

MAPLE LEAF GREEN WORLD INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

(Expressed in Canadian dollars, unless otherwise stated)

Independent Auditor's Report

To the Shareholders of Maple Leaf Green World Inc.

Opinion

We have audited the consolidated financial statements of Maple Leaf Green World Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of \$11,038,777 during the year ended December 31, 2018 and, as of that date, the Company had a accumulated deficit of \$28,898,188 and negative working capital of \$4,672,048. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis ("MD&A").

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

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

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

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

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

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

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

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

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

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

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

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

Calgary, Alberta
April 1, 2019

MNP LLP

Chartered Professional Accountants

Maple Leaf Green World Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars except share data)
As at December 31,

		2018	2017
Revenue	Notes		
Consulting fees		\$ -	\$ 96,202
Leasing fees		-	115,443
		-	211,645
Operating expenses			
Share-based compensation	9	6,933,834	85,324
Personnel costs		296,107	180,000
Professional fees		308,216	190,061
Consulting fees		626,731	530,780
Office		302,754	100,997
Advertising and promotion		155,487	195,583
Rent	15	106,269	67,289
Repairs and maintenance		16,150	-
Regulatory and transfer agent		114,568	109,210
Travel		62,373	30,818
Research and development		30,638	-
Foreign exchange expense		29,699	70,708
Bad debt expense		25,356	472,103
Depreciation and amortization	6	20,442	21,400
		9,028,624	2,054,273
Loss before other items		(9,028,624)	(1,842,628)
Interest income		451	764
Finance expense	8	(120,991)	(42,021)
Net finance expense		(120,540)	(41,257)
Other items			
Other income		2,954	31,439
Impairment of assets	5 & 6	(2,135,701)	-
Gain on settlement of accounts payable		-	46,609
Loss for the year		\$ (11,281,911)	\$ (1,805,837)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustment, net of tax		243,133	(64,394)
Total comprehensive loss		\$ (11,038,778)	(1,870,231)
Loss per share attributable to the equity holders of the Company			
Loss per share – basic and diluted		\$ (0.07)	(0.01)
Weighted average number of shares outstanding – basic and diluted		154,848,215	135,780,338

Maple Leaf Green World Inc.
Consolidated Statements Financial Position
(Expressed in Canadian dollars)
As at December 31,

		2018	2017
ASSETS	Notes		
Current assets			
Cash and cash equivalents		\$ 574,242	\$ 3,411,778
Other receivables		141,646	133,776
Deposits	5	-	1,577,401
Prepays		29,528	27,119
		745,416	5,150,074
Deposits	5	1,102,500	-
Long term prepaids		15,659	26,771
Property, plant and equipment	6	11,459,771	3,208,121
Total assets		\$ 13,323,346	\$ 8,384,966
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,452,200	\$ 213,422
Current portion of finance leases	8	142,806	123,252
Current portion of notes payable	7	815,606	-
Other payables		6,852	-
		5,417,464	336,674
Finance leases	8	552,087	699,868
Notes payable	7	143,241	131,723
Total liabilities		6,112,792	1,168,265
Equity			
Share capital	9	23,218,131	19,361,733
Other reserves	9	12,672,697	5,496,464
Accumulated other comprehensive income		217,916	(25,217)
Deficit		(28,898,190)	(17,616,279)
		7,210,554	7,216,701
Total liabilities and equity		\$ 13,323,346	\$ 8,384,966
Going concern (Note 2)			
Commitments and contingencies (Note 15)			
Subsequent event (Note 16)			

APPROVED ON BEHALF OF THE BOARD

“signed” Raymond Lai _____
Director

“signed” Terence Lam _____
Director

Maple Leaf Green World Inc.
Consolidated Statements of Changes in Equity (Deficit)
(Expressed in Canadian dollars)
As at December 31,

