own 5,769,132 post-split, common shares of the resulting issuer. If Trichome completes the minimum offering, Origin House is expected to own approximately 21.9% of the common shares of the resulting issuer, and if Trichome completes the maximum offering, Origin House is expected to own approximately 17.2% of the common shares of the resulting issuer. The Company will no longer control Trichome upon RTO and will not consolidate its financial results.

On May 27, 2019 Trichome and 22 Capital received conditional approval from the TSX Venture Exchange regarding the Qualifying Transaction. Refer to Note 30 for additional information.

24. Share-based compensation

The following is a summary of the share-based compensation expenses by type for the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Share-based compensation:				
Share unit plan (1)	**$ 370,067**	$ 698,661	**$ 646,012**	$ 2,432,615
Share option plan (2)	**149,333**	393,519	**302,979**	599,663
Total Origin House plans	**519,400**	1,092,180	**948,991**	3,032,278
Subsidiary company plans	**169,442**	47,235	**412,171**	47,235
Total	**$ 688,842**	$ 1,139,415	**$ 1,361,162**	$ 3,079,513

(Unaudited - Expressed in Canadian Dollars)

The following is a summary of share-based compensation expenses by function for the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
General and administrative	**$ 656,113**	$ 709,610	**$ 1,267,071**	$ 2,595,668
Sales and marketing	**35,522**	394,595	**90,286**	446,368
Research and development	**(2,793)**	35,210	**3,805**	37,477
Total	**$ 688,842**	$ 1,139,415	**$ 1,361,162**	$ 3,079,513

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

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 June 30, 2019, a total of 2,150,294 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 three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended				Six months ended			
	June 30, 2019		June 30, 2018		**June 30, 2019**		June 30, 2018	
	Amount	**grant date value***	Amount	grant date value*	**Amount**	**grant date value***	Amount	grant date value*
Outstanding RSUs, beginning of period	**3,045,791**	**$ 2.51**	4,109,650	$ 2.35	**3,431,210**	**$ 2.47**	4,153,150	$ 2.28
Granted	**232,500**	**11.86**	10,000	3.94	**232,500**	**11.86**	20,000	3.76
Settled in common shares	**(247,043)**	**3.07**	(262,494)	2.07	**(624,962)**	**2.51**	(315,994)	2.09
Forfeitures	**(13,750)**	**7.66**	(14,166)	2.92	**(21,250)**	**5.83**	(14,166)	2.92
Outstanding RSUs, end of period	**3,017,498**	**$ 3.16**	3,842,990	$ 2.37	**3,017,498**	**$ 3.16**	3,842,990	$ 2.37

*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 RSUs have an annual forfeiture rate of 0%-4.5%. Of the outstanding RSUs 2,313,124 have vested but have not been converted (December 31, 2018 – 2,551,839), 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 704,374 unvested RSUs will vest in an average of 2.10 years.

During the second quarter of fiscal 2019, 232,500 performance based RSUs were granted and will vest equally over a four-year period based on the achievement of annual performance targets set by the Company. No similar performance based RSUs were issued in prior periods. The expense for the period was determined based on the probability of achieving these targets determined by observation of performance levels attained by similar employees in the prior annual period. Total expense recorded for these RSUs was $201,957.

(Unaudited - Expressed in Canadian Dollars)

(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 June 30, 2019, a total of 5,852,187 stock options were available for grant.

As at June 30, 2019, there are 900,875 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 six months ended June 30, 2019 and June 30, 2018:

	June 30, 2019		June 30, 2018	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	**929,000**	**$ 4.19**	850,000	$ 3.68
Granted	**-**	**-**	267,500	5.49
Forfeitures	**(625)**	**4.27**	(150,000)	3.73
Exercised	**(27,500)**	**2.91**	-	-
Outstanding, end of period	**900,875**	**$ 4.23**	967,500	$ 4.17
Exercisable at end of period	**401,500**	**$ 3.98**	308,250	$ 4.17

The 499,375 unvested options as at June 30, 2019 will vest over an average of 1.04 years.

