

C21 INVESTMENTS INC.
(FORMERLY CURLEW LAKE RESOURCES INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE SIX MONTHS ENDED
JULY 31, 2018**

**(Expressed in Canadian Dollars)
(Unaudited)**

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated unaudited interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC

C21 INVESTMENTS INC.
(FORMERLY CURLEW LAKE RESOURCES INC.)
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian dollars)

	Note	July 31, 2018 (Unaudited) - \$ -	January 31, 2018 (Audited) - \$ -
ASSETS			
Current assets			
Cash		20,712,308	257,203
Accounts receivable and other	5	1,506,304	14,921
Biological assets	6	436,820	-
Inventory	7	570,514	-
Prepaid expenses		827,903	12,000
Notes receivable and deposits	8	7,544,644	-
		31,598,493	284,124
Property, plant and equipment	9	2,271,341	-
Goodwill	3	9,009,620	-
Restricted cash		59,954	59,517
TOTAL ASSETS		42,939,408	343,641
LIABILITIES			
Accounts payable and accrued liabilities	10 & 15	3,436,971	187,054
Promissory note payable	3	2,260,736	-
Lease liabilities - current portion	11	177,760	-
		5,875,467	187,054
Lease liabilities	11	69,696	-
Consideration payable	3	1,948,738	-
Convertible promissory note	3	1,831,315	-
Reclamation obligation	12	70,300	70,300
TOTAL LIABILITIES		9,795,516	257,354
SHAREHOLDERS' EQUITY			
Share capital	13	54,174,388	16,845,466
Reserves - equity component of convertible promissory note	13	771,485	-
Reserves	13	6,997,163	1,000,967
Deficit		(28,799,144)	(17,760,146)
TOTAL SHAREHOLDERS' EQUITY		33,143,892	86,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		42,939,408	343,641

Nature of operations (Note 1)

Contingencies (Note 17)

Subsequent events (Note 18, & 19)

On behalf of the Board:

"Robert Cheney" Director

"Christopher Cherry" Director

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars -unaudited)

	Note	Six months ended		Three months ended	
		2018 -\$-	2017 -\$-	2018 -\$-	2017 -\$-
Revenue		138,264	-	138,264	-
Inventory expensed to cost of sales		53,390	-	53,390	-
Gross margin before the undernoted		84,874	-	84,874	-
Fair value charges in biological assets included in inventory sold and other inventory charges		255,566	-	255,566	-
Gain on changes in fair value of biological assets		(245,175)	-	(245,175)	-
Gross Profit	9	74,483	-	74,483	-
Expenses					
Consulting		1,709,294	-	1,075,656	-
Depreciation Expense		28,013	-	28,013	-
Management fees	15	192,000	3,000	144,000	1,500
Marketing and Promotion		1,165,124	-	1,165,124	-
Office and miscellaneous		105,807	16,390	20,158	8,526
Professional Fees		727,804	17,007	584,364	15,007
Rent Expense		117,028	-	103,684	-
Salaries	15	248,281	-	248,281	-
Shareholders communications		39,686	1,050	26,936	800
Share based compensation	13	5,688,256	-	5,688,256	-
Transfer agent & filing fees		31,506	10,398	15,892	8,680
Travel		369,894	11,724	251,613	282
Meals and Entertainment		93,303	-	61,215	9,335
Total expenses		10,515,996	59,569	9,413,190	44,130
Loss before undernoted items		(10,441,513)	(59,569)	(9,338,707)	(44,130)
OTHER ITEMS					
Foreign exchange		30,578	-	11,600	-
Interest Expense	13	641,060	-	384,074	-
Other loss		39,388	-	39,388	-
Interest income		(113,541)	-	(97,575)	-
LOSS AND COMPREHENSIVE LOSS		(11,038,998)	(59,569)	(9,676,195)	(44,130)
Basic and diluted loss per share		(0.64)	(0.02)	(0.46)	(0.01)
Weighted average number of common shares outstanding		15,094,440	3,349,861	23,991,964	4,675,347

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SIX MONTHS ENDED JULY 31, 2018 AND 2017

(Expressed in Canadian dollars - unaudited)