	Note	Share capital		Other reserves				Total equity
		Number of common shares	Amounts	Share-based payment reserve	Warrant reserve	Total-other reserves	Accumulated other comprehensive income Deficit	
At December 31, 2017		147,073,331	\$ 19,361,733	\$ 5,351,464	\$ 145,000	\$ 5,496,464	\$ (25,217) \$ (17,616,279)	\$ 7,216,701
Other comprehensive income		-	-	-	-	-	243,133 -	243,133
Loss for the period		-	-	-	-	-	(11,281,911)	(11,281,911)
Options granted	9	-	-	6,768,883	-	6,768,883	-	6,768,883
Options granted for land lease	9	-	-	69,768	-	69,768	-	69,768
Brokers warrants	9	-	-	-	164,951	164,951	-	164,951
Shares issued upon option exercised	9	1,100,000	263,251	(139,251)	-	(139,251)	-	124,000
Shares issued upon warrant exercised	9	6,021,272	1,285,581	-	(145,000)	(145,000)	-	1,140,581
Share issuance expense	9	-	(249,771)	-	-	-	-	(249,771)
Private placement	9	5,023,699	2,557,337	-	456,882	456,882	-	3,014,219
At December 31, 2018		159,218,302	\$ 23,218,131	\$ 12,050,864	\$ 621,833	\$ 12,672,697	\$ 217,916 \$ (28,898,190)	\$ 7,210,554

	Note	Share capital		Other reserves				Total equity
		Number of common shares	Amounts	Share-based payment reserve	Warrant reserve	Total-other reserves	Accumulated other comprehensive income Deficit	
At December 31, 2016		\$121,447,261	\$ 11,135,578	\$ 5,242,614	\$ 338,800	\$ 5,581,414	\$ 39,177 \$ (15,810,441)	\$ 945,728
Other comprehensive income		-	-	-	-	-	(64,394) -	(64,394)
Loss for the period		-	-	-	-	-	(1,805,838)	(1,805,838)
Revaluation of fair value options	9	-	-	85,324	-	85,324	-	85,324
Options granted for land lease	9	-	-	23,526	-	23,526	-	23,526
Shares issued upon warrant exercised	9	12,410,000	1,197,300	-	(193,800)	(193,800)	-	1,003,500
Share issuance expense	9	-	(239,984)	-	-	-	-	(239,984)
Private placement	9	13,216,070	7,268,839	-	-	-	-	7,268,839
At December 31, 2017		\$147,073,331	\$ 19,361,733	\$ 5,351,464	\$ 145,000	\$ 5,496,464	\$ (25,217) \$ (17,616,279)	7,216,701

Maple Leaf Green World Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
As at December 31,

		2018	2017
OPERATING ACTIVITIES	Notes		
Loss for the year		\$ (11,281,911)	\$ (1,805,837)
Items not affecting cash:			
Depreciation and amortization	6	20,442	21,400
Gain on settlement of accounts payable		-	(46,609)
Impairment of assets	5 & 6	2,135,701	-
Share based compensation	9	6,933,834	85,324
Cash flows used in operations before non-cash working capital		(2,191,934)	(1,745,722)
Changes in non-cash working capital			
Other receivables		(7,870)	128,007
Prepays		8,701	(40,637)
Accounts payable and accrued liabilities		4,245,630	19,403
Cash flows from (used in) operating activities		2,054,527	(1,638,949)
INVESTING ACTIVITIES			
Payment on finance land lease		(128,227)	(28,080)
Deposits	5	(705,132)	(1,509,131)
Additions to property, plant and equipment	6	(8,979,379)	(2,057,648)
Cash flows used in investing activity		(9,812,738)	(3,594,859)
FINANCING ACTIVITIES			
Note payable	7	815,606	-
Issuance of common share units	9	3,014,219	7,268,839
Share issuance costs	9	(249,772)	(239,984)
Proceeds from option exercised	9	124,000	-
Proceeds from warrant exercised	9	1,140,581	1,003,500
Cash flows from financing activities		4,844,634	8,032,355
Foreign exchange effect on cash		76,041	(53,232)
Net (decrease) increase in cash		(2,837,536)	2,745,315
Cash, beginning of year		3,411,778	666,463
Cash, end of year		\$ 574,242	\$ 3,411,778

1. NATURE OF OPERATIONS

Maple Leaf Green World Inc. ("Maple Leaf" or the "Company") is incorporated in Alberta, Canada, with common shares listed on the Aequitas NEO Exchange under the ticker symbol MGW. The corporate office is located at 500, 1716 – 16 Ave NW, Calgary, Alberta, T2M 0L7. In October 2012, Maple Leaf changed its name to Maple Leaf Green World Inc. from Maple Leaf Reforestation Inc.

