VIREO HEALTH INTERNATIONAL INC.

(Formerly, Darien Business Development Corp.)

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
For the Years ended December 31, 2018 and 2017

Independent Auditor's Report

To the Shareholders of Vireo Health International, Inc. (formerly Darien Business Development Corp.):

Opinion

We have audited the financial statements of Vireo Health International, Inc. (formerly Darien Business Development Corp.) (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Andrea M. Brown.

Vancouver, British Columbia

MNP LLP

April 29, 2019

Chartered Professional Accountants

VIREO HEALTH INTERNATIONAL INC.
(Formerly, Darien Business Development Corp.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	December 31, 2018 $	December 31, 2017 $
ASSETS			
Current assets			
Cash		179,293	286,868
GST recoverable		18,978	14,281
		198,271	301,149
Equipment	5	1,510	1,888
Total assets		199,781	303,037
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6,8	16,465	23,160
Total liabilities		16,465	23,160
EQUITY			
Share capital	7	15,007,851	15,007,851
Contributed surplus		1,329,685	1,236,455
Deficit		(16,154,220)	(15,964,429)
Total equity		183,316	279,877
Total liabilities and equity		199,781	303,037

Organization and nature of operations and going concern (Note 1)
Subsequent events (Note 11)

Approved by the Board of Directors

“Amber Shimpa” Director

“Kyle Kingsley” Director

The accompanying notes are an integral part of these financial statements

VIREO HEALTH INTERNATIONAL INC.
(Formerly, Darien Business Development Corp.)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Notes	2018 $	2017 $
General and administrative expenses			
Accounting and audit	8	16,226	21,916
Amortization	5	378	476
Consulting fees		60,000	60,000
Filing and regulatory fees		11,617	16,698
Legal		7,829	3,098
Share-based payments		93,230	-
Office and miscellaneous		511	3,409
Loss and comprehensive loss for the year		(189,791)	(105,597)
Basic and diluted loss per share		(0.02)	(0.01)
Weighted average number of shares outstanding		12,455,815	7,376,363

The accompanying notes are an integral part of these financial statements

VIREO HEALTH INTERNATIONAL INC.
(Formerly, Darien Business Development Corp.)
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of shares	Amount $	Contributed Surplus $	Deficit $	Total $
Balance, December 31, 2016	**6,455,815**	**14,410,726**	**1,236,455**	**(15,858,832)**	**(211,651)**
Shares issued during the year	6,000,000	600,000	-	-	600,000
Issue costs	-	(2,875)	-	-	(2,875)
Net and comprehensive loss for the year	-	-	-	(105,597)	(105,597)
Balance, December 31, 2017	**12,455,815**	**15,007,851**	**1,236,455**	**(15,964,429)**	**279,877**
Share-based payments	-	-	93,230	-	93,230
Net and comprehensive loss for the year	-	-	-	(189,791)	(189,791)
Balance, December 31, 2018	**12,455,815**	**15,007,851**	**1,329,685**	**(16,154,220)**	**183,316**

The accompanying notes are an integral part of these financial statements

VIREO HEALTH INTERNATIONAL INC.
(Formerly, Darien Business Development Corp.)
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018 $	2017 $
Cash flow provided by (used in)		
Operating activities		
Loss for the year	(189,791)	(105,597)
Add non-cash item:		
Amortization	378	476
Share-based payments	93,230	-
Changes in non-cash working capital items		
GST recoverable	(4,697)	(5,140)
Prepaid	-	1,000
Accounts payable and accrued liabilities	(6,695)	(55,052)
	(107,575)	(164,313)
Financing activities		
Issuance of shares	-	600,000
Issue costs	-	(2,875)
Advances received	-	21,000
Advances paid	-	(169,800)
	-	448,325
Change in cash during the year	(107,575)	284,012
Cash – beginning of the year	286,868	2,856
Cash – end of the year	179,293	286,868

1. ORGANIZATION AND NATURE OF OPERATIONS AND GOING CONCERN

Vireo Health International Inc. ("Vireo International" or the "Company") (formerly, Darien Business Development Corp.) was incorporated under the Alberta Business Corporations Act on November 23, 2004. The Company's main activities during the year ended December 31, 2018 were maintaining its public listing and pursuing potential business opportunities as they arise. On March 13, 2019 the Company completed a Business Combination transaction with Vireo Health Inc. ("Vireo") (Note 11). Vireo is a physician-led, science-focused organization that cultivates and manufactures pharmaceutical-grade cannabis extracts.

These financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. At December 31, 2018, the Company had working capital of $181,806 (2017 - $277,989) and accumulated losses of $16,154,220 (2017 - $15,964,429) since its inception and expects to incur further losses in the development of its business. For the year ended December 31, 2018, the Company experienced a loss of $189,791 (2017 -105,597) and used $107,575 (2017 - $164,313) of cash in operations before non-cash working capital items.

Management has carried out an assessment of the going concern assumption and, after considering subsequent events, has concluded that the cash position of the Company is sufficient to finance continued operations for the twelve-month period subsequent to December 31, 2018.

2. BASIS OF PRESENTATION

Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the board of directors for use on April 29, 2019.

The significant accounting policies used in the preparation of these financial statements are as follows:

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for certain financial instruments classified as amortized cost which are measured at fair value.

Financial Instruments

On January 1, 2018 the Company adopted IFRS 9, Financial Instruments, replacing IAS 39 Financial Instruments.

2. BASIS OF PRESENTATION (continued)

Recognition and Classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Cash	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

Measurement

Financial assets at FVTOCI
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

2. BASIS OF PRESENTATION (continued)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of net (loss) income in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets.

Earnings per share

Basic earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted earnings or loss per share represents the income or loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive.

2. BASIS OF PRESENTATION (continued)

Foreign currencies

The financial statements for the Company are prepared using its functional currency. Functional currency is the currency of the primary economic environment in which an entity operates. The functional and presentation currency of the Company is Canadian dollars.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of operations.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. BASIS OF PRESENTATION (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity. For unit offerings, the proceeds from the issuance of units are allocated between common shares and common share purchase warrants using the residual method, allocating fair value first to the common shares and then share purchase warrants.

Share-based payments

The fair value of all stock options granted is recorded as a charge to the statement of operations and a credit to contributed surplus under the graded attribution method. The fair value of stock options which vest immediately is recorded at the date of grant. The fair value of options which vest in the future is recognized over the vesting period, as adjusted for the expected level of vesting of the options. Stock options granted to non-employees are measured at their fair value on the vesting date. Prior to the vesting date, the then-current fair value of stock options granted to consultants is recognized as share-based payment expense from the date of grant to the reporting date and credited to contributed surplus.

Any consideration received on the exercise of stock options together with the related portion of contributed surplus is credited to share capital. The fair value of stock options is estimated using the Black-Scholes option pricing model.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new applicable standards have been issued but are not yet effective:

IFRS 16 Leases
This standard replaces IAS 17 Leases and specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, has also been applied. The Company does not have leases that will be recognized on its balance sheet at January 1, 2019. The Company has initially assessed that there will be no material reporting changes as a result of adoption this new standard.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of financial statements requires management to make judgments, estimates and assumptions based on current available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and judgments 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 results could differ from those estimated. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. In the process of applying the Company's accounting policies, management has made the following estimates, assumptions and judgments which have a significant effect on the amounts recognized in the financial statements:

Going concern – The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Factors considered by management are disclosed in Note 1.

Deferred taxes – Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such income taxes are subject to measurement uncertainty. Deferred tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable earnings. Factors considered by management are disclosed in Note 9.

Share-based compensation - Compensation costs accrued for under the Company's Stock Option plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of the Company's shares. Factors considered by management are described in Note 7.

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office Equipment $	Computer Equipment $	Total $
Asset cost			
Balance at December 31, 2017 and December 31, 2018	3,146	1,152	4,298
Accumulated amortization			
Balance at December 31, 2016	1,340	594	1,934
Amortization	330	146	476
Balance at December 31, 2017	1,670	740	2,410
Amortization	270	108	378
Balance at December 31, 2018	1,940	848	2,788
Carrying amounts			
At December 31, 2017	1,476	412	1,888
At December 31, 2018	1,206	304	1,510

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018 $	December 31, 2017 $
Trade payables	16,465	19,330
Amounts due to related parties (Note 8)	-	3,830
	16,465	23,160

7. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.
Unlimited preferred shares issuable in series.

Effective March 14, 2017, the Company consolidated its common shares on the basis of one new common share for every ten old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

b) Stock Options:

On October 12, 2018, the Company granted 1,240,000 options to consultants and directors of the Company and recorded share-based payments expense of $93,230 (2017 – nil). The options vested immediately, have an exercise price of $0.08 per option and expire on October 12, 2023. The Company fair valued the options at $0.075 per option, using the Black-Scholes option pricing model using the following assumptions: risk free rate: 2.40%; volatility: 166%; share price: $0.08; expected life: 5 years; forfeiture rate – nil, dividend yield – nil.