25. (Loss) earnings per share

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

Basic (loss) earnings per share

	Three months ended		**Six months ended**	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Loss attributable to common share holders:				
(Loss) income attributable to common shareholders	**$ (34,535,980)**	$ 9,200,127	**$ (51,672,286)**	$ 4,571,124
Weighted average number of common shares issued and outstanding:				
Issued and outstanding ordinary shares beginning of period	**66,841,636**	46,907,628	**60,263,768**	43,898,445
Effect of issued and outstanding Class A compressed shares	**5,116,109**	-	**4,285,635**	-
Effect of conversion of Class A compressed shares	**-**	-	**72,486**	-
Effect of issued and outstanding RPE compressed shares	**1,564,537**	-	**1,830,790**	-
Effect of RSUs released	**98,808**	141,755	**333,809**	102,430
Effect of share options exercised	**907**	-	**456**	-
Effect of warrants exercised	**11,658**	227,398	**9,178**	1,723,846
Effect of shares issued from financing activities	**-**	4,164,178	**-**	2,093,592
Effect of shares issued for acquisitions	**188,183**	87,664	**2,360,660**	702,679
Effect of conversion of convertible debt	**-**	-	**2,077,374**	-
NCIB purchases	**-**	-	**(18,812)**	-
Others	**-**	31,574	**-**	15,874
Weighted average number of shares (basic) at June 30	**73,821,839**	51,560,197	**71,215,343**	48,536,866
Basic (loss) earnings per share	**$ (0.47)**	$ 0.18	**$ (0.73)**	$ 0.10

(Unaudited - Expressed in Canadian Dollars)

Included in the weighted average number of shares at June 30, 2019, are the common share equivalents of the Class A and RPE compressed shares based on the dates they were issued for the acquisitions of FloraCal and RVR, respectively. These had nil values at June 30, 2018 as they were issued subsequent to that date.

Diluted (loss) earnings per share

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
(loss) income attributable to common share holders (diluted):				
Net (loss) income for the period	**$ (34,535,980)**	$ 9,200,127	**$ (51,672,286)**	$ 4,571,124
Add: Interest expense on convertible debt net of tax	-	453	-	24,919
Add: Interest expense to be settled by issue of common shares net of tax	-	44,238	-	44,238
(Loss) income attributable to ordinary shareholders	**$ (34,535,980)**	$ 9,244,818	**$ (51,672,286)**	$ 4,640,281
Weighted average number of common shares outstanding (diluted):				
Weighted average number of ordinary outstanding shares (basic)	**73,821,839**	51,560,197	**71,215,343**	48,536,866
Effect of conversion of convertible debt	-	8,242	-	377,072
Effect of outstanding share options	-	65,149	-	60,926
Effect of outstanding RSUs	-	3,360,418	-	3,307,535
Effect of outstanding warrants	-	215,894	-	81,701
Effect of interest payment due in shares	-	11,539	-	11,539
Effect of outstanding contingent shares	-	86,888	-	86,888
Weighted average number of shares (diluted) at June 30	**73,821,839**	55,308,327	**71,215,343**	52,462,527
Diluted (loss) earnings per share	**$ (0.47)**	$ 0.17	**$ (0.73)**	$ 0.09

The calculation of diluted net loss per share for the three and six months ended June 30, 2019 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. These in-the-money items were included in the computation of diluted earnings per share at June 30, 2018.

(Unaudited - Expressed in Canadian Dollars)

26. Financial instruments

Fair value

The following table summarizes 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:

			June 30, 2019	December 31, 2018
Cash and cash equivalents	FVTPL	Level 1	$ 14,781,857	$ 69,206,193
Restricted cash	FVTPL	Level 1	8,248,598	-
Investments	FVTPL	Level 1	-	542,940
Investments	FVTPL	Level 2	9,681,670	283,637
Investments	FVTPL	Level 3	1,922,322	17,730,553
Derivative assets	FVTPL	Level 2	205,483	-
Loans receivable	Amortized cost		9,306,842	-
Loans receivable	FVTPL	Level 3	1,502,659	1,929,684
Amounts receivable	Amortized cost		9,010,256	3,110,989
Amounts payable	Amortized cost		18,837,337	11,015,285
Current purchase consideration	Amortized cost		15,495,191	683,167
Convertible debt	Amortized cost		-	16,030,312
Non-current purchase consideration	Amortized cost		2,465,061	1,184,482
Loans payable and other liability	Amortized cost		25,975,809	13,649,360

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), derivative assets (Level 2), and investments (Level 2 and 3). Financial instruments are valued using observable market inputs, such as the prime rate of borrowing and the Company's stock price. During the six months ended June 30, 2019, the Company transferred an investment from a Level 3 financial instrument to a level 2 instrument. This transfer was a result of a change in valuation technique, as the investment was initially derived from a price which was not considered a quoted price in an active market.