In order to develop its medical marijuana/cannabis business in the United States of America ("USA"), the Company incorporated a wholly-owned subsidiary, Golden State Green World LLC ("Golden State"), in California, USA in 2015. In March 2018, the Company incorporated another wholly-owned subsidiary, SSGW LLC ("SSGW"), in Nevada, USA.

Maple Leaf and its subsidiaries focus on the cannabis industry in North America. The Company operates or funds three cannabis projects, in British Columbia, California, and Nevada. To date, the Company has not yet generated material revenue to cover expenditures, and therefore it has incurred losses since inception.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 1, 2019.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As of December 31, 2018, The Company had an accumulated deficit of \$28,898,188, a negative working capital of \$4,672,048 and incurred losses of \$11,038,777 for the year then ended. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management has forecasted the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital during the first quarter of fiscal 2019 unless further financing is obtained. Additional sources of funding will be required during fiscal 2019 to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds, obtain standard cultivation and processing licenses and generate product sales. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved, or such sources of funds will be available or obtained on favorable terms or obtained at all. Historically, the Company has obtained funding via the issuance of shares and warrants. If the Company cannot secure additional financing on terms that would be acceptable to it or otherwise generate product sales, the Company will have to consider additional strategic alternatives which may include, among other strategies, cost curtailments and delays of product launch, as well as seeking to license and/or divest assets or a merger, sale or liquidation of the Company. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that may be required should the Company be unable to continue as a going concern. Such adjustments will be material.

3. BASIS OF PREPARATION

(a) 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") in effect at January 1, 2018.

3. BASIS OF PREPARATION (continued)

(b) Basis of consolidation and comparative figures and functional currency

These consolidated financial statements for the year ended December 31, 2018 include the accounts of Maple Leaf and its wholly owned subsidiaries, Golden State and SSGW. All significant intercompany balances and transactions have been eliminated upon consolidation.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

(c) Basis of measurement

These consolidated financial statements have been prepared on a historical basis, except for financial instruments recorded at fair value and share-based payments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars ("CAD"), except as otherwise stated. The functional currency of the Company's USA subsidiaries is the USA dollar ("USD").

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Significant accounting judgments and estimates

Preparing the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas where actual results could differ from those estimates relate to, but are not limited to, the following:

i. Income taxes

Management makes estimates in determining the appropriate rates and amounts in recording deferred income tax assets or liabilities, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities. The recognition of deferred income tax assets is subject to estimates over whether these amounts can be realized.

ii. Stock options and warrants

The fair value of the Company's stock options and warrants are derived from estimates based on available market data at that time, which include volatility, risk-free rates and share prices. Changes to subjective input assumptions can materially affect the fair value estimate.

iii. Accrued liabilities

The Company must estimate the amount of accrued liabilities related to contractual arrangements or when invoices have not been received or when contracts to ensure all expenditures have been recognized. Changes to the estimate can materially affect the liquidity of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgments

Management must make judgments given the various options available as per accounting standards for items included in the consolidated financial statements. Judgments involve a degree of uncertainty and could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual events differ from a judgment made. Management judgments include, but are not limited to:

i. Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use ("VIU") and its fair value less costs of disposal ("FVLCD"). If any such indication exists, the recoverable amount of the asset or CGU is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives, goodwill and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of FVLCD and VIU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years.

A reversal of an impairment loss is recognized immediately in consolidated statement of loss and comprehensive loss.

An impairment loss on intangible assets with an indefinite life and on any goodwill is not reversed.

The Company undertakes an impairment assessment at the end of each reporting period and uses its judgment when identifying impairment indicators. Significant inputs into the discounted cash flow model included discount rates, useful life and future operating costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments

(i) Financial assets

The Company initially recognizes financial assets on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through earnings (loss), then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets as subsequently measured at either amortized cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and/or interest.

The Company currently classifies its cash and cash equivalents, accounts receivable, and deposits accounts as financial assets measured at amortized cost.

Financial assets at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income. Also, for investments in equity instruments that are not held for trading, the Company may irrevocably elect, at initial recognition, to present subsequent changes in the investment's fair value in other comprehensive income. For such investments measured at fair value through other comprehensive income, gains and losses are never reclassified to profit or loss, and no impairment is recognized in profit or loss. Dividends earned from such investments are recognized in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment. This election is made on an investment-by-investment basis.

