VIREO HEALTH, INC.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended
December 31, 2018 and 2017

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Vireo Health, Inc.

Opinion

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

In our opinion, these consolidated 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 ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 audit 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 audit, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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 Erez Bahar.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada — Chartered Professional Accountants

April 30, 2019

VIREO HEALTH, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(Expressed in United States Dollars)

	Note		December 31, 2018		December 31, 2017
ASSETS					
Current Assets					
Cash		$	9,624,110	$	2,595,965
Receivables	*4*		1,671,257		-
Inventories	*5*		21,379,722		14,575,040
Biological Assets	*6*		5,967,150		2,815,030
Prepaid Expenses			962,297		624,010
Deferred acquisition costs	*7,17*		1,885,653		-
Deferred financing costs	*20*		448,480		-
			41,938,669		**20,610,045**
Non-Current Assets					
Property and equipment	*8*		22,847,283		14,805,788
Deposits	*7*		2,259,735		966,012
Deferred Loss on Sale Leaseback Transaction	*8*		26,596		35,441
Intangible Asset	*12*		2,184,565		-
Due from Related Party	*18*		-		146,893
			27,318,179		**15,954,134**
Total Assets		**$**	**69,256,848**	**$**	**36,564,179**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts Payable and Accrued Liabilities		$	2,512,389	$	1,516,300
Deferred lease inducements	*10*		341,555		-
Current portion of lease obligations	*10*		338,638		-
Current Portion of Long-Term Debt	*10*		1,010,000		-
			4,202,582		**1,516,300**
Long-Term Liabilities					
Deferred Rent			271,091		113,242
Deferred income taxes	*13*		6,508,000		-
Deferred lease inducements	*10*		4,781,770		-
Lease Obligations	*10*		11,839,152		6,431,129
Long-Term Debt	*10*		-		1,010,000
			27,602,595		**9,070,671**
Shareholders' Equity					
Share Capital	*9*		41,965,556		-
Members' Capital	*9*		-		22,910,942
Members' Units Receivable			-		(1,780)
Reserves	*9*		2,766,050		-
Retained earnings (deficit)			(3,077,353)		4,584,346
			41,654,253		**27,493,508**
Total Liabilities and Shareholders' Equity		**$**	**69,256,848**	**$**	**36,564,179**

Nature of operations (Note 1)
Commitments (Note 17)
Subsequent events (Note 20)

Approved on behalf of the Board of Directors and authorized for issuance on April 27,2019:

"Kyle Kingsley"
Director

"Amber Shimpa"
Director

The accompanying notes are an integral part of these consolidated financial statements.

VIREO HEALTH, INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

	Note		Year Ended December 31, 2018		Year Ended December 31, 2017
REVENUE		$	18,459,069	$	10,867,064
Production Costs			(9,519,433)		(5,104,379)
Gross Profit Before Fair Value Adjustments			**8,939,636**		**5,762,685**
Realized Fair Value Amounts Included in Inventory Sold	*5*		(16,457,419)		(5,840,818)
Unrealized Fair Value Gain on Growth of Biological Assets	*6*		24,302,031		6,443,637
Gross Profit			**16,784,248**		**6,365,504**
EXPENSES					
Depreciation	*8,12*		274,319		213,356
Professional fees			1,862,317		1,013,006
Salaries and wages	*18*		4,144,540		3,019,105
Selling, general and administrative expenses			3,831,634		2,159,192
Share-based compensation	*9*		2,072,706		-
			(12,185,516)		**(6,404,659)**
OTHER INCOME (EXPENSE)					
Loss on Sale of Property and Equipment	*8*		(25,065)		(398)
Interest Expense – Debt			(2,390,422)		(381,960)
Interest Income			-		1,275
Other Expense			(59,598)		(10,451)
Total Other Income (Expense)			**(2,475,085)**		**(391,534)**
INCOME (LOSS) BEFORE TAXES			**2,123,647**		**(430,689)**
Current income tax	*13*		(2,918,000)		-
Deferred income tax	*13*		(2,283,000)		-
Total income taxes			**(5,201,000)**		**-**
NET LOSS AND COMPREHENSIVE LOSS		**$**	**(3,077,353)**	**$**	**(430,689)**
Weighted average shares outstanding – Basic and diluted			**1,208,403**		**N/A**
Net loss per share		**$**	**(2.55)**		N/A

The accompanying notes are an integral part of these consolidated financial statements.

VIREO HEALTH, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

		Members' Capital		Share Capital					
	Note	**Number of Members' Units**	**Amount**	**Number of Shares**	**Amount**	**Members' Units Receivable**	**Reserves**	**Retained Earnings (Deficit)**	**Total Equity**
Balance, December 31, 2016		**1,040,112**	**22,735,942**	**-**	**-**	**$ (1,780)**	**-**	**$ 5,370,861**	**$ 28,105,023**
Class C Membership	9	1,988	175,000	-	-	-	-	-	175,000
Distributions		-	-	-	-	-	-	(355,826)	(355,826)
Net Loss		-	-	-	-	-	-	(430,689)	(430,689)
Balance, December 31, 2017		**1,042,100**	**22,910,942**	**-**	**-**	**$ (1,780)**	**-**	**$ 4,584,346**	**$ 27,493,508**
Deferred tax liability on conversion	13	-	-	-	-	-	-	(4,225,000)	(4,225,000)
Conversion to C Corp	9	(1,042,100)	(22,910,942)	1,742,231	23,268,508	1,780	-	(359,346)	-
Private placement	9	-	-	383,300	15,790,392	-	-	-	15,790,392
Finders warrants	9	-	-	-	(693,344)	-	693,344	-	-
Acquisition of MaryMed	9,11	-	-	80,738	3,600,000	-	-	-	3,600,000
Share-based compensation	9	-	-	-	-	-	2,072,706	-	2,072,706
Net Loss								(3,077,353)	(3,077,353)
Balance, December 31, 2018		**-**	**$ -**	**2,206,269**	**$ 41,965,556**	**$ -**	**$ 2,766,050**	**$ (3,077,353)**	**$ 41,654,253**

The accompanying notes are an integral part of these consolidated financial statements.