The Company 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.

Capital management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to ensure 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. The Company's primary uses of capital are investments in companies in the cannabis and nicotine-vape industries, 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 will 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 strive to obtain returns on investment.

The Company monitors its capital based on the adequacy of its cash resources to fund its business operations. 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.

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, under both normal and stressed conditions, by continuously monitoring actual and forecasted cash flows.

The Company has sustained losses since incorporation and has financed these losses mainly through a combination of equity and debt financings. As at June 30, 2019, the Company has contractual obligations relating to trade and other payables, loans, and the acquisitions of FloraCal, 180 Smoke and Cub City.

Management plans to raise sufficient cash to meet all of its contractual obligations. However, there may be uncertainty related to the timing and use of the Company's cash resources and actual results may differ from expectations.

Arrangement with Cresco

The Company cancelled plans to obtain new financing in the second quarter of 2019 due to it entering into the Arrangement with Cresco. The close of the Arrangement was originally anticipated to occur in June 2019 but was delayed due to Second Requests received from the DOJ. The delayed close of the Arrangement and cash used in expanding operations in California and Canada, have led to decreased liquidity compared to the Company's historical levels.

(Unaudited - Expressed in Canadian Dollars)

27. Segmented information

The Company operates under the following reporting segments:

1) The Corporate segment derives income from non-operating investments and contains the Company's corporate, strategic, and administrative activities.

2) The California Operations segment combines the Company's cultivation, manufacturing, and distribution businesses.

3) The Canadian Operations segment consists of operations from retail, online, wholesale, and franchise activities.

   The Trichome segment consists of the operating activities of the Trichome Financial Corp. subsidiary. This subsidiary provides hard asset lending services to cannabis companies.

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. Below are the results of the operating segments for the three and six months ended June 30, 2019:

	Canadian operations segment	Corporate segment	California operations segment	Trichome	Consolidated
Revenues[1]	**$ 4,097,510**	**$ 29,999**	**$ 17,073,462**	**$ 175,232**	**$ 21,376,203**
Net loss before tax	**(8,230,740)**	**(17,845,501)**	**(8,692,825)**	**(971,617)**	**(35,740,683)**
Current tax recovery (expense)	100,544	32,633	(422,123)	-	(288,946)
Depreciation of property, plant and equipment	(52,642)	(61,317)	(620,785)	-	(734,744)
Depreciation of right-of-use assets	(291,131)	(63,432)	(430,058)	-	(784,621)
Interest revenue	1,184	2,947	181,886	175,232	361,249
Interest expense	(344,995)	(254,786)	(397,934)	(461,134)	(1,458,849)
Loss on investments	-	(6,976,548)	-	-	(6,976,548)
Revaluation of acquisition related contingent consideration	(6,463,136)	-	-	-	(6,463,136)
Accelerated amortization of deferred financing fees	-	(954,033)	-	-	(954,033)
Segment assets	**49,730,374**	**20,933,368**	**165,660,997**	**22,494,722**	**258,819,461**
Equity accounted investments	-	1,273,697	-	-	1,273,697
Capital expenditures	182,536	40,243	5,011,827	-	5,234,606