Impairment of financial assets

Since January 1, 2018, upon the initial adoption of IFRS 9, the Company prospectively estimates the expected credit losses associated with the financial assets accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Company measures loss allowances at an amount equal to the lifetime expected credit loss ("ECL") as allowed by IFRS 9 under the simplified method. The Company recognizes in earnings (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal thereof) that is required to adjust the loss allowance at the reporting date to the required amount.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial liabilities

The Company classifies its financial liabilities in the following categories: as fair value or amortized cost.

Financial liabilities at fair value

Financial liabilities at fair value are initially recognized at fair value and are re-measured at each reporting date with any changes therein recognized in net earnings (loss) unless hedge accounting is used in which case the changes are recognized in other comprehensive income.

Financial liabilities at amortized cost

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method. The Company currently classifies its accounts payable and other payables and long-term debt as liabilities measured at amortized cost.

(ii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and,
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

(c) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand and cash balances with banks and similar institutions.

(d) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The asset's recoverable amount is the higher of an asset's or cash- generating unit's ("CGU") fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model will be used.

(e) Foreign currency translation

The functional currency of Maple Leaf is the Canadian Dollar ("CAD") while the functional currency of Golden State and SSGW are the United States Dollar ("USD"). The presentation currency of the Company is CAD.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Foreign currency transactions are translated into CAD at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized in the consolidated statement of loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into CAD at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into CAD using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

(iii) Property, plant and equipment

Property, plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis based on nature and useful lives of the assets. The significant classes of plant and equipment and their estimated useful lives are as follows:

Furniture, equipment and software	5 years
Computer equipment	3 years
Greenhouse	10 years
Land improvement	10 years

Subsequent costs that meet the asset recognition criteria are capitalized, while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period.

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress is transferred to other respective asset classes and depreciated when completed and available for use. Land is not depreciated.

All assets' residual values, useful lives, and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(iv) Leases

The Company classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. It classifies all other leases as operating leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Other borrowing costs are expensed in the period they are incurred.

(vi) Provisions

Provisions are recognized in accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

(vii) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and share purchase warrants on a residual value basis where the fair value of the common shares is the market value on the date of issuance of the shares and the balance, if any, is allocated to the attached warrants.

(viii) Share-based payments

The Company grants share options to acquire common shares of the Company to Directors, Officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model. Volatility is calculated based on the Company's historical stock price.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related fair value in share-based payments reserve is transferred to share capital.

(ix) Taxes

Income tax expense, consisting of current and deferred tax expense, is recognized in the consolidated statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in loss in the period that substantive enactment occurs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(xi) Loss per share

Basic loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of shares outstanding for the relevant period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

(xii) Accounting standards adopted in the year

IFRS 9 Financial Instruments

The Company adopted IFRS 9 with a date of initial application of January 1, 2018. IFRS 9 was issued by the IASB on July 24, 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.

Financial assets and liabilities		IAS 39	IFRS 9	Effect on Financial Statements
Cash	Loans and receivable		Amortized cost	-
Trade and other receivables	Loans and receivable		Amortized cost	-
Prepays and deposits	Loans and receivable		Amortized cost	-
Trade payables and other liabilities	Other financial liabilities		Amortized cost	-
Long-term debt	Other financial liabilities		Amortized cost	-

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 on a modified retrospective basis effective January 1, 2018. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 sets out a five-step model for revenue recognition. The core principal is that revenue should be recognized to depict the transfer of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services. The Company principally generates revenue from greenhouse leasing and consulting services. The revenue is recognized upon completion of the services based on terms of the contract and collection is reasonably assured in accordance with specified contract terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiii) Accounting standards adopted in the year (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Company has reviewed its sources of revenue and major contracts with customers using the guidance found in IFRS 15 and determined that there are no material changes to the timing and measurements of the Company's revenue, as compared to the provisions of the previous standards.

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

The Company enters into contracts with customers that have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about the remaining performance obligations that have original expected durations of one year or less, or for performance where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer on the Company's performance to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification in writing. Contract modifications are generally accounted for as part of the existing contract prospectively over the remaining term of the contract.