VIREO HEALTH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

	Note		Year Ended December 31, 2018		Year Ended December 31, 2017
Cash Flows from Operating Activities:					
Net loss		**$**	**(3,077,353)**	**$**	**(430,689)**
Item not affecting cash:					
Depreciation	*8,12*		771,281		750,864
Loss on sale of property and equipment			27,455		398
Share-based compensation	*9*		2,072,706		-
Fair value adjustment on sale of inventory	*5*		16,457,419		5,840,818
Fair value adjustment on growth of biological assets	*6*		(24,302,031)		(6,443,637)
Interest on lease obligations			2,238,922		229,362
Interest on long-term debt			151,500		151,500
Amortization of deferred tenant improvements			(105,275)		-
Deferred income taxes	*13*		2,283,000		-
Deferred gain/loss on sale leaseback			8,845		-
Changes in non-cash working capital:	*19*		(5,751,349)		(714,486)
Cash Flows Used in Operating Activities		**$**	**(9,224,880)**	**$**	**(612,870)**
Cash Flows from Investing Activities:					
Purchase of property and equipment	*8*	$	(2,089,058)	$	(5,688,766)
Cash acquired from MaryMed	*11*		1,499,085		-
Deferred acquisition costs			(1,885,653)		-
Proceeds on sale of property and equipment	*8*		5,793,830		6,353,549
Cash Flows from Investing Activities		**$**	**3,318,204**	**$**	**664,783**
Cash Flows from Financing Activities:					
Proceeds from private placement, net of issuance costs	*9*	$	15,790,392	$	-
Deferred financing costs	*20*		(448,480)		
Proceeds from debt	*10*		2,500,000		1,010,000
Payments on debt	*10*		(2,500,000)		(29,165)
Interest paid			(2,407,091)		(349,833)
Issuance of membership units	*9*		-		175,000
Distributions to members			-		(355,826)
Cash Flows from Financing Activities		**$**	**12,934,821**	**$**	**450,176**
Net Change in Cash		**$**	**7,028,145**	**$**	**502,089**
Cash, Beginning of the Year			2,595,965		2,093,876
Cash, End of the Year		**$**	**9,624,110**	**$**	**2,595,965**

Supplemental cash flow information (Note 19)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Vireo Health, Inc. (the "Company") headquarters is based out of Minneapolis, Minnesota and manages its wholly owned subsidiaries. The Company was organized on February 4, 2015 as a limited liability company with its registered office located at 207 South 9th St., Minneapolis, MN. Vireo Health, Inc. operates medical cannabis cultivation, production, and dispensary facilities in Minnesota, New York, Pennsylvania, and Maryland through its subsidiaries. On January 1, 2018, the Company was incorporated in the state of Delaware.

On March 20, 2019, the Company completed a reverse takeover transaction ("RTO") with Darien Business Development Corp. ("Darien"), whereby Darien acquired the Company and the shareholders of the Company became the controlling shareholders of Darien (the "Transaction"). Following the RTO, the Company listed on the Canadian Securities Exchange (the "CSE") under ticker symbol "VREO".

While marijuana and CBD-infused products are legal under the laws of several U.S. states (with vastly differing restrictions), the United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as "still a violation of federal law." At the present time, the distinction between "medical marijuana" and "recreational marijuana" does not exist under U.S. federal law, if one is illegal, both are illegal.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on April 27, 2019.

Basis of measurement

These consolidated financial statements have been prepared in U.S. dollars on a historical cost basis except for cash and biological assets, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars. The functional currency of the Company and its subsidiaries is the United States dollar.

2. BASIS OF PRESENTATION (cont'd)

Basis of consolidation

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

Name of subsidiary	Place of incorporation	Principal activity
Vireo Health of New York, LLC	New York, USA	Cannabis cultivation and production
Minnesota Medical Solutions, LLC	Minnesota, USA	Cannabis cultivation and production
Pennsylvania Medical Solutions, Inc.	Pennsylvania, USA	Cannabis cultivation and production
Ohio Medical Solutions, LLC	Delaware, USA	Cannabis cultivation and production
Dorchester Capital LLC	Delaware, USA	Holding Company
MaryMed, LLC	Maryland, USA	Cannabis cultivation and production
1776 Hemp, LLC	Delaware, USA	Hemp Cultivation and production
Vireo Health Arkansas, LLC	Delaware, USA	Cannabis cultivation and production
Vireo Health of New Jersey, LLC	Delaware, USA	Cannabis cultivation and production
Pennsylvania Dispensary Solutions, LLC	Pennsylvania, USA	Cannabis dispensary
Resurgent Pharmaceuticals, Inc.	Delaware, USA	Holding Company for Intellectual property
Midwest Hemp Research, LLC	Minnesota, USA	Hemp Cultivation and production

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss. Associated transaction costs are expensed when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates and judgements (cont'd)

Useful lives of property and equipment and intangible assets

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease non-current assets.

Estimated useful lives, impairment considerations and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives based on management's judgement.

Goodwill and indefinite life intangible asset impairment testing requires management to make estimates in the impairment testing model. On an annual basis, the Company tests whether goodwill and indefinite life intangible assets are impaired.

Impairment of definite-lived assets is influenced by judgement in defining a CGU and determining the indicators of impairment, and estimates used to measure impairment losses.

The recoverable value of indefinite and definite long-lived assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Biological assets and inventory

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 the 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 estimated fail rate and compare the inventory cost to estimated net realizable value.

Leases

The classification of a lease as an operating lease or a finance lease depends on certain estimates and judgments to determine whether substantially all the risk and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. The Corporation uses its best estimates and judgments, based on historical experience and the terms of the agreement, when estimating the economic life and residual value of a leased asset and determining the implicit interest rate when calculating minimum lease payments. An asset is recorded together with the related capital lease obligation. The assets under finance leases are amortized over their estimated useful lives at the same rate as other similar assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates and judgements (cont'd)

Impairment of long-lived assets

Long-lived assets, including property and equipment, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

Intangible assets

Purchased intangible assets are recognized as assets in accordance with IAS 38, Intangible Assets, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates and judgements (cont'd)

Assessment of the transactions as asset acquisitions or business combinations

Management has had to apply judgment relating to the acquisition of MaryMed (Note 11) to determine whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

Determination of purchase price allocations and intangible assets

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"). The functional currency of the Company and its subsidiaries is included within Note 2.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue

The Company's accounting policy for revenue recognition is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

Revenue from the direct sale of cannabis to medical customers for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

Cash and Cash Equivalents

Cash and cash equivalents included cash held at dispensaries and cash deposits in financial institutions. The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits. As at December 31, 2018 and 2017, the Company held no cash equivalents.

Leases

A lease is a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. Assets under finance leases are initially capitalized at the lower of the fair value or the estimated present value of the minimum lease payments and are depreciated over the assets' useful lives. The corresponding liability is recognized as a finance lease obligation. The interest element is allocated to reporting periods during the lease term to reflect the rate of interest on the remaining balance of the obligation. Operating lease assets are not capitalized, and payments are included in the statement of income and comprehensive income on a straight-line basis over the lease term.

Inventories

Inventories of harvested finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow moving goods and any such inventory is written-down to net realizable value.

Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labor related costs, grow consumables, materials, utilities, facilities costs, quality and testing costs, and production related depreciation. All direct and indirect costs of biological assets are capitalized as they are incurred and they are all subsequently recorded within the line item 'cost of goods sold' in profit or loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the statement of income and comprehensive income. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Greenhouse	Straight-line	7 – 39 years
Capital lease	Straight-line	15 years
Equipment	Straight-line	10 years
Dispensaries	Straight-line	15 years
Leasehold Improvements	Straight-line	15 years
Software	Straight-line	3 years
Furniture and fixtures	Straight-line	7 years
Vehicles	Straight-line	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate. Assets under capital lease are depreciated according to their asset category. Assets classified as construction-in-process are transferred to the appropriate asset class when available for use and depreciation of the asset commences at that point.