[1] All revenues reported are from external customers

	Canadian operations segment	Corporate segment	California operations segment	Trichome	Consolidated
Revenues[1]	**$ 5,662,791**	**$ 236,955**	**$ 26,375,403**	**$ 262,215**	**$ 32,537,364**
Net loss before tax	**(8,699,802)**	**(24,548,749)**	**(18,199,194)**	**(2,078,632)**	**(53,526,377)**
Current tax recovery (expense)	190,985	32,633	(422,123)	-	(198,505)
Depreciation of property, plant and equipment	(73,120)	(96,528)	(993,638)	-	(1,163,286)
Depreciation of right-of-use assets	(388,144)	(126,864)	(800,565)	-	(1,315,573)
Interest revenue	1,622	176,096	205,514	262,215	645,447
Interest expense	(415,745)	(575,715)	(739,467)	(904,182)	(2,635,109)
Loss on investments	-	(7,095,744)	-	-	(7,095,744)
Revaluation of acquisition related contingent consideration	(6,463,136)	-	-	-	(6,463,136)
Accelerated amortization of deferred financing fees	-	(954,033)	-	-	(954,033)
Segment assets	**49,730,374**	**20,933,368**	**165,660,997**	**22,494,722**	**258,819,461**
Equity accounted investments	-	1,273,697	-	-	1,273,697
Capital expenditures	260,036	79,446	7,681,858	-	8,021,340

[1] All revenues reported are from external customers

(Unaudited - Expressed in Canadian Dollars)

As of June 30, 2018, the Company operated under one business segment.

During the three and six months ended June 30, 2019 and June 30, 2018, the Company generated the following types of revenues:

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Product Sales	**$ 20,800,726**	$ 3,110,617	**$ 31,594,698**	$ 3,195,390
Services	**27,053**	238,344	**60,859**	668,161
Royalties	**67,063**	137,189	**78,329**	256,247
Interest Income	**361,249**	25,316	**645,447**	35,105
Other Income	**120,112**	-	**158,031**	-
Total	**$ 21,376,203**	$ 3,511,466	**$ 32,537,364**	$ 4,154,903

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

No customer generated greater than 10% of the total sales for the three and six months ended June 30, 2019.

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

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Cost of product sales	**$ 17,468,752**	$ 2,378,378	**$ 27,087,355**	$ 2,454,052
Cost of services	**9,469**	60,000	**18,214**	269,023
Cost of royalties	**-**	252,153	**17,038**	640,523
Total	**$ 17,478,221**	$ 2,690,531	**$ 27,122,607**	$ 3,363,598

Geographic segments

The following table is a summary of revenues by geographic segments for the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Canada	**$ 4,302,311**	$ 8,413	**$ 6,160,397**	$ 309,290
United States of America	**17,073,892**	3,503,053	**26,376,968**	3,845,613
Total	**$ 21,376,203**	$ 3,511,466	**$ 32,537,365**	$ 4,154,903

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 Ontario and California. The following summarizes the location of the Company's non-current assets as at June 30, 2019 and December 31, 2018.

(Unaudited - Expressed in Canadian Dollars)

	June 30, 2019		December 31, 2018	
	Canada	**USA**	Canada	USA
Derivative assets	**$ 205,483**	**$ -**	$ -	$ -
Deferred financing charges	**-**	**-**	529,238	-
Advances and loans receivable	**4,378,960**	**-**	**-**	**-**
Right of use asset	**8,900,172**	**10,188,158**	-	-
Interest in equity accounted investees	**1,273,697**		1,710,035	192,540
Investments	**3,817,881**	**7,786,111**	4,023,637	14,533,493
Royalty investments	**327,175**	**-**	341,050	940,776
Property and equipment	**1,369,569**	**20,414,233**	256,376	13,547,738
Intangible assets and goodwill	**38,730,031**	**104,415,612**	1,782,652	106,871,283

28. General and administrative expense

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Accounting & audit fees	**$ 474,538**	$ 166,505	**$ 761,853**	$ 372,066
Expected credit loss provision	**643,932**	(42,279)	**958,906**	(63,183)
Board and investor relations	**231,391**	-	**410,162**	-
Advisory & consulting fees	**1,994,806**	1,123,307	**3,871,187**	1,330,248
Legal fees	**1,351,065**	252,574	**2,315,700**	486,601
Rent*	**49,524**	86,332	**194,082**	162,260
Office & administration costs	**2,400,858**	403,401	**3,748,244**	736,647
Other non-corporate taxes	**840,298**	-	**1,030,457**	-
Salary-based compensation	**4,703,854**	1,377,065	**9,192,798**	2,080,182
Stock-based compensation	**652,573**	709,610	**1,257,341**	2,595,687
Depreciation: Property and equipment	**411,989**	80,006	**732,897**	125,275
Depreciation: Right-of-use assets	**467,307**	-	**906,056**	-
Travel	**370,162**	300,117	**569,503**	381,281
Total	**$ 14,592,297**	$ 4,456,638	**$ 25,949,186**	$ 8,207,064

* Rent on short term leases that do not meet the IFRS 16 capitalization criteria (2018: Rent expense was determined under IAS 17 based on actual lease payments).