The Company adopted IFRS 15 with a date of initial application of January 1, 2018. IFRS 15 was issued by the IASB in May 2014 and will replace IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Companies can elect to use either a full or modified retrospective approach when adopting this standard. The adoption of this standard did not have any impact on the Company's financial statements.

(xiv) Accounting Standards issued but not yet effective

The accounting standards and interpretations that are issued but not yet effective listed below are those that the Company reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued by the IASB in January 2016 and will replace IAS 17 *Leases* and related interpretations. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company has \$694,893 in leases and is still in the process of determining the effect on our consolidated financial statements as a result of adopting this standard.

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5. DEPOSITS

Company	December 31, 2017	Additions	Impairment	Used	Foreign Exchange	December 31, 2018
BioNeva ⁽ⁱ⁾	\$ 68,270	\$ 613,830	\$ (682,100)	\$ -	\$ -	-
Deposit 1 ⁽ⁱⁱⁱ⁾	1,102,500	-	-	-	-	1,102,500
Deposit 2 ⁽ⁱⁱⁱ⁾	330,634	-	-	(330,634)	-	-
Deposit 3 ^(iv)	81,542	416,391	(497,933)	-	-	-
Foreign exchange	(5,545)	-	-	-	5,545	-
Total	\$ 1,577,401	\$ 1,030,221	(1,180,033)	(330,634)	\$ 5,545	1,102,500

Company	December 31, 2016	Additions	Impairment	Used	Foreign Exchange	December 31, 2017
BioNeva	\$ 68,270	\$ -	\$ -	\$ -	\$ -	68,270
Deposit 1	-	1,102,500	-	-	-	1,102,500
Deposit 2	-	330,634	-	-	-	330,634
Deposit 3	-	753,000	-	(671,458)	-	81,542
Foreign exchange	-	-	-	-	(5,545)	(5,545)
Total	\$ 68,270	\$ 2,186,134	-	(671,458)	\$ (5,545)	1,577,401

The Company has reclassified the deposits to long term due to the nature of the deposits and that it is not more likely than not that these items will be realized within a year.

- (i) In November 2016, the Company entered into a letter of intent ("LOI") with BioNeva Innovations of Henderson LLC ("BioNeva") to purchase 100% of its Nevada Medical Marijuana Registration Certificate C115 ("Permit 115"), for \$500,000 USD cash. Upon execution of the LOI, a deposit of \$68,270 (\$50,000 USD) was paid to BioNeva. The remaining \$450,000 USD was payable to BioNeva when the "Transfer of Application" process to Maple Leaf was completed by the State of Nevada. On September 15, 2018, the LOI was updated to allow for the acquisition of all outstanding equity shares of BioNeva on the same terms, instead of just acquiring Permit 115. On January 23, 2018, the Company completed the purchase of all of the ownership interests in BioNeva and all of the ownership interest in the Nevada Medical Marijuana Registration Certificate C115 for \$613,830 (\$450,000 USD). In accordance with the terms of the transaction, the previous holders of the ownership interest of BioNeva assigned their interest to a Director of Maple Leaf, who in turn will transfer one hundred percent of the ownership interest and related licenses to SSGW in accordance with the terms of a Confession of Judgment upon direction of the Company. The license cannot be transferred until the Nevada facility is operational, therefore, the purchase price is included in deposits.

On December 31, 2018, Permit 115 expired as the cultivation facility had not been completed. The Company appealed this decision but in March 2019 was informed that the appeal had been denied. For this reason, the deposit on BioNeva has been impaired for the full amount of \$682,100 (\$500,000 USD). The Company has additional options to appeal the decision and Management is reviewing the situation.

- (ii) On May 24, 2017, the Company announced it engaged an independent contractor as the procurement, engineering, and construction manager for its cannabis cultivation facilities at Telkwa, British Columbia (the "BC Facility") and Henderson, Nevada. In June of 2017, Maple Leaf provided a deposit of \$1,102,500 for this work so that it could contract with construction partners and move the projects forward. In January of 2018, a dispute arose between the contractor and Maple Leaf which is currently in litigation. Management feels that the deposit amounts are collectible and therefore no allowance has been provided against this balance.