	Share capital		Reserves			Total
	Number of shares	Amount	Share based compensation	Equity Component of Convertible Debenture	Deficit	
Balance at January 31, 2017	1,979,695	\$15,856,333	\$ 666,865	\$ -	\$(16,986,534)	\$ (463,336)
Shares issued for cash	3,640,000	910,000	-	-	-	910,000
Shares issued for debt settlement	360,000	90,000	-	-	-	90,000
Share issue cost	-	(10,867)	-	-	-	(10,867)
Comprehensive loss for the period	-	-	-	-	(59,569)	(59,569)
Balance at July, 2017	5,979,695	\$16,845,466	\$ 666,865	\$ -	\$(17,046,103)	\$ 466,228
Balance at January 31, 2018	5,979,695	\$16,845,466	\$1,000,967	\$ -	\$(17,760,146)	\$ 86,287
Shares issued on convertible debenture subscription receipts, net	33,500,000	32,022,705	-	-	-	32,022,705
Bonus shares issued on conversion of debenture	3,350,000	-	-	-	-	-
Shares issued for cash, net	2,082,000	5,193,467	-	-	-	5,193,467
Share based compensation - broker's warrants	-	-	304,590	-	-	304,590
Share based compensation - option issuance	-	-	3,850,223	-	-	3,850,223
Share based compensation - warrant issuance	-	-	1,841,383	-	-	1,841,383
Shares issued on settlement of loan	50,000	110,000	-	-	-	110,000
Shares issued on exercise of warrants	2,750	2,750	-	-	-	2,750
Equity component of convertible note	-	-	-	771,485	-	771,485
Comprehensive loss for the period	-	-	-	-	(11,038,998)	(11,038,998)
Balance at July 31, 2018	44,964,445	\$54,174,388	\$6,997,163	\$ 771,485	\$(28,799,144)	\$33,143,892

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.
(FORMERLY CURLEW LAKE RESOURCES INC.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JULY 31,
(Expressed in Canadian dollars - unaudited)

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss	(11,038,998)	(59,569)
Depreciation of property plant & equipment	(13,342)	-
Gain on fair value of biological assets	(436,820)	-
Share based compensation	6,757,831	-
Other non-cash transactions	(2,504,589)	-
Changes in working capital items		
Inventory	(129,207)	-
Receivables	(4,989)	(4,501)
Deposits	(91,607)	-
Accounts payable and accrued liabilities	335,600	(315,249)
Prepaid expenses	(902,058)	-
Cash used in operating activities	(8,028,179)	(379,319)
INVESTING ACTIVITIES		
Deposits on property, plant & equipment	(70,120)	(219)
Loans to acquisition targets	(4,880,114)	-
Deposits on acquisitions	(2,664,530)	-
Net cash outflow on acquisition of subsidiary	(2,826,921)	-
Cash used in investing activities	(10,441,685)	(219)
FINANCING ACTIVITIES		
Issuance of common shares	38,924,969	910,000
Share issuance cost	-	(10,867)
Cash provided by financing activities	38,924,969	899,133
Increase in cash during the period	20,455,105	519,595
Cash, beginning of period	257,203	85
Cash, end of period	20,712,308	519,680

NON-CASH TRANSACTIONS:

During the six months ended July 31, 2018, the Company issued 765,795 non-transferable share purchase warrants as finders' fees valued at \$304,590.

There were no significant non-cash transactions for the six months ended July 31, 2017.

During the period ended July 31, 2018 and 2017, there were no income taxes or interest paid.

During the period ended July 31, 2018, there were interest payments of \$641,060 (2017 - \$nil).

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

1. NATURE OF OPERATIONS

C21 Investments Inc. (formerly Curlew Lake Resources Inc.) (the “Company” or “C21”) was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publically traded company with its corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia, Canada.

Effective November 24, 2017, the Company changed its name to “C21 Investments Inc.”. On June 15, 2018, the Company’s common shares were delisted from the TSX Venture Exchange (“TSX-V”) exchange at the Company’s request and on June 18, 2018 the Company commenced trading on the Canadian Securities Exchange (“CSE”), completed its change of business to the cannabis industry and is trading under the symbol CXXI. Additionally the Company is listed on the Frankfurt Stock Exchange (“FSE”) under the symbol C6QP. The Company has registered its securities in the USA and the assignment of a US trading symbol is pending. When the symbol is issued the Company will apply to trade on the OTCQB.

Pursuant to a change of business announced on January 29, 2018, to the Cannabis industry, the Company is in the business of acquiring and operating revenue-producing cannabis operations in the USA and internationally.