(Unaudited - Expressed in Canadian Dollars)

29. Consolidated statement of cash flows

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

	Six months ended	
	June 30, 2019	June 30, 2018
Accelerated amortization of deferred financing fees (Note 20)	**954,033**	-
Accretion of derivative assets and liabilities	**-**	34,146
Accretion of interest on purchase consideration payable (Note 19)	**278,475**	-
Bad debt expense (recovery) (Notes 5,9)	**958,906**	(63,183)
Loss (income) from equity accounted investees (Note 10)	**436,338**	(158,558)
Amortization of property and equipment (Note 14)	**1,163,286**	125,798
Amortization of intangibles (Note 15)	**3,558,180**	704,174
Amortization of royalties (Note 12)	**17,038**	640,523
Amortization of fees related to line of credit (Note 20)	**399,940**	403,753
Share based compensation (Note 23)	**1,361,162**	3,032,278
Deferred tax recovery	**(1,388,269)**	(7,277)
Loss on impairment of loans receivable (Note 9)	**470,095**	-
(Recovery) impairment of convertible notes receivable (Note 8(4))	**(186,704)**	375,472
Write-off of inventory, net of recoveries (Note 6)	**428,616**	(441,370)
Revaluation of 180 Smoke purchase consideration payable (Note 4)	**6,463,136**	-
Gain on disposal of royalty (Note 12)	**(383,869)**	-
Realized fair value amounts of inventory sold (Note 7)	**2,820,737**	-
Unrealized fair value gain on growth of biological assets (Note 7)	**(3,496,727)**	-
Fair value gain on warrants (Note 9)	**33,109**	-
Fair value loss (gain) on investments (Note 11)	**7,095,744**	(15,565,077)
Gains on disposal of investments (Note 11)	**(175,391)**	-
Accrued interest on Trichome preference shares (Note 17(2))	**904,182**	-
Accrued and accreted interest on 8% convertible debt (Note 18)	**395,906**	-
Accrued and accreted interest on Opaskwayak Cree Nation loan (Note 17(4))	**15,597**	-
Amortization of right-of-use assets (Note 13)	**1,315,573**	-
Accrued and accreted interest on lease obligation (Note 13)	**952,783**	-
Items not affecting cash	**$ 24,391,876**	$ (10,919,321)

30. Subsequent events

CGS Foods Inc. – Facility A loan repayment

On July 4, 2019, CGS Foods Inc. elected to repay principal of $500,000 against the outstanding balance of Facility A (Note 9).

Trichome RTO

On July 8, 2019, Trichome and 22 Capital's shareholders approved the RTO. Post-RTO, the Company will no longer control Trichome, and will not consolidate the financial results of Trichome. The RTO is expected to occur in September 2019.

Blissco loan

On July 15, 2019, the outstanding balance on the Blissco Mortgage was repaid. No further amounts are outstanding from Blissco. The repayment was made in connection with Supreme Cannabis Inc.'s acquisition of Blissco, which closed on July 12, 2019.

Henry's repayment

On July 18, 2019, Henry's substantially repaid the balance owed on loans receivable (Note 9).

Sale of AltMed

On July 25, 2019, the Company closed the sale of its investment in AltMed for proceeds of $7.9 million (US $6.0 million) to Zola Global Investors Ltd. ("Zola"), in preparation for the acquisition of the Company by Cresco. The Company received approximately $3.9 million (US $3.0 million) on close, with the remaining portion paid in periodic installments, ending January 2020. The Company's CEO is required to repurchase a portion of the sold interest in AltMed at the option of Zola.