Deferred rent

Rent expense is recorded on a straight-line basis over the term of the rental period. Differences in the rent expense and rental payments are recognized in deferred rent.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

The Company measures financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

i) FVTPL;
ii) amortized cost;
iii) debt measured at fair value through other comprehensive income ("FVOCI");
iv) equity investments designated at FVOCI; or
v) financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test. The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of January 1, 2018.

The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets. All financial liabilities held by the Company, other than convertible debentures, are initially measured at fair value and subsequently measured at amortized cost. For the periods presented, the Company did not hold convertible debentures.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

The Company applies an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date.

Basic and diluted earnings (loss) per share

Basic earnings (loss) per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at period-end having a dilutive effect been converted into shares at the beginning of the period and the proceeds used to repurchase the Company's common shares at the average market price for the period. If these computations prove to be anti-dilutive, diluted earnings (loss) per share is the same as basic earnings (loss) per share.

There was no earnings (loss) per share calculated for the year ended December 31, 2017 as the Company was a Limited Liability Company, with membership units instead of common shares. Conversion to a corporation occurred on January 1, 2018 as described in Note 9.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. 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 substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, 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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

Intangible assets

Intangible assets consist mainly of licenses and brand names. Acquired licenses and brand names are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

The Company's intangible asset is amortized between 15 and 20 years.

Estimated useful lives of intangible assets with finite lives are the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial reporting date. At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Deferred Leasehold Inducements

A deferred leasehold inducement is recognized when leasehold improvements are approved for tenant improvement reimbursement from the landlord. The deferred leasehold inducement is amortized as a reduction to interest expense on a straight-line basis over the term of the lease agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measure at the fair value of goods received. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to capital stock.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share capital

Incremental costs directly attributable to the issue of shares and other equity instruments are recognized as a deduction from share capital. Shares issued for consideration, other than cash, are valued based on their market value at the date the shares are issued.

New or amended standards adopted effective January 1, 2018

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for 2018. The following have been adopted by the Company.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB on July 24, 2014 and replaced IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

vi) FVTPL;
vii) amortized cost;
viii) debt measured at fair value through other comprehensive income ("FVOCI");
ix) equity investments designated at FVOCI; or
x) financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

Debt investments are recorded at amortized cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI test. The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of January 1, 2018.

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New or amended standards adopted effective January 1, 2018 (cont'd)

IFRS 9 Financial Instruments ("IFRS 9") (cont'd)

The assessment of whether contractual cash flows on debt instruments meet the SPPI test was made based on the facts and circumstances as at the initial recognition of the financial assets. Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9, other than convertible debentures, are initially measured at fair value and subsequently measured at amortized cost. For the periods presented, the Company did not hold convertible debentures.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets		
Cash	FVTPL	FVTPL
Deposits	Loans and receivables	Amortized cost
Due from related party	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities
Capital lease obligations	Other liabilities	Other liabilities
Long-term debt	Other liabilities	Other liabilities

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. The Company had no accounts receivable as at December 31, 2017. As such, there was no effect on transition.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing.

The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transitional adjustments required as a result of the adoption of this standard. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the direct sale of cannabis to medical customers for a fixed price is recognized when the Company transfers control of the good to the customer upon delivery.

(Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New accounting standards and interpretations issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company will adopt the standard effective January 1, 2019 using a modified retrospective approach and applying the transition method that does not require adjustments to comparative periods nor require modified disclosures in the comparative periods. The company will elect the package of practical expedients to not reassess whether a contract is or contains a lease, lease classification and initial direct costs for contracts that expired or existed prior to the effective date. As the lessee to material operating leases, the standard will have a material impact on the Company's consolidated balance sheets, but will not have an impact on its consolidated statements of loss and comprehensive loss. While the adoption remains in progress, the Company expects that the most significant impact will be the recognition of right-of-use assets and lease liabilities for the Company's operating leases. The Company has completed its process to identify the population of lease arrangements and it is nearing the completion of applying the new leasing standard to each arrangement. The Company has also determined the incremental borrowing rate for each agreement.

- IFRIC 23 *Uncertainty over Income Tax Treatments*: New standard to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. Adoption of this standard is not expected to have a significant impact on the financial statements.

4. RECEIVABLES

	2018	2017
Tenant improvements receivable	$ 1,444,217	-
Trade receivable	152,040	-
Taxes receivable	75,000	-
Total	**$ 1,671,257**	$ -

5. INVENTORY

Inventory is comprised of:

	2018	2017
Work in process – harvested cannabis bud and trim	$ 8,132,817	$ 7,804,100
Work in process – cannabis oil	8,001,384	4,267,300
Finished goods – cannabis	4,985,091	2,473,470
Accessories	260,430	30,170
	$ 21,379,722	**$ 14,575,040**

Cost of inventory is recognized as an expense and included in cost of goods sold. Included in costs of goods sold for the year ended December 31, 2018, is $16,457,419 (2017 - $5,840,818) from changes in fair value of biological assets which was transferred to inventory upon harvest.

(Expressed in United States Dollars)

6. BIOLOGICAL ASSETS

Biological assets are comprised of:

	Capitalized Costs	Fair value Adjustments	Balance
Balance, December 31, 2016	**$ 130,166**	**$ 855,297**	**$ 1,015,463**
Fair value adjustment on growth of biological assets	-	6,443,637	6,443,637
Production costs capitalized	2,102,330	-	2,102,330
Transferred to inventory upon harvest	(1,752,723)	(4,993,677)	(6,746,400)
Balance, December 31, 2017	**479,773**	**2,335,257**	**2,815,030**
Fair value adjustment on growth of biological assets	-	24,302,031	24,302,031
Production costs capitalized	3,712,823	-	3,712,823
Transferred to inventory upon harvest	(3,254,558)	(21,608,176)	(24,862,734)
Balance, December 31, 2018	**$ 938,038**	**$ 5,029,112**	**$ 5,967,150**

As at December 31, 2018, the carrying value of biological assets consisted entirely of live cannabis plants.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram less any additional costs to be incurred to transform the yield into a sellable product. Percentage of cost completion is applied to biological assets growing as of the measurement date.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the annual historical selling price for flower yield in all finished goods sold by the Company, which is expected to approximate future selling prices
- Percentage of completion – represents the percentage of total expected costs incurred from growing biological assets as of the measurement date.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant
- Wastage – represents the weighted average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of the cost of direct and indirect materials and labor related to lab extraction and packaging

(Expressed in United States Dollars)

6. BIOLOGICAL ASSETS (cont'd)

The following table quantifies each significant unobservable input, and also provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets.