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5. DEPOSITS (continued)

- (iii) Deposits of \$330,634 have been paid to order products for the BC Facility which were used in 2018.
- (iv) On August 17, 2017, the Company entered into an agreement with an engineering firm to construct its cannabis cultivation facility in Henderson, Nevada. Maple Leaf provided deposits of \$900,000 USD, of which \$535,000 USD had been recorded as development of the project and \$365,000 USD was recorded as a deposit. On June 20, 2018, the Company terminated the contract with the engineering firm. After review by the new architect and project manager it was determined that work claimed by the previous engineering firm could not be utilized, therefore, the assets under construction incurred of \$535,000 USD (see note 7) and deposit of \$497,933 (\$365,000 USD) have been impaired to \$nil. The Company has engaged counsel who has recommended arbitration with the engineering firm as per the terms of the contract. Management believes they had just cause to terminate the contract and will use all due diligence to recover the funds distributed.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

		Furniture, equipment and software	Assets under construction	Greenhouse and land improvement	Land on finance lease	Land	Total
Cost							
As at December 31, 2016	\$	33,590	\$ -	\$ 149,778	\$ -	\$ 161,124	\$ 344,492
Additions		4,945	951,790	-	874,726	1,100,913	2,932,374
Disposals		(4,185)	-	-	-	-	(4,185)
Foreign translation impact		(660)	-	(9,838)	-	(10,586)	(21,084)
As at December 31, 2017	\$	33,690	\$ 951,790	\$ 139,940	\$ 874,726	\$ 1,251,451	\$ 3,251,597
Additions		48,360	8,931,019	-	69,768	-	9,049,147
Impairment		-	(955,668)	-	-	-	(955,668)
Foreign translation impact		1,032	58,689	12,237	-	109,433	181,391
As at December 31, 2018	\$	83,082	\$ 8,985,830	\$ 152,177	\$ 944,494	\$ 1,360,884	\$ 11,526,467

		Furniture, equipment and software	Assets under construction	Greenhouse and land improvement	Land on finance lease	Land	Total
Accumulated depreciation							
As at December 31, 2016	\$	23,176	\$ -	\$ 3,745	\$ -	\$ -	\$ 26,921
Depreciation and amortization		7,092	-	14,309	-	-	21,401
Disposal		(4,185)	-	-	-	-	(4,185)
Foreign translation impact		(100)	-	(561)	-	-	(661)
As at December 31, 2017	\$	25,983	\$ -	\$ 17,493	\$ -	\$ -	\$ 43,476
Depreciation and amortization		5,992	-	14,450	-	-	20,442
Foreign translation impact		481	-	2,297	-	-	2,778
As at December 31, 2018	\$	32,456	\$ -	\$ 34,240	\$ -	\$ -	\$ 66,696

		Furniture, equipment and software	Assets under construction	Greenhouse and land improvement	Land on finance lease	Land	Total
Net book value							
As at December 31, 2017	\$	7,707	\$ 951,790	\$ 122,447	\$ 874,726	\$ 1,251,451	\$ 3,208,121
As at December 31, 2018	\$	50,626	\$ 8,985,830	\$ 117,937	\$ 944,494	\$ 1,360,884	\$ 11,459,771

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

On June 20, 2018, the Company terminated the contract with the engineering firm hired to construct the cannabis cultivation facility in Henderson, Nevada. After review by the new architect and project manager it was determined that work completed by the previous engineering firm could not be utilized, therefore, the assets under construction incurred of \$729,847 (\$535,000 USD) have been impaired. Subsequent to year end, the Company learned that an appeal to extend the deadline to complete the Henderson facility had been denied (see Note 5), therefore an additional \$225,821 (\$165,534 USD) allocated to project development costs was also impaired.