On May 12, 2017, the Company consolidated its issued and outstanding shares totaling 19,796,952 on a 10:1 basis. Upon completion of the consolidation, the Company had 1,979,695 post consolidation common shares issued and outstanding. All shares and per share amount have been restated to reflect the share consolidation.

The Company currently has operations in the recreational cannabis sectors in Oregon, USA (Note 3).

As at July 31, 2018, the Company operates in one segment, cannabis cultivation in Oregon, USA.

These interim unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements were authorized for issuance on October 1, 2018 by the directors of the Company.

Basis of preparation

These unaudited condensed consolidated financial statements have been prepared on an accrual basis except for cash flow information, and are based on historical costs, except for certain financial instruments classified as fair value through profit or loss and available for sale which are stated at their fair value. The financial statements are presented in Canadian dollars unless otherwise noted. Amounts in comparative periods may have been reclassified to conform with the current period’s presentation.

Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

These unaudited condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report should be read in conjunction with the annual audited financial statements for the year ended January 31, 2018.

Functional and presentation currency

These unaudited condensed consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Eco Firma Farms, LLC	USA	100%	CAD	Recreational cannabis producer, acquired June 13, 2018.
320240 US Holdings Inc..	USA	100%	USD	Holding company.

The accounting policies applied in preparation of these condensed consolidated interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended January 31, 2018, except for the following:

Financial instruments

On February 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)Financial instruments (continued)

- The adoption of the new “expected credit loss” impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company has minimal credit history and credit transactions.

The preparation of the Company’s financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Revenue from contracts with customers

On February 1, 2018, the Company adopted IFRS 15 – Revenue from contracts with customers (“IFRS 15”) IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date. The Company has assessed the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at the point in time when control over goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company’s previous revenue recognition policy under IAS 18. Based on the Company’s assessment, the adoption of this new standard does not have a material impact on its consolidated financial statements.

Biological assets

The Company’s biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations.

The significant assumptions used in determining the fair value of the biological assets are as follows:

- Stage in overall growth cycle;
- Estimated harvest yield by plant
- Estimated quality of produce

The Company’s estimates are, by their nature, subject to change. Changes in the anticipated yield or quality will be reflected in future changes in the gain or loss on biological assets.

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)***Significant accounting judgments, estimates and assumptions***

Areas requiring a significant degree of estimation and judgment relate to the determination of the biological assets, rehabilitation obligation, fair value measurements for other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Biological assets - In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business, less any costs to complete and sell the goods. The cost of inventory includes expenditures incurred in acquiring raw materials, production and conversion costs, depreciation and other costs incurred in bringing them to their existing location and condition.

Financial instruments**Financial assets**

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and reclamation bonds are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and investments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

C21 INVESTMENTS INC.

(FORMERLY CURLEW LAKE RESOURCES INC.)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)***Financial instruments*** (continued)Impairment (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, promissory note payable, loan payable, lease liabilities, convertible promissory note are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

New standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended July 31, 2018 and have not been applied in preparing these condensed consolidated interim consolidated financial statements. The new and revised standards are as follows:

- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

C21 INVESTMENTS INC.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

3. ACQUISITION OF ECO FIRMA FARMS

On June 13, 2018 the Company acquired all membership units of Eco Firma Farms, LLC (“EFF” or “the Business”), an licensed recreational cannabis cultivation operation located outside of Portland, Oregon for total consideration of \$11,736,917 comprised of assumed liabilities of \$4,873,067, a convertible promissory note for US\$2,000,000 valued at \$2,602,800 and consideration payable comprised of a Share payment note for US\$1,977,500 shares payable on or after October 15, 2018 valued at \$2,260,736 and an earn-out valued at \$1,948,738 payable in common shares of the Company over a six year period commencing 120 days after the end of the first completed fiscal year of EFF following the date of close date. This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – Business combinations, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill. The purchase price and the preliminary allocation of the purchase price is as follows:

Assets acquired	
Cash	82,593
Receivables	159,069
Inventory	441,307
Biological assets	384,502
Other assets	137,479
Property, plant & equipment	2,257,999
Goodwill	9,009,620
Accounts payable and Accrued liabilities	(735,652)
Assets acquired	11,736,917
Liabilities assumed	4,924,643
Convertible promissory note	2,602,800
Promissory note payable	2,260,736
Consideration payable	1,948,738
Total consideration	11,736,917

On June 13, 2018 in conjunction with the acquisition of EFF the Company issued a convertible promissory note for US\$2,000,000 maturing June 13, 2021. The value of the liability and equity conversion component was determined at the date of issuance in the amounts of \$1,831,315 and \$771,485 respectively.