	December 31, 2018	December 31, 2017	2018 Effect of a 10% change	2017 Effect of a 10% change
Selling price	$ 19.76	$ 16.60	$ 2,090,000	$ 508,000
Percentage of completion	55%	51%	$ 597,000	$ 282,000
Yield by plant (grams)	238	253	$ 574,000	$ 282,000
Wastage	4%	5%	$ 18,000	$ 15,000
Post-harvest costs	$ 3.47	$ 5.78	$ 550,000	$ 226,000

Biological assets were on average at a more advanced stage of growth as at December 31, 2018 (55% complete) compared to December 31, 2017 (51% complete). As a plant matures the likelihood of wastage declines. As a result, wastage estimates were lower in 2018. The Company accretes fair value on a percentage of completion. As a result, a cannabis plant that is 50% through its estimated total growth would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

7. DEPOSITS

Deferred acquisition costs consist of deposits and costs related to commitments (Note 17) and subsequent transactions (Note 20). As at December 31, 2018 the Company had a total of $1,885,653 (2017 -$nil) for deferred acquisition cost.

Non-Current deposits consist of security deposits for various leased properties. As at December 31, 2018 the Company had a total of $2,259,735 (2017 - $966,012) in non-current deposits.

(Expressed in United States Dollars)

8. PROPERTY AND EQUIPMENT

	Greenhouse	Land	Capital Lease (Note 10)	Equipment	Dispensaries	Leasehold improvements	Software	Furniture and Fixtures	Vehicles	Construction in Progress	Total
Cost											
December 31, 2016	**$ 5,949,492**	**$ 303,230**	**$ -**	**$ 1,723,395**	**$ 2,496,464**	**$ -**	**$ 105,968**	**$ 112,245**	**$ -**	**$ -**	**$ 10,690,794**
Additions	120,844	380,000	6,400,100	213,134	16,587	-	-	555	77,567	4,880,079	12,088,866
Disposals	(6,070,336)	(683,230)	-	(225,000)	-	-	-	-	-	-	(6,978,566)
December 31, 2017	**-**	**-**	**6,400,100**	**1,711,529**	**2,513,051**	**-**	**105,968**	**112,800**	**77,567**	**4,880,079**	**$ 15,801,094**
Acquisition of MaryMed (Note 11)	176,899	-	-	412,731	488,792	-	-	-	-	454,234	1,532,656
Additions	73,696	-	5,763,330	374,335	25,545	5,228,600	-	17,874	93,950	1,713,133	13,290,463
Disposals	-	-	-	(120,815)	-	-	-	-	-	(5,471,539)	(5,592,354)
December 31, 2018	**$ 250,595**	**$ -**	**$ 12,163,430**	**$ 2,377,780**	**$ 3,027,388**	**$ 5,228,600**	**$ 105,968**	**$ 130,674**	**$ 171,517**	**$ 1,575,907**	**$ 25,031,859**
Depreciation											
December 31, 2016	**$ 312,522**	**$ -**	**$ -**	**$ 293,584**	**$ 160,349**	**$ -**	**$ 48,514**	**$ 18,651**	**$ -**	**$ -**	**$ 833,620**
Additions	231,656	-	90,001	198,654	167,481	-	33,270	16,110	13,692	-	750,864
Disposals	(544,178)	-	-	(45,000)	-	-	-	-	-	-	(589,178)
December 31, 2017	**$ -**	**$ -**	**$ 90,001**	**$ 447,238**	**$ 327,830**	**$ -**	**$ 81,784**	**$ 34,761**	**$ 13,692**	**$ -**	**$ 995,306**
Additions	3,587	-	781,509	121,024	178,269	105,275	21,611	16,541	24,314	-	1,252,130
Disposals	-	-	-	(62,860)	-	-	-	-	-	-	(62,860)
December 31, 2018	**$ 3,587**	**$ -**	**$ 871,510**	**$ 505,402**	**$ 506,099**	**$ 105,275**	**$ 103,395**	**$ 51,302**	**$ 38,006**	**$ -**	**$ 2,184,576**
Net Book Value											
December 31, 2017	**$ -**	**$ -**	**$ 6,310,099**	**$ 1,264,291**	**$ 2,185,221**	**$ -**	**$ 24,184**	**$ 78,039**	**$ 63,875**	**$ 4,880,079**	**$ 14,805,788**
December 31, 2018	**$ 247,008**	**$ -**	**$ 11,291,920**	**$ 1,872,378**	**$ 2,521,289**	**$ 5,123,325**	**$ 2,573**	**$ 79,372**	**$ 133,511**	**$ 1,575,907**	**$ 22,847,283**

(Expressed in United States Dollars)

8. PROPERTY AND EQUIPMENT (cont'd)

During the year ended December 31, 2018 $294,736 (2017 – $213,356) in depreciation was included in profit in loss and $957,394 (2017 - $537,508) was capitalized with respect to biological assets (Note 6).

During the year ended December 31, 2018, the Company sold equipment with a net book value of $57,955 for gross proceeds of $30,500. The Company incurred a loss of $27,455 on the transaction which is realized during the period.

During the year ended December 31, 2018, the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment (the "Cultivation Facilities") with a net book value of $5,471,539 for gross proceeds of $5,763,330. The Company paid a total of $284,995 in transaction fees for total net proceeds of $5,478,336. The Company incurred a gain of $6,796 on the sale and leaseback transaction which is deferred and amortized over the term of the lease. During the year ended December 31, 2018, $341 of the gain was recognized. Details of the lease agreement are disclosed in Note 10.

During the year ended December 31, 2017, the Company entered into a sale and leaseback agreement whereby the Company sold land, greenhouses, and equipment (the "Cultivation Facilities") with a net book value of $6,389,388 for gross proceeds of $6,400,100. The Company paid a total of $46,551 in transaction fees for total net proceeds of $6,353,549. The Company incurred a loss of $35,839 on the sale and leaseback transaction which is deferred and amortized over the term of the lease. During the year ended December 31, 2018, $2,389 (2017 - $398) of the loss was recognized.

9. SHARE CAPITAL

On January 1, 2018, the Company converted from a Limited Liability Company to a C corporation (Note 1). On conversion, the Company is authorized to issue 10,000,000 shares, including 7,500,000 common shares, and 2,500,000 preferred shares both of which will have a par value of $0.0001 per share.

Preferred shares may be issued in several classes, including Series A, Series B, Series C and Series D. Further, preferred shares includes several subdivisions (C-1, C-2, C-3, C-4, C-5 and D-1, D-2). Series A Preferred shares rank senior to Series C and D Preferred shares until each Series A Preferred share has received payments in the amount equal to the Series A original issue price. Further, Series C and Series D Preferred shares are equal priority to each other and rank senior to Series B Preferred shares until each Series C and Series D Preferred share has received payments in the amount equal to the original issue price. Series B Preferred shares rank senior to the common shares until such time that each Series B Preferred share has received payments in the amount equal to the Series B original issue price.

On conversion, the following shares were issued:

Series	**Shares Issued**	**Share Capital**
Series A Preferred Stock	722,000	$3,590,044
Series B Preferred Stock	342,000	$1,615
Series C Preferred Stock	678.231	$19,676,849
Total	**1,742,231**	**$23,268,508**

From the Company's inception to December 31, 2017, the Company was not subject to corporate federal and state income taxes since it was operating as a Limited Liability Company (LLC). On January 1, 2018 the Company converted from an LLC, which was taxes as a partnership, to a C Corporation and, as a result, became subject to corporate federal and state income taxes. The Company's accumulated retained earnings of $359,346 and members' capital of $22,910,942 was reclassified to preferred stock and additional paid in capital as a non-cash capital contribution.