As at December 31, 2018 the Company has 1,240,000 options outstanding and exercisable at $0.08 per option, expiring on October 12, 2023. The weighted average exercise price is $0.08 and the weight average remaining life is 4.78 years.

c) Warrants:

A summary of the status of the Company's share purchase warrants as at December 31, 2018 and December 31, 2017 and the changes for the years then ended is presented below:

	Number of warrants	**Weighted average exercise price $**
Balance outstanding – December 31, 2016	-	-
Issued	6,000,000	0.15
Balance outstanding – December 31, 2017	6,000,000	0.15
Expired	(6,000,000)	0.15
Balance, December 31, 2018	-	-

8. RELATED PARTY TRANSACTIONS

The Company incurred the following charges with directors and officers of the Company and/or companies controlled by them during years ended December 31, 2018 and 2017:

	2018 $	**2017 $**
Accounting fees	7,520	13,436
Consulting fees	30,000	30,000
	37,520	43,436

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable and accrued liabilities as at December 31, 2018 is $2,177 (2017 - $3,830) due to current directors and officers of the Company and/or companies controlled by them. The amounts owing are unsecured, non-interest bearing and due on demand.

During the year ended December 31, 2017 the Company received $16,000 in advances payable from a director of the Company and repaid $84,000 in advances payable to the same director.

Key management includes the directors of the Company. The compensation paid or payable to key management for services during the years ended December 31, 2018 and 2017 is identical to the table above.

9. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended December 31, 2018 and 2017:

	2018	**2017**
Loss for the year before income taxes	$ (189,791)	$ (105,597)
Statutory tax rate	27.00%	26.00%
Expected income tax recovery	(51,244)	(27,455)
Non-deductible items	25,172	-
Change in deferred tax assets not recognized	26,072	27,455
Total income taxes expense (recovery)	-	-

The statutory tax rate increased from 26% to 27% due to an increase in the BC corporate tax rate on January 1, 2018.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at December 31, 2018 and 2017 are as follows:

	2018 **$**	**2017** **$**
Non-capital loss carry forwards	2,629,972	2,533,813
Eligible capital property	781,858	781,858
Net capital losses carry forwards	3,429,940	3,429,940
Property and equipment	2,788	2,410
Financing costs	1,725	2,300
Total unrecognized deductible temporary differences	6,846,283	6,750,321

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

As at December 31, 2018, the Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of $2,629,972 (2017: $2,533,813) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	$
2026	15,839
2027	60,938
2028	441,699
2029	229,075
2030	180,533
2031	488,693
2032	234,811
2033	243,293
2034	270,765
2035	114,180
2036	145,969
2037	107,417
2038	96,760
Total	2,629,972

As at December 31, 2018, the Company has not recognized a deferred tax asset in respect of net capital loss carry-forwards of $3,429,940 (2017 - $3,429,940) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

10. FINANCIAL INSTRUMENTS

Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of equity attributable to shareholders as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investors.

10. FINANCIAL INSTRUMENTS (continued)

The Company is not subject to any capital requirements imposed by a regulator, other than continued listing requirements of the TSX Venture Exchange's NEX board.

During the year ended December 31, 2018, the Company made no changes to its strategy in managing capital.

Classification of Financial Instruments

The Company's financial instruments consist of cash and accounts payable and accrued liabilities and are measured at amortized cost.

Fair Value

Financial instruments measured at fair value are classified into one of the 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 carrying value of the Company's financial assets and liabilities measured at amortized cost approximate their fair value due to their short terms to maturity.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with Bank of Montreal.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss is limited because at present the Company's liabilities are non-interest bearing or have fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. At December 31, 2018 the Company had working capital surplus of $181,806 (2017 - $277,989).

11. SUBSEQUENT EVENTS

On February 13, 2019, the Company entered into a Business Combination Agreement with Vireo Health International ("Vireo"), whereby the Company agreed to complete a reverse take-over transaction whereby Vireo would acquire the Company and the shareholders of the Company would become the controlling shareholders of Darien (the "Transaction"). The transaction was completed on March 18, 2019.

In connection with the Business Combination Agreement, the Company completed a private placement and issued a total of 12,090,937 subordinate voting shares of the capital stock of the Company at a price of US$4.25 per share for gross proceeds of US$51,386,482. In connection with the financing, the Company paid a cash fee to the agents equal to US$3,243,222 and the agents were granted a combined 763,111 in warrants. The agent's warrants will be exercisable at a price of US$4.25 per share for a period of two years. In addition, the Company paid a financial advisory fee of US$415,000. As at December 31, 2018 and pre-business combination, Vireo Health, Inc. had deferred financing costs of US$448,480 recorded on the statement of financial position related to this financing.