The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without the conversion option. The discount rate applied was 16.9%.

C21 INVESTMENTS INC.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

4. RESTRICTED CASH

The Company has cash on deposit with the Alberta Energy Regulator ("AER") under the AER's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment (Note 12).

5. RECEIVABLES

	July 31, 2018	January 31, 2018
	- \$ -	- \$ -
Trade receivable	119,720	-
Subscriptions receivable	1,150,000	-
Interest receivable on promissory notes	59,259	-
Government ITC's receivable	177,325	14,921
	1,506,304	14,921

All of the Company's trade and other receivables have been reviewed for indicators of impairment.

6. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The continuity for biological assets for the six months ended July 31, 2018, was as follows:

Balance January 1, 2018	-
Acquired biological assets	384,502
Unrealized gain on changes in fair value of biological assets	245,175
Increase in biological assets due to capitalized costs	68,590
Transferred to inventory upon harvest	(261,447)
Balance July 31, 2018	436,820

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to sell and complete up to the point of harvest. The Company's biological assets are primarily cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell and complete at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. As at July 31, 2018, on average, the biological assets were 61% complete as to the next expected harvest date.

C21 INVESTMENTS INC.
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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JULY 31, 2018
(Unaudited)

6. BIOLOGICAL ASSETS (continued)

The significant unobservable inputs and their range of values are noted in the table below:

Unobservable inputs	Range	Sensitivity
– Estimated yield per plant – varies by strain and is obtained through historical growing results or grower estimate.	200-300 grams per plant	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Selling prices of dry cannabis	\$0.11 - \$2.64 per gram	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

7. INVENTORY

Inventories consist of:

	July 31,	January 31,
	2018	2018
Finished goods	312,546	-
Work in progress	257,968	-
	570,514	-

Inventories expensed during the six months ended July 31, 2018 was \$53,390 (year ended January 31, 2017 – \$nil).

The fair value changes in biological assets included in inventory sold and other inventory charges of \$167,430 consists of fair value changes in biological assets in inventory sold of \$47,430 and a charge for net realizable value adjustment of \$120,000.

8. NOTES RECEIVABLE AND DEPOSITS

Notes Receivable

During the period ended July 31, 2018, the Company entered into agreements for the following notes receivable to private companies in the cannabis industry:

- a) the Company loaned a total of US\$2,600,000 (CAD\$3,330,060) to Swell Companies Ltd. (“Swell”) by way of promissory notes. The notes accrue interest at 0.833% monthly and are secured over all of the entity’s fixed and floating assets. The notes are subject to the following maturity details:
 - the principal amount US\$1,500,000 (CAD\$1,921,188) plus any accrued and unpaid interest is due on or before April 15, 2019.
 - the principal amount US\$1,100,000 (CAD\$1,408,872) plus any accrued and unpaid interest is due on or before July 30, 2019.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JULY 31, 2018

(Unaudited)

8. NOTES RECEIVABLE AND DEPOSITS (continued)**Notes Receivable (continued)**

- b) the Company loaned a total of US\$1,100,000 (CAD\$1,436,800) to Phantom Venture Group, LLC. ("Phantom") by way of promissory note. The note accrues interest at 1/3 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before October 3, 2018.
- c) the Company loaned a total of US\$49,000 (CAD\$65,288) to Megawood Enterprises Inc. ("Megawood") by way of promissory note. The note accrues interest at 0.416 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before June 15, 2019.
- d) the Company loaned a total of US\$36,000 (CAD\$47,966) to Kaliwood Inc. ("Kaliwood") by way of promissory note. The note accrues interest at 0.416 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before June 15, 2019.

Deposits

Pursuant to a definitive agreement for the acquisition of Silver State Relief LLC ("Silver State"), a private company involved in the cannabis industry, the Company has made advance deposits of US\$2,000,000 (CAD\$2,564,600) and will be applied to the purchase consideration. The loan is not subject to interest, has no fixed terms of repayment, and is unsecured.