7. NOTES PAYABLE

A summary of the notes payable is as follows:

	Golden State Green World note payable	SSGW note payable	Maple Leaf Green World note payable	Total notes payable
Balance, December 31, 2016	140,984	-	-	140,984
Interest incurred	10,101	-	-	10,101
Interest paid	(10,101)	-	-	(10,101)
Foreign exchange effect	(9,261)	-	-	(9,261)
Balance, December 31, 2017	\$ 131,723	\$ -	\$ -	131,723
Add note payable	-	847,210	30,000	877,210
Less financing costs	-	(61,604)	-	(61,604)
Interest incurred	8,163	-	1,055	9,218
Interest paid	(8,163)	-	(1,055)	(9,218)
Foreign exchange effect	11,518	-	-	11,518
Total	143,241	785,606	30,000	958,847
Current portion	-	(785,606)	(30,000)	(815,606)
Balance, December 31, 2018	\$ 143,241	\$ -	\$ -	143,241

In 2015, the Company's wholly-owned subsidiary, Golden State, entered into an agreement to purchase approximately 20 acres of land in southern California for an aggregate purchase price of US\$120,000. The Company paid US\$15,000 in cash and issued a promissory note in the amount of US\$105,000 secured by a Deed of Trust to arm's length third parties. The note bears interest at the rate of 6% per annum and matures on March 1, 2020. As at December 31, 2018, the carrying value of the note payable is \$143,241 (US\$105,000) (2017 - \$131,723 (US\$105,000)), and interest of \$8,163 (US\$6,300) (2017 - \$10,101 (US\$7,875)) on the note payable had been paid.

On December 17, 2018, the Company's wholly owned subsidiary, SSGW, signed a secured Promissory Note in the amount of \$847,210 (\$621,031 USD) before financing costs, with a Utah limited liability company. The note bears interest at 12% per annum and matures on December 17, 2019. The note is secured by a Deed of Trust on the Company's Nevada property. As at December 31, 2018, the carrying value of the note payable is \$847,210 (US\$621,031) (2017 - \$Nil), and interest of \$Nil (2017 - \$Nil) on the note payable had been paid.

On September 17, 2018, the Company issued a promissory note in the amount of \$30,000 to an arm's length individual. The note bears interest at the rate of 12% per annum and matures on December 31, 2018. As at December 31, 2018, the carrying value of the note payable is \$30,000 (December 31, 2017 - \$Nil), and interest of \$1,055 (2017 - \$Nil) on the note payable had been paid.

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8. OBLIGATIONS UNDER FINANCE LEASES

The corporation has the following commitments relating to its obligations under finance leases:

	December 31, 2018	December 31, 2017
Current	\$ 142,806	\$ 123,252
Non-current	552,087	699,868
Present value	\$ 694,893	\$ 823,120

Interest expense on finance leases for the year ended December 31, 2018 was \$120,991 (2017 - \$31,920).

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

	Number of common shares	Amount
Balance, December 31, 2016	121,447,261	11,135,578
Shares issued upon warrant exercised	12,410,000	1,197,300
Share issuance costs	-	(239,984)
Private placement	13,216,070	7,268,839
Balance, December 31, 2017	147,073,331	\$ 19,361,733
Shares issued upon option exercised	1,100,000	263,251
Shares issued upon warrant exercised	6,021,272	1,285,581
Shares issued	5,023,699	2,557,337
Share issuance costs	-	(249,771)
Balance, December 31, 2018	159,218,302	\$ 23,218,131

(b) Private placements

On May 4, 2017, the Company announced it closed a private placement and raised gross proceeds of \$7,268,839 by issuance of 13,216,070 units ("Units") at a price of \$0.55 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.85 per share until May 4, 2019. Share issuance costs were \$239,984 including a finder's fee of 194,904 paid to an arms-length third party.

On October 30, 2018, the Company closed the private placement approved on June 12, 2018. The Company received subscriptions in three separate tranches and raised gross proceeds of \$3,014,219 by issuance of 5,023,699 units ("Units") at a price of \$0.60 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.90 per share for two years. A total of \$456,882 (2017 - \$Nil) was recorded to warrant reserve.

Share issuance costs were \$249,771, including finder's fees of \$176,050, were recorded in connection with this private placement.

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9. SHARE CAPITAL (continued)

(c) Stock options

In October 2017, the Company granted a total of 500,000 options to a company owned by a related party of the Company as part of the land lease at Telkwa at an exercise price of \$0.55 per share. The options vest in twelve months from the grant date and the expiry date of the options granted is September 5, 2019. Share based compensation of \$69,768 (2017 - \$23,526) was added to Land under Finance Lease.