9. SHARE CAPITAL (cont'd)

At December 31, 2018 the Company has 2,206,269 shares issued and outstanding, which consist of the following:

(a) Series A Preferred Shares
722,000 shares issued and outstanding. The holders of series A preferred stock are entitled to one vote per share at all stockholder meetings.

(b) Series B Preferred Shares
342,000 shares issued and outstanding. The holders of series B preferred stock are entitled to one vote per share at all stockholder meetings.

(c) Series C Preferred Shares
758,969 shares issued and outstanding. The holders of series C preferred stock are entitled to one vote per share at all stockholder meetings.

(d) Series D Preferred Shares
383,300 shares issued and outstanding. The holders of series D preferred stock are entitled to one vote per share at all stockholder meetings.

(e) Common Stock
No shares issued and outstanding. The holders of common stock are entitled to one vote per share at all stockholder meetings.

During the year ended December 31, 2018, the Company issued 383,300 Class D Preferred shares for gross proceeds of $17,248,500. In connection with the issuance, the Company incurred share issuance costs of $1,458,108 and issued 17,602 compensation warrants and 9,800 advisory warrants, which are exercisable into Series D-1 preferred shares of the Company at a price of $45 for a period of 24 months. The warrants have been valued at $693,344 using the Black-Scholes option pricing model applying the following assumptions: Risk Free Rate - 2.64%, Expected Life - 2 years, Expected Annualized Volatility – 100%, Expected Dividend Yield – 0%.

During the year ended December 31, 2018, the Company acquired all of the issued and outstanding membership units of MaryMed (Note 11). In connection with the acquisition, the Company issued 72,338 series C-4 preferred shares and 8,400 series C-5 preferred shares with fair value of $3,600,000.

(Expressed in United States Dollars)

9. SHARE CAPITAL (cont'd)

Stock Options

On January 1, 2018, the Company adopted an equity incentive plan where the Company may grant incentive stock option, restricted shares, restricted share units, or other awards. Under the terms of the plan, a total of 1,000,000 common shares are reserved for issue. The exercise price for incentive stock options issued under the plan will be set by the committee, but will not be less 100% of the fair market value of the Company's shares on the date of grant. Incentive stock options have a maximum term of 10 years from the date of grant. The incentive stock options vest at the discretion of the Board.

	Number of options		Weighted Average Exercise Price
Balance, December 31, 2017 and 2016	-	$	-
Granted	740,400		8.74
Balance, December 31, 2018	740,400	$	8.74

As at December 31, 2018, the Company has the following options outstanding and exercisable as follows:

Grant Date		Exercise Price	Options Outstanding	Options exercisable	Weighted Average Life Remaining (Years)
January 1, 2018	$	5.79	222,100	174,983	9.01
May 1, 2023	$	10.00	150,000	150,000	4.33
May 1, 2023	$	10,00	20,000	-	4.33
May 1, 2028	$	10.00	153,300	-	9.34
October 1, 2028	$	10.00	40,000	-	9.76
November 5, 2028	$	10.00	2,500	-	9.85
December 20, 2028	$	10.00	152,500	38,125	9.98
			740,400	363,108	8.25

During the year ended December 31, 2018, the Company recognized $2,072,706 in share-based compensation 2017 - $nil). In determining the amount of share-based compensation related to options issued during the year, the Company used the Black-Sholes option pricing model to establish fair value of options granted during the year ended December 31 2018 on their measurement date by applying the following assumptions:

	December 31, 2018	December 31, 2017
Risk-free interest rate	2.56%	n/a
Expected life of options (years)	8.74	n/a
Expected volatility	100%	n/a
Expected forfeiture rate	0%	n/a
Expected dividend yield	0%	n/a
Grant date fair value	$4.656	n/a

(Expressed in United States Dollars)

9. SHARE CAPITAL (cont'd)

Warrants

Each whole warrant entitles the holder to purchase one Series D-1 Preferred Share in capital stock of the Company. A summary of the status of the warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2017 and 2016	-	$ -
Granted	28,902	45
Balance, December 31, 2018	28,902	$ 45

The following table summarizes the warrants that remain outstanding as of December 31, 2018:

Grant Date	Exercise Price	Warrants Outstanding	Weighted Average Life Remaining (Years)
July 20, 2020	$ 45.00	16,972	
July 20, 2020	$ 45.00	9,800	1.55
July 20, 2020	$ 45.00	630	1.55
October 24, 2018	$ 45.00	1,500	1.82
		28,902	1.57

During the year ended December 31, 2018, the Company recognized $693,344 in warrant compensation expense (2017 - $nil). In determining the amount of warrant compensation expense related to options issued during the year, the Company used the Black-Sholes option pricing model to establish fair value of warrants granted during the year ended December 31 2018 on their measurement date by applying the following weighted average assumptions:

	December 31, 2018	December 31, 2017
Risk-free interest rate	2.64%	n/a
Expected life of options (years)	2.00	n/a
Expected volatility	100%	n/a
Expected forfeiture rate	0%	n/a
Expected dividend yield	0%	n/a
Grant date fair value	$23.991	n/a

(Expressed in United States Dollars)

10. LOANS, LEASES AND NOTE PAYABLE

The details of the Company's loans, leases and notes payable are as follows:

Long-term debt

	December 31, 2018	December 31, 2017
Opening balance	**$ 1,010,000**	**$ 29,165**
Additions	1,000,000	1,010,000
Payments	(1,000,000)	(29,165)
Ending Balance	**$ 1,010,000**	**$ 1,010,000**
Less: Current portion	(1,010,000)	-
Long-term debt	**$ -**	**$ 1,010,000**

During the year ended December 31, 2015, the Company entered in a loan for total proceeds of $56,000 that was secured by a vehicle. The loan bore interest at a rate of 5.49% per annum and required monthly payments. During the year ended December 31, 2017, the loan was fully repaid.

During the year ended December 31, 2017, the Company signed a promissory note payable in the amount of $1,010,000. The note bears interest at a rate of 15% per annum with interest payments required on a monthly basis. The loan is repayable in full on December 31, 2019.

On February 2, 2018 the Company received a $1,000,000 term loan from Dorchester Capital, LLC. The loan bears interest of 15% and matures on January 31, 2021. The loan was repaid and settled in August 2018.

Loans Receivable

On August 8, 2018 the Company loaned a total of $1,500,000 to MaryMed, LLC ("MaryMed"), a related party. The loan bears interest at a rate of 15% per annum and is due in full on or before January 31, 2021. The loan was subsequently repaid and settled in August 2018.