9. PROPERTY AND EQUIPMENT

As at July 31, 2018, the details of the Company's property and equipment are as follows:

	Leasehold Improvements	Furniture & Computer Fixtures equipment	Machinery & equipment	Total
Cost				
Balance, Feb 1, 2018	-	-	-	-
Assets from acquisition	1,333,409	850,359	12,184	2,556,391
Additions	13,805	18,766	8,457	41,028
Balance, July 31, 2018	1,347,214	869,125	20,641	2,597,419
Accumulated Amortization				
Balance, Feb 1, 2018	-	-	-	-
Assets from acquisition	(66,203)	(167,146)	(3,286)	(316,855)
Additions	(7,553)	(959)	(711)	(9,223)
Balance, July 31, 2018	(73,756)	(168,105)	(3,997)	(326,078)
Carrying amount, July 31, 2018	1,273,458	701,020	16,644	2,271,341

The total depreciation expense for the six month ended July 31, 2018 and 2017 was \$28,013 and \$nil respectively.

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2018	January 31, 2018
Accounts payable	755,740.00	\$104,504
Accrued liabilities	1,601,505	55,066
Amounts due to related parties (Note 15)	657,154	27,484
	\$3,014,399	\$187,054

11. LEASE LIABILITIES

Finance lease obligations

Pursuant to the acquisition of EFF, the Company a party to lease agreements for furniture and fixtures including an HVAC system, and security lights systems that are classified as finance leases, with the applicable cost included in property and equipment (Note 6). Future minimum lease payments as at July 31, 2018 are as follows:

	July 31, 2018	January 31, 2018
	-\$-	-\$-
Not later than one year	177,760	-
Later than one year and not later than three years	69,696	-
Total minimum lease payments	247,456	-
Future finance charges at implicit rate	25,743	-
Balance of unpaid obligations	273,199	-
		Finance lease obligations
		-\$-
As at February 1, 2018		-
Additions		274,886
Interest expense		6,101
Payments during the period		(33,531)
As at July 31, 2018		247,456
Less: current portion		(177,760)
Long term portion		69,696

As at July 31, 2018, the Company is a party to a lease agreement for a security lights system, whereby the value of the lease is \$132,383, the annual interest rate is 13.93% for 3 years, commenced in October 2016. The balance of the lease as at July 31, 2018 is \$61,897, in connection with this lease, the Company has made principal payments of \$11,760 (unaudited 2016 - \$6,001), and interest payments of \$1,998. The lease has a bargain purchase price of \$1 at the conclusion of the lease in October 2019. This lease is secured by personal guarantee of a member of senior management of a subsidiary;

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11. LEASE LIABILITIES (continued)

Finance lease obligations (continued)

As at July 31, 2018, the Company is a party to a lease agreement for an HVAC system, whereby the value of the lease is \$245,065, the annual interest rate is 13.94% for 3 years, which commenced December 31, 2016. The balance of the lease as at July 31, 2018 is \$128,421, in connection with this lease, the Company has made principal payments of \$21,771, and interest payments of \$4,103. The lease has a bargain purchase price of \$1 at the conclusion of the lease on December 31, 2019. This lease is secured by personal guarantee of a member of senior management of a subsidiary.

12. RECLAMATION OBLIGATION

The Company has recorded a decommissioning provision in connection with estimated reclamation costs on a previously written off property. The obligation is recognized based on the estimated future reclamation costs. The Company had two wells in Alberta which were determined to be uneconomic and costs have been incurred to plug these wells. Reclamation and remediation work is still required to bring the site back to its natural state (Note 3).

13. SHARE CAPITAL AND RESERVES

Authorized: unlimited number of common shares with no par value

As at July 31, 2018, there were 44,964,445 (January 31, 2018 – 5,979,695) issued and fully paid common shares.

During the six months ended July 31, 2018, the following transaction took place:

On July 19, 2018, the Company completed a private placement and issued 2,082,000 units, at \$2.50 per unit, each unit consisting of one common share and one half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at \$5 per warrant share on or before July 18, 2019 for gross proceeds of \$5,205,000. In connection to this private placement the Company recorded \$11,532 in related costs.

On June 18, 2018, the Company forced conversion of its convertible debenture issued March 26, 2018 and accordingly issued 36,850,000 common shares, which included 3,350,000 bonus shares pursuant to the convertible debenture subscription agreement, recorded against share issue costs in the period.

On March 26, 2018, the Company completed a non-brokered, convertible debenture private placement and issued convertible debentures in the total principal amount of \$33,500,000, recorded as subscription receipts (Converted into common shares on June 18, 2018).