MYM Nutraceuticals ("MYM") loan (ticker MYM.CN)

On July 31, 2019, Trichome closed a $5.5 million senior secured term loan ("MYM Loan") to MYM Nutraceuticals to finance cannabis and hemp projects across Canada, the United States and Colombia and to provide working capital for general corporate purposes. The MYM Loan was advanced through an initial tranche of $3.0 million on closing, less transaction costs. The balance of the MYM loan will be advanced as a second tranche of $2.5 million upon the satisfaction of certain conditions by MYM. The MYM Loan has a term of 12 months and may be extended for an additional 6 months at Trichome's discretion. The MYM Loan bears interest at a rate of 12% per annum, payable monthly in cash from a pre-established interest reserve account. MYM will also pay a standby fee of 6% per annum, payable monthly in cash on the second tranche until it is drawn or cancelled.

In consideration for advancing the initial tranche of the MYM Loan, Trichome Financial received a set-up fee, an original issuer discount and 4,000,000 warrants to purchase non-assessable common shares of MYM, exercisable any time prior to June 10, 2022, at a strike price of $0.30 per share. Trichome shall receive an additional 1,000,000 warrants, on the same terms as those already issued, upon closing of the second tranche.

The MYM Loan is secured by a perfected first lien on all current and future tangible and intangible assets and equity interests of MYM, and an assignment of all material contracts and licenses. The MYM Loan has been guaranteed by each of the direct and indirect wholly owned subsidiaries organized under MYM and by certain companies where the Borrower is a majority shareholder.

Good Buds Company International Inc. ("Good Buds") term loan

On August 20, 2019, Trichome entered into an agreement to provide a $2,350,000 senior secured term loan (the "Good Buds Loan") to Good Buds to finance the expansion of Good Bud's existing indoor facility and the development of its recently licensed outdoor cultivation operation. The Good Buds Loan bears interest at a rate of 11.5% per annum, payable monthly in cash, with the first 12 months of interest funded from a pre-established interest reserve account. The Good Buds Loan will mature on September 1, 2020.

Good Buds has the right to prepay all, but not less than all of the Good Buds Loan prior to the maturity date, subject to a prepayment premium equal to the lesser of (a) 6 months' interest on the outstanding balance and (b) the aggregate amount of interest owing on the loan for the balance of its remaining term as of the date of the prepayment. In consideration for providing the Good Buds Loan, Trichome received a set-up fee, original issuer discount, and 950,000 non-assignable warrants, exercisable any time prior to August 20, 2022, at a price per share of Good Buds, equal to the lesser of (1) $0.60 and (2) the lowest price below $0.60 at which Good Buds issues common shares or securities convertible into common shares.

The Good Buds Loan has been secured in a first-priority position against all assets of Good Buds (excluding cannabis and its derivatives) and has been guaranteed by each direct and indirect wholly owned subsidiary organized under Good Buds.

31. Definitive agreement with Cresco

On April 1, 2019, the Company and Cresco entered into a definitive agreement (the "Arrangement") under which Cresco will acquire (the "Transaction") all the issued and outstanding shares of Origin House (the "Origin House Shares"). Under the terms of the Arrangement, holders of common shares of Origin House will receive 0.8428 (the "Exchange Ratio") subordinate voting shares of Cresco (the "Cresco Shares") for each Origin House Share.

On May 14, 2019, the Company filed its Management Information Circular in connection with a special shareholder meeting to consider the proposed arrangement with Cresco.

On June 6, 2019, the Company agreed with Cresco to certain technical amendments to the Arrangement. The amendments permitted outstanding RSUs to remain outstanding following the completion of the Arrangement as opposed to automatically converting such RSUs into subordinate voting shares of Cresco. The Amendments were agreed to as they provide additional flexibility to holders of the RSUs without effect to the treatment of Origin House's shareholders under the Arrangement.

On June 11, 2019, the Company received shareholder approval in connection with the Transaction.

The Transaction is subject to, among other things, certain regulatory approvals, including the United States Department of Justice ("DOJ") under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act"). On June 10, 2019, the Company and Cresco received requests for additional information (the "Second Requests") from the DOJ. The Second Requests delayed closing of the Arrangement, which was initially targeted for June 2019. The companies are in the process of complying with the Second Requests.

On June 13, 2019, the Company obtained a final order from the Ontario Superior Court of Justice approving the Plan of Arrangement with Cresco.