Lease obligations

	December 31, 2018	December 31, 2017
Opening balance	**$ 6,431,129**	**$ -**
Additions	5,763,330	6,400,100
Interest	2146,298	229,362
Interest payment	(2,162,967)	(198,333)
Ending Balance	**$ 12,177,790**	**$ 6,431,129**
Less: Current portion	(338,638)	-
Long-term debt	**$ 11,839,152**	**$ 6,431,129**

Future minimum lease payments (principal and interest) on the leases is as follows

2019	$ 3,260,192
2020	3,374,299
2021	3,492,399
2022	3,614,633
2023	3,741,146
Thereafter	45,222,629
Minimum payments under lease	**$ 62,705,299**
Effect of discounting	(50,527,209)
Present value of minimum lease payments	**$ 12,177,790**
Less: Current portion	(338,638)
Capital lease obligations	**$ 11,839,152**

10. LOANS, LEASES AND NOTE PAYABLE (cont'd)

During the year ended December 31, 2018, the Company entered into a sale and leaseback transaction for Cultivation Facilities (Note 8). As part of the transaction, the Company entered into a lease agreement for the Cultivation Facilities as follows:

a) The lease agreement (as amended in December 2018) for a cultivation and manufacturing facility in Pennsylvania with a fair value of $5,763,330 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 27.96% and requires regular monthly payments of $120,0000 which increase by 3.5% each year. Principal repayments begin in 2025. The lease also provides for a Tenant Improvement ("TI") allowance up to $3,500,000.

During the year ended December 31, 2017, the Company entered into a sale and leaseback transaction for Cultivation Facilities (Note 8). As part of the transaction, the Company entered into two separate lease agreements for the Cultivation Facilities as follows:

a) The lease agreement for a cultivation and manufacturing facility in Minnesota with a fair value of $3,000,100 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.78% and requires regular monthly payments of $50,000 which increase by 3.5% each year. Principal repayments begin in 2022. The lease also provides for a TI allowance up to $988,000.

b) The lease agreement for cultivation and manufacturing facility in New York with a fair value of $3,400,000 is for 15 years with two consecutive options to extend for an additional 5 years each. The annual interest rate on the lease is 21.19% and requires regular monthly payments of $55,000 which increase by 3.5% every year. Principal repayments begin in 2022. The lease also provides for a TI allowance up to $1,000,000.

On December 7, 2018 the Company signed a first amendment to the existing lease agreements for the cultivation and manufacturing facilities in Minnesota, New York and Pennsylvania. Under the terms of the amendments, the term of leases were extended to December 7, 2033, for tenant improvements per the terms through December 7, 2033 and provides for additional tenant improvements of up to $5,000,000 dollars.

- The amended agreement for the cultivation and manufacturing facility in Minnesota requires regular monthly payments of $77,625 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. Principal repayments begin in 2026. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of $150,000 and provides for additional TI allowance up to $2,000,000.

- The amended agreement cultivation and manufacturing facility in New York requires regular monthly payments of $82,800 which increases by 3.5% each year beginning in December 2018 over the remaining term of the agreement. Principal repayments begin in 2025. The agreement has two optional consecutive options to extend for an additional 5 years. Also, the amendment requires an additional deposit of $150,000 and provides for additional TI allowance up to $2,000,000.

(Expressed in United States Dollars)

10. LOANS, LEASES AND NOTE PAYABLE (cont'd)

Lease obligations (cont'd)

During the year ended December 31, 2018, the Company incurred a total of $4,876,686 in eligible tenant improvement costs. In addition the lessor directly paid tenant improvements of $351,914 for a total of $5,228,600 which are deferred and amortized over the term of the lease. Amortization of deferred lease inducements are recorded against interest expense in profit and loss.

A continuity of deferred lease inducements is as follows:

Balance, December 31, 2017 and 2016	**$**	**-**
Additions		5,228,600
Depreciation		(105,275)
Balance, December 31, 2018	**$**	**5,123,325**
Less: Current portion		(341,555)
Long-term lease inducements	**$**	**4,781,770**

11. ACQUISITIONS

On November 1, 2018, the Company acquired all of the issued and outstanding membership units of Dorchester Capital, LLC ("Dorchester"). Dorchester is the sole member of MaryMed LLC ("MaryMed").

As consideration for the membership units, the Company issued 72,338 series C-4 preferred shares and 8,400 series C-5 preferred shares with a fair value of $3,600,000.

The purchase price allocation for the acquisition, as set forth in the table below, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected. The following table summarizes the final accounting estimates of the acquisition with a purchase price of $3,600,000:

Cash	$	1,499,085
Prepaid expenses		112,083
Deposits		300,000
Property and equipment		1,532,656
Intangible Asset (Note 12)		2,204,982
Accounts payable and accrued liabilities		(307,567)
Debt due to Vireo Health, Inc.		(1,741,239)
Net assets acquired	**$**	**3,600,000**

(Expressed in United States Dollars)

12. INTANGIBLE ASSETS

During the year ended December 31, 2018, the Company acquired a cannabis cultivation and manufacturing license in Maryland, USA, through the acquisition of MaryMed (Note 11). The license was allocated a fair value of $2,204,982 based on the purchase price allocation and is depreciated over its expected useful life, which is estimated to be between 15-20 years. During the year ended December 31, 2018, the Company recognized a total of $20,417 in a depreciation related to the intangible asset.

13. INCOME TAXES

On January 1, 2018, the Company converted to a C corporation in the state of Delaware. Prior to January 1, 2018, the Company was classified as a Limited Liability Company ("LLC"). As such, prior to January 1, 2018 losses generated from operations were passed through to individual members.

As a result of the conversion to a C Corporation, the Company recognized a deferred tax liability of $4,225,000 with a corresponding decrease to retained earnings. The liability pertains to the difference between the carrying value of biological assets on the statement of financial position and the tax basis.

A reconciliation of income taxes at statutory rates is as follows:

		2018		2017
Net income (loss) before taxes	**$**	**2,123,647**	**$**	**(430,689)**
Expected tax expense at a combined federal and state rate of 31%		658,000		n/a
Effect on income taxes of:				
Non-deductible expenses		4,543,000		n/a
Changes in unrecognized deductible temporary differences		-		n/a
Total income tax expense	**$**	**5,201,000**		**n/a**

Internal Revenue Code ("IRC") Section 280E denies, at the US federal level, deductions and credits attributable to a trade or business trafficking in controlled substances. Case la shows that "cost of goods sold" has been permitted as a deduction in determining taxable income. Because the Company is subject to IRC Section 280E, the Company has computed its US tax based on gross receipts less cost of goods sold. The tax provision for the year ended December 31, 2018, has been prepared based on the assumption "cost of goods sold" is a valid expense for income tax purposes.

Deferred tax assets (liabilities) are comprised of:

		2018		2017
Deferred tax assets:				
Inventory reserve	$	92,000	$	-
Deferred tax liabilities:				
Biological assets	$	(6,600,000)		
Net deferred tax (liabilities)	**$**	**(6,508,000)**		

(Expressed in United States Dollars)

13. INCOME TAXES (cont'd)

The following table summarizes the components of deferred tax:

		2018		2017
Current income tax				
Federal	$	1,977,000	$	-
State		941,000		-
Total current income tax	**$**	**2,918,000**	**$**	**-**
Deferred income tax				
Federal	$	1,546,000	$	-
State		737,000		-
Total deferred income tax	**$**	**2,283,000**	**$**	**-**
Total income tax for the year	**$**	**5,201,000**	**$**	**-**

14. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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 (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, deposits, accounts payable and accrued liabilities, and due from related party approximate their respective fair values due to the short-term nature of these instruments, and the long term loans and lease liabilities approximated a market rate of interest.