The convertible debentures were convertible into common shares at a conversion price of \$1.00 per conversion share. Upon the Company receiving final approval to list its common shares on the CSE, the convertible debentures were converted into a total of 33,500,000 common shares of the Company. Pursuant to the terms of the debenture, the Company is issuing a loan bonus to each subscriber equal to 10% of the total number of shares issuable to each subscriber upon conversion of the Debentures purchased to be issued at a deemed value of \$1.00 per share.

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13. SHARE CAPITAL AND RESERVES (continued)

During the period ended July 31, 2018, the Company paid interest of \$624,109 pursuant to the terms of the debenture. In connection with the convertible debenture private placement, the Company paid a total of \$1,162,045 cash and issued 765,795 non-transferable share purchase warrants as finders' fees valued at \$304,590. The fair values were based on the following assumptions: share price at grant date of \$1.00; exercise price of \$1.00; expected life of 1 year; expected volatility of 102.60%; risk free interest rate of 1.88%; expected dividend yield rate of 0%; and forfeiture rate of 0%. The warrants are exercisable at \$1.00 per share and will expire on March 25, 2019.

During the year ended January 31, 2018, the following transactions took place:

On May 12, 2017, the Company consolidated its issued and outstanding shares on a 10:1 basis. All shares and per share amount have been restated to reflect the share consolidation.

On May 30, 2017, the Company completed a private placement and issued 3,640,000 common shares at a price of \$0.25 per common share for gross proceeds of \$910,000.

On May 30, 2017, the Company settled \$90,000 of accounts payable and accrued liabilities through the issuance of 360,000 common shares (Note 15).

Warrants

On June 15, 2018, a total of 3,350,000 warrants were issued to purchase common shares exercisable on or before June 14, 2019, at an exercise price of \$1.38 per share. The estimated grant date fair value of these options was \$1,838,033, or a \$1.38 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 1 years; expected volatility of 102.6%; risk free interest rate of 1.88%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

The following table summarizes the Company's warrant activity for the period ended July 31, 2018 and January 31, 2018:

	Warrants outstanding		
	Warrants outstanding	Weighted average exercise price - \$ -	Weighted average remaining life
Balance January 31, 2017 & 2018	-	-	-
Issued	5,156,795	2.05	0.86
Exercised	(2,750)	1.00	0.86
Balance, July 31, 2018	5,154,045	2.05	0.86 years

As at July 31, 2018, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	
	- \$ -	Number of Warrants
March 25, 2019	1.00	763,045
June 14, 2019	1.38	3,350,000
July 18, 2019	5.00	1,041,000
		5,154,045

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13. SHARE CAPITAL AND RESERVES (continued)**Stock options**

The Company is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

Period ended July 31, 2018

On June 26, 2018, a total of 1,940,000 stock options were granted to purchase common shares exercisable on or before June 25, 2021, at an exercise price of \$2.80 per share. The estimated grant date fair value of these options was \$3,669,405, or a \$2.80 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 111.61%; risk free interest rate of 1.87%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On June 28, 2018, a total of 100,000 stock options were granted to purchase common shares exercisable on or before June 27, 2021, at an exercise price of \$2.80 per share. The estimated grant date fair value of these options was \$180,818, or a \$2.80 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 111.61%; risk free interest rate of 1.91%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

Year ended January 31, 2018

On October 16, 2017, a total of 515,000 stock options were granted to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of \$0.65 per share. The estimated grant date fair value of these options was \$334,102, or a \$0.65 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 357%; risk free interest rate of 1.57%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

Details of the Company's stock options outstanding and exercisable are as follows:

	Options outstanding		
	Options outstanding	Weighted average exercise price - \$ -	Weighted average remaining life
Balance, January 31, 2017	-	-	
Granted	515,000	0.65	2.71 years
Balance January 31, 2018	515,000	0.65	2.71
Granted	2,040,000	2.24	2.33
Cancelled	(10,000)	-	-
Balance, April 30, 2018	2,545,000	2.37	2.77 years

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13. SHARE CAPITAL AND RESERVES (continued)**Stock options**

As at July 31, the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price - \$ -	Number of Options
October 15, 2020	0.65	505,000
June 25, 2021	2.80	1,940,000
June 27, 2021	2.80	100,000
		2,545,000

Subsequent to the period ended July 31, 2018, 100,000 stock options priced at \$0.65 were exercised.

14. FINANCIAL RISK MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited in bank accounts held with a major bank in Canada and accordingly, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. GST receivable is due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is currently not exposed to liquidity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

14. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk The Corporation has operations in Canada and the US and is exposed to foreign exchange risk due to fluctuations in the US dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the US dollar. The sensitivity of the Corporation's net loss to a 10% change in the Canadian dollar exchange rate relative to the US dollar would result in a difference of \$36,050 on the Corporation's net loss.

Capital Management

The Company includes equity comprising of issued common shares, reserves and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its proposed change of business, spearheading into the USA cannabis industry, and focusing on the acquisition of revenue producing operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended April 30, 2018. The Company is not subject to externally-imposed capital requirements, with the exception of restricted cash posted as a deposit (Note 4).

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments include cash, restricted cash, and accounts receivable, loans and notes receivable, accounts payable and accrued liabilities with a fair value measured at Level 1 hierarchy for cash. Accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

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15. RELATED PARTY TRANSACTIONS

During the period ended July 31, 2018, the Company entered in the related party transactions as described below.

Balances due to related parties included in accounts payable and accrued liabilities:

	July 31, 2018	January 31, 2018
	- \$ -	- \$ -
Due to the President and CEO	\$1,357	\$23,918
Due to Directors of the Company	17,170	3,566
Due to the CFO of the Company	2,617	-
Due to Director of Operations, Oregon	314,136	-
Due to the Chief Operations Officer, Oregon	321,874	-
	\$657,154	\$27,484

The Company had the following transactions with related parties:

	July 31, 2018	July 31, 2017
	- \$ -	- \$ -
Management fees paid or accrued to directors, or companies controlled by directors	192,000	3,000
Consulting fees paid to a director	129,548	-
Salary paid to directors and an officer	74,500	-
Share Compensation including warrants and stock options for directors and officers	3,704,187	-
Convertible debenture interest paid to directors and officers	50,767	-
	4,151,002	3,000

The Company considers key management personnel to consist of directors and certain members of executive management. Compensation for key management for the period ended July 31, 2018 is \$4,151,002, (2017 - \$3,000).

On June 26, 2018, a total of 965,000 stock options were granted to purchase common shares exercisable on or before June 25, 2021, at an exercise price of \$2.80 per share. In connection to these options, the Company recorded a share based compensation expense of \$1,825,245

On June 28, 2018, an director was granted a total of 100,000 stock options were granted to purchase common shares exercisable on or before June 27, 2021, at an exercise price of \$2.80 per share. In connection to these options, the Company recorded a share based compensation expense of \$180,818.

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15. RELATED PARTY TRANSACTIONS (continued)

During the year ended January 31, 2018, the Company:

- a) settled \$9,000 of accounts payable and accrued liabilities through the issuance of 36,000 common shares to the former CEO,
- b) settled \$12,000 of accounts payable and accrued liabilities through the issuance of 48,000 common shares to the former CFO.

On October 16, 2017, directors and officers of the Company were granted a total of 315,000 stock options to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of \$0.65 per share. In connection to these options, the Company recorded share-based compensation expense of \$204,354.

16. COMMITMENTS**Lease commitments**

The Company is a party to a lease agreement for a building in Oregon USA. The future minimum required lease payments are as follows:

2019	\$ 782,652
2020	\$ 782,652
2021	\$ 782,652
2022	\$ 782,652
2023	\$ 782,652

The Company has an option to extend the lease for three additional periods of five years each. The Company has the option to purchase the leased premises for \$3,800,000 or 4,000,000 common shares or any combination thereof pursuant to the terms of the lease. The option to purchase can be exercised at any time after the expiration of the third year of this lease and prior to the expiration of the first renewal term of this lease.

The Company is a party to a lease agreement for a security lights system. The future minimum required future lease payments are as follows:

2019	\$ 17,238
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The Company is a party to a lease agreement for its HVAC system. The future minimum required future lease payments are as follows:

2019	\$ 52,458
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17. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

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18. SIGNIFICANT EVENTS

Acquisition pursuant to Signed definitive agreement

Silver State Cultivation LLC and Silver State Relief LLC ("Silver State")

On July 13, 2018, the Company signed a definitive agreement to acquire 100% of the issued equity of Silver State, limited liabilities companies that own and operate a vertically integrated cannabis business in Nevada, USA. Silver State operates an indoor cultivation and processing facility of approximately 155,000 square feet of licensed space in Washoe County, Northern Nevada. Silver State also owns two retail licenses to operate dispensaries in Nevada.