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held on hand and with state banks ($363,589 and $346,112 cash on hand as of December 31, 2018 and 2017, respectively), from which management believes the risk of loss is remote. The Company's accounts trade receivables were substantially collected subsequent to December 31, 2018. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted licenses pursuant to the laws of the states of Minnesota, New York, and Pennsylvania with respect to cultivating marijuana. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

14. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company's financial liabilities consist of accounts payable, accrued liabilities, debt, and lease liabilities. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. Historically, the Company's main source of funding has been additional funding from shareholders, or the addition of new shareholders. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity financing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

Other risk

While cannabis and CBD-infused products are legal under the laws of several U.S. states (with varying restrictions applicable), the United States Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug, whether for medical or recreational use. The federal government currently is prohibited by statute from prosecuting businesses that operate in compliance with applicable state and local medical cannabis laws and regulations; however, this does not protect adult use cannabis. If the federal government changes this position, it would be financially detrimental to the Company, and the Company would have significant risk on its financial instruments.

15. CAPITAL RISK MANAGEMENT

The Company defines capital as shareholders' equity. The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts 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 equity instruments, new debt, or acquire and/or dispose of assets. The Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

(Expressed in United States Dollars)

16. SEGMENTED INFORMATION

The Company operates in one reportable segment being the cultivation, production, and sale of medical cannabis.

The cannabis cultivation and production segment is the manufacturing and sales of refined cannabis products, which has operations in Minnesota, New York, and Pennsylvania.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

Non-current non-financial assets based on geographical location is as follows:

	Minnesota	New York	Pennsylvania	Maryland	Total
As at December 31, 2018					
Property and equipment	$ 6,641,825	$ 5,881,848	$ 8,623,635	$ 1,699,975	$ 22,847,283
Deposits	504,011	735,723	720,001	300,000	2,259,735
Intangible asset	-	-	-	2,204,983	2,204,983
	$ 7,145,836	$ 6,617,571	$ 9,343,636	$ 4,204,958	$ 27,312,001
As at December 31, 2017					
Property and equipment	$ 5,019,505	$ 4,819,235	$ 4,967,048	$ -	$ 14,805,788
Deposits	324,845	132,663	508,504	-	966,012
	$ 5,344,350	$ 4,951,898	$ 5,475,552	$ -	$ 15,771,800

Operating results based on geographical location is as follows:

	Minnesota	New York	Pennsylvania	Maryland	Total
Year ended December 31, 2018					
Revenue	$ 7,837,934	$ 10,309,480	$ 311,655	$ -	$ 18,459,069
Year ended December 31, 2017					
Revenue	$ 4,733,701	$ 6,133,363	$ -	$ -	$ 10,867,064

17. COMMITMENTS

Lease commitments

- The Company entered into an agreement with a member of the Company to lease land for the Company's Minnesota cultivation and manufacturing activities. The lease term was amended on July 1, 2015 and had an initial term of 10 years expiring on December 31, 2024, with options to renew the lease upon expiration for three additional 10-year terms. The lease amendment required monthly lease payments of $3,500. The Company was responsible for the property, taxes, insurance, and other operating expenses related to the property. In November 2017, the Company sold the cultivation and manufacturing facility and the land was purchased and included in the sale. See note 8 for additional information.

- The Company entered into an agreement to lease space in Minneapolis, MN to dispense medical cannabis. The lease commenced on July 1, 2015 and is for an original term of 60 months expiring on June 30, 2020, with an option to renew the lease upon expiration for two additional 36-month terms. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

(Expressed in United States Dollars)

17. COMMITMENTS (cont'd)

Lease commitments (cont'd)

2019	$	120,044
2020		60,616
Total minimum lease payments	**$**	**180,660**

- The Company entered into an agreement to lease space in Rochester, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2019	$	75,525
2020		45,097
Total minimum lease payments	**$**	**120,622**

- The Company entered into an agreement to lease space in Moorhead, MN to dispense medical cannabis. The lease commenced on August 1, 2015 and is for an original term of 60 months expiring on July 31, 2020, with an option to renew the lease for an additional five-year term upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2019	$	20,979
2020		12,381
Total minimum lease payments	**$**	**33,360**

- The Company entered into an agreement to lease space in Bloomington, MN to dispense medical cannabis. The lease commenced on July 1, 2016 and is for an original term of 60 months expiring on July 30, 2021, with an option to renew the lease for an additional five years upon expiration. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2019	$	28,474
2020		29,327
2021		14,755
Total minimum lease payments	**$**	**72,556**

(Expressed in United States Dollars)

17. COMMITMENTS (cont'd)

Lease commitments (cont'd)

- The Company entered into an agreement to retail lease space in Queens, NY to dispense medical cannabis. The lease commenced on October 1, 2015 and is for an original term of 10 years expiring on September 30, 2025. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2019	$	528,600
2020		659,110
2021		677,423
2022		696,248
2023		715,600
Thereafter		4,220,322
Total minimum lease payments	**$**	**7,497,303**

- The Company entered into a retail lease agreement to lease space Johnson City, NY to dispense medical cannabis. The lease commenced on June 1, 2015 for an original term of 60 months expiring on October 31, 2020. The Company has the option to extend the lease for two additional three-year terms. The years have to be exercised three months prior to completion of the initial term of the lease. The Company is responsible for its proportionate share of property taxes, insurance, and other operating expenses. The future minimum required lease payments are as follows:

2019	$	32,000
2020		13,333
Total minimum lease payments	**$**	**45,333**

- The Company entered into a retail lease agreement in White Plains, NY to dispense medical cannabis. The lease commenced on November 1, 2015 and is for a term of 60 months expiring on October 31, 2020. The Company is responsible for the property taxes, insurance, and other operating expenses related to the property. The future minimum required lease payments are as follows:

2019	$	118,092
2020		98,410
Total minimum lease payments	**$**	**216,502**

- The Company entered into a retail lease agreement for space in Albany, NY to dispense medical cannabis. The lease commenced on September 15, 2016 and is for an original term of 60 months expiring on September 14, 2021. Included in the lease contract are two options for a five-year renewal at agreed upon lease price thru 2031. The Company is responsible for the property taxes, insurance, other operating expenses related to the property, and amortized tenant improvement allowance. The future minimum required lease payments are as follows:

2019	$	14,580
2020		14,580
2021		10,328
Total minimum lease payments	**$**	**39,488**

(Expressed in United States Dollars)

17. COMMITMENTS (cont'd)

The Company signed a Stock Purchase Agreement ("SPA") to acquire all of the issued and outstanding shares of a Puerto Rico company, which is engaged in medical cannabis cultivation, production and sale, and has obtained pre-qualifications to obtain licenses to operate medical cannabis cultivation, manufacturing and dispensary operations in the Commonwealth of Puerto Rico. Under the terms of the SPA, the Company would pay $900,000 in cash and $900,000 in convertible debt instruments. The transaction is subject to regulatory approval by the Office of Controlled Substances and Medicinal Cannabis of Puerto Rico. In connection with the SPA, the Company paid a $25,000 non-refundable deposit.

18. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of the Company's CEO, CFO, COO and directors.

Key management personnel compensation during the years ended December 31, 2018 and 2017 were as follows:

		2018		2017
Salaries and wages	$	835,338	$	600,385
Share-based compensation		1,184,540		-
	$	**2,019,878**	**$**	**600,385**

As at December 31, 2018, $nil (2017 - $146,893) was due from related parties. These amounts are unsecured, non-interest bearing, and due on demand.

19. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in non-cash working capital:		2018		2017
Receivables	$	(1,671,257)	$	-
Due from related party		146,893		309,069
Inventory and biological assets		(2,112,190)		(886,302)
Prepaid expenses		(226,204)		(1,211,288)
Deferred rent		157,849		40,374
Deposits		(993,723)		-
Accounts payable and accrued liabilities		(1,052,717)		1,036,661
	$	(5,751,349)	$	(714,486)

Non-cash activities during the years ended December 31, 2018 and 2017 were as follows:

		2018		2017
Biological assets transferred to inventory	$	24,666,429	$	6,746,400
Transfer of members capital to share capital on conversion to C corp.	$	23,268,508	$	-
Deferred tax incurred on conversion to C corp.	$	4,255,000	$	-
Equipment acquired through finance lease	$	5,763,330	$	6,400,100
Fair value of brokers warrants	$	657,395	$	-

Other supplementary cash flow information:

		2018		2017
Cash paid for interest	$	2,314,467	$	349,833
Cash paid for taxes	$	2,993,000	$	-

20. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2018:

- On January 4, 2019, the Company completed the 100% acquisition of High Gardens, Inc. ("High Gardens"), which has licenses to cultivate and distribute cannabis in the state of Rhode Island. As consideration for the issues and outstanding shares of High Gardens, the Company paid $300,000 in cash and issued a $700,000 convertible note. The convertible promissory note in the amount of $700,000, requires interest only payments monthly and matures on January 2, 2024, at which time the note must be paid in pull or convert into shares of the Company's capital stock as outlined in the note. As at December 31, 2018, the Company had paid a $50,000 non-refundable deposit related to the acquisition which is included in deferred acquisition costs.

- On January 29, 2019, the Company acquired a commercial property in Akron, Ohio for $550,000 in cash.

- On February 13, 2019, the Company entered into a Business Combination Agreement with Darien Business Development Corp. ("Darien"), whereby the Company agreed to complete a reverse take-over transaction whereby Darien 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 $4.25 per share for gross proceeds of $51,864,482. In connection with the financing, the Company paid a cash fee to the agents equal to $3,241,738 and the agents were granted a combined 763,111 in warrants. The agent's warrants will be exercisable at a price of $4.25 per share for a period of two years. In addition, the Company paid a financial advisory fee of $415,000. As at December 31, 2018, the Company had deferred financing costs of $448,480 recorded on the statement of financial position related to this financing.

- On February 27, 2019 the Company entered into a sale and leaseback transaction for a manufacturing facility in Ohio whereby the Company plans to sell the facility for $600,000. The lease agreement is for 15 years with two options to extend for an additional five years respectively. Under the agreement, the parties' obligations to close are subject to certain conditions, not all of which have been satisfied as at the current date.

- On March 22, 2019, the Company acquired all of the equity of Elephant Head Farm, LLC and Retail Management Associates, LLC, both Arizona limited liability companies ("AZ Management Companies"). As a result of the acquisition the Company has the exclusive right to manage and control Arizona Natural Remedies, a Arizona nonprofit corporation ("ANR") with licenses to cultivate and distribute medical cannabis in the state of Arizona. The acquisition was accounted for in accordance with IFRS 3, "Business Combinations" ("IFRS 3"). As consideration, the Company paid cash of $10,500,000 and issued 16,806 multiple voting shares of the capital stock of the Company.

  The purchase price allocation for the acquisition, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

20. SUBSEQUENT EVENTS (cont'd)

- On March 25, 2019, the Company acquired all of the assets of Silver Fox Management Services, LLC, a New Mexico limited liability company ("Silver Fox"). As a result of the acquisition the Company has the exclusive right to manage and control Red Barn Growers, a New Mexico nonprofit corporation ("Red Barn") with licenses to cultivate and distribute medical cannabis in the state of New Mexico. The acquisition was accounted for in accordance with IFRS 3, "Business Combinations" ("IFRS 3"). As consideration, the Company paid cash of $2,000,000 and undertook the obligation to issue 6,723 multiple voting shares of the capital stock of the Company. This issuance is pending as at the current date.

  The purchase price allocation for the acquisition, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

- On March 29, 2019, the Company completed the 100% acquisition of Mayflower Botanicals, Inc., a Massachusetts corporation ("Mayflower") which has licenses to cultivate and distribute medical and adult use cannabis in the state of Massachusetts. The acquisition was accounted for in accordance with IFRS 3, "Business Combinations" ("IFRS 3"). As consideration, the Company paid cash of $1,025,000 and issued 30,325 multiple voting shares As at December 31, 2018, the Company had paid a $50,000 non-refundable deposit related to the acquisition.

  The purchase price allocation for the acquisition, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

- On April 5, 2019, the Company acquired 73 acres of undeveloped land in the Town of Holland, Massachusetts, for use by Mayflower to cultivate, process and sell cannabis upon completion of necessary approvals and authorizations. The purchase price was $1,309,948.70 paid in cash.

- On April 9, 2019, the Company entered into a lease of approximately 1,035 square feet of retail real estate in Scranton, Pennsylvania, for use as a medical cannabis dispensary. The lease has a term of sixty (60) months plus the right to extend for two, three-year periods.

20. SUBSEQUENT EVENTS (cont'd)

- On April 11, 2019, the Company completed the 100% acquisition of MJ Distributing C201, LLC and MJ Distributing P132, LLC ("MJ Distributing") which hold licenses to cultivate and distribute, respectively, medical cannabis in the state of Nevada. The Company closed in escrow pending the Department of Taxation's approval of change or ownership. The acquisition was accounted for in accordance with IFRS 3, "Business Combinations" ("IFRS 3"). As consideration, the Company paid cash of $1,500,000 and issued convertible promissory notes in the total principal amount of $2,500,000, with maturity dates of April 30, 2021, unless sooner repaid or converted into 8,403 multiple voting shares of the Company, bearing interest at four percent (4%) per annum for the first six (6) months and at eight percent (8%) per annum thereafter. As at December 31, 2018, the Company had paid $550,000 in non-refundable deposits related to the acquisition.

  The purchase price allocation for the acquisition, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.