Therefore for 100% of the equity of Silver State, the Company will pay US\$20 million on closing, less deposits, and working capital adjustment. Issue a US\$14 million 3-year Convertible Note on closing. Demand for payment in cash or shares can be made commencing 6 months after the closing date of the transaction by giving 60 days' notice. The company will also issue 2.5 million common shares on closing.

Acquisition pursuant to Signed definitive agreement (continued)

Silver State Cultivation LLC and Silver State Relief LLC ("Silver State") (continued)

This purchase was scheduled to close on October 31, 2018, however due to possible delays in obtaining approval of the deemed transfer of the cannabis operating licenses the Company and Silver State announced on Oct 1, 2018 that they have agreed to extend the closing date to December 31, 2018.

Acquisitions pursuant to non-binding Letters of Intent

On June 22, C21 Investments announced it had signed a Letter of Intent for the acquisition of Phantom Venture Group ("Phantom") and announced a strategic partnership and investment of capital to expand Phantom's cultivation, processing, branded products and wholesale distribution operations. The deal was valued at approximately US\$16 million including \$8 million in real estate, plus future earn-outs as described in previous disclosures. The purchase is expected to close in Q4 of fiscal 2019.

On June 28, C21 Investments announced it had signed Letters of Intent to acquire Ganja Leaf (the owner of two retail dispensaries in Salem, Oregon that operate under the brand 7 Leaf), and to acquire Megawood Enterprises Inc. ("Pure Green"), which operates a dispensary in Portland, Oregon. The deals were valued at approximately US\$1.8 million. The purchase is expected to close in Q4 of fiscal 2019.

On July 9, C21 Investments announced it had signed a Letter of Intent to acquire Swell Companies Limited of Oregon ("Swell"), and to invest expansion capital into the companies. Swell manufactures, extracts, packages and distributes more than 50 products statewide into more than 275 licensed retail locations. The deal was valued at approximately US\$14.7 million plus future earn-outs as described in previous disclosures. The purchase is expected in Q4 of fiscal 2019.

On August 13, C21 Investments announced it had signed a Letter of Intent for the proposed acquisition of Grön Chocolate and Grön Confections, which together are one of Oregon's largest companies specializing in premium consumer packaged edible cannabis products. The deal was valued at approximately US\$6.8 million as described in previous disclosures. The purchase is expected to close in Q4/18.

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19. SUBSEQUENT EVENTS

Subsequent to July 31, 2018, the Company entered into the following transactions:

- a) On Oct 1, 2108, the Company announced amendments to the definitive agreement to purchase 100% of the equity of Silver State Cultivation LLC and Silver State Relief LLC. The Closing date for this transaction was extended to Dec 31, 2018 (from Oct 31, 2018) in exchange for increasing the Deposit to be applied against the purchase price by US\$2,000,000.

Total deposits are now US\$6,000,000, which are not subject to interest and of which US\$2,000,000 is refundable.

- b) The Company has advanced as a deposit US\$900,000 to Phantom Venture Group. The advance is not subject to interest and will be applied to the assumed liabilities on closing.

- c) The Company loaned US\$50,000 to Megawood Enterprises Inc. The notes accrue interest of .416 of 1% on a monthly basis and are secured over all of the entity's fixed and floating assets, and shall be due and payable on August 9, 2019 together with all accrued and unpaid interest thereon.

- d) On August 13, 2018, C21 Investments announced it had signed a Letter of Intent for the proposed acquisition of Grön Chocolate and Grön Confections, which together are one of Oregon's largest companies specializing in premium consumer packaged edible cannabis products. The purchase is expected to the close in Q4/18. The deal was valued at approximately US\$6.8 million.

- i. Cash US\$360,000 within 5 days of closing
- ii. US\$6,440,000 Convertible 5 year non-interest bearing Promissory Notes convertible into common shares of the Company at a price of US\$3.50/share, for a total of 1,840,000 shares; of which:
 - i. US\$2,100,000 is convertible 24 months from the closing date (600,000 shares), or redeemable as cash in the amount of US\$2,100,000 at the Sellers sole option
 - ii. US\$1,750,000 of the principal is convertible immediately upon closing (500,000 shares)
 - iii. US\$1,750,000 of the principal is convertible 12 months from the date of closing (500,000 shares)
 - iv. US\$840,000 of the principal is convertible 24 months from the date of closing (240,000 shares).
- iii. Earn out shares totaling 1,250,000 shares based on targets to be determined over a 5 year period
- iv. 450,000 warrants of the Company at the current price as at closing, exercisable for a period of 24 months.