In February 2018, the Company granted 7,200,000 options to employees, directors and consultants at \$0.60. In April 2018, the Company granted 600,000 options to an employee and a director at \$0.70. A total of \$6,768,883 (2017 - \$85,324) share-based compensation expenses have been recorded in the consolidated statement of comprehensive loss.

There were 1,100,000 options exercised during the year (2017 – \$Nil) for gross proceeds of \$124,000, \$139,251 was transferred from contributed surplus to share capital on exercise of these options.

The following is a summary of option transactions:

	Number of options	Weighted average exercise price per option
Balance, December 31, 2016	6,920,000	0.13
Options granted	500,000	0.55
Balance, December 31, 2017	\$ 7,420,000	\$ 0.16
Options granted	7,800,000	0.61
Options cancelled	(2,000,000)	0.44
Options exercised	(1,100,000)	0.11
Balance, December 31, 2018	\$ 12,120,000	\$ 0.41

As of December 31, 2018, the following stock options were outstanding:

Expiry date	Weighted average Exercise price	Number of options outstanding	Number of options exercisable	Weighted average years of expiry
April 23, 2023	\$ 0.70	600,000	600,000	4.31
January 31, 2023	\$ 0.60	4,750,000	4,550,000	4.09
January 31, 2021	\$ 0.60	1,450,000	1,050,000	2.09
April 10, 2021	\$ 0.10	4,700,000	4,700,000	2.28
September 27, 2021	\$ 0.24	100,000	100,000	2.74
November 6, 2019	\$ 0.80	20,000	20,000	0.85
September 5, 2019	\$ 0.55	500,000	500,000	0.68
	\$ 0.41	12,120,000	11,520,000	3.00

The fair value of stock options granted during the year ended December 31 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2018	December 31, 2017
Weighted average risk-free interest rate	1.88 – 2.01%	0.87%
Weighted average expected life of options (years)	3.0 – 4.0	1.93
Weighted average volatility	141 – 149%	87.0%
Dividend	-	-
Estimated forfeiture rate	-	-
Weighted average share price at the date of estimate	\$ 0.74 – 1.09	\$ 0.45

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9. SHARE CAPITAL (continued)

(d) Warrants

The following is a summary of warrant transactions:

Number of warrants outstanding as at January 1, 2018	Issued	Exercised	Expired	Number of warrants outstanding as at December 31, 2018	Exercise price per warrant	Expiry date
1,150,000	-	(1,150,000)	-	-	\$ 0.100	April 8, 2018
4,450,000	-	(4,450,000)	-	-	\$ 0.150	May 24, 2018
13,216,070	-	(421,272)	-	12,794,798	\$ 0.850	May 4, 2020
-	400,000 ⁽ⁱ⁾	-	-	400,000	\$ 0.600	June 15, 2020
-	4,093,699 ⁽ⁱⁱ⁾	-	-	4,093,699	\$ 0.900	June 15, 2020
-	797,000 ⁽ⁱⁱⁱ⁾	-	-	797,000	\$ 0.900	August 13, 2020
-	133,000 ⁽ⁱⁱⁱ⁾	-	-	133,000	\$ 0.900	October 29, 2020
18,816,070	5,423,699	(6,021,272)	-	18,218,497		

Number of warrants outstanding as at January 1, 2017	Issued	Exercised	Expired	Number of warrants outstanding as at December 31, 2017	Exercise price per warrant	Expiry date
360,000	-	(360,000)	-	-	\$ 0.100	February 24, 2017
1,150,000	-	-	-	1,150,000	\$ 0.100	April 8, 2018
1,900,000	-	(1,900,000)	-	-	\$ 0.075	April 9, 2017
9,300,000	-	-	-	-	\$	November 16, 2017
-	-	(9,300,000)	-	-	0.075	2017
5,300,000	-	(850,000)	-	4,450,000	\$ 0.150	May 24, 2018
-	13,216,070	-	-	13,216,070	\$ 0.850	May 4, 2020
18,010,000	13,216,070	(12,410,000)	-	18,816,070		

During the year, a total of 6,021,272 warrants were exercised for gross proceeds of \$1,140,581 (2017 – 12,410,000 warrants, \$1,003,500). \$145,000 (2017 - \$193,800) was transferred from warrant reserve to share capital on exercise of these warrants.

- (i) On May 30, 2018, the Company entered into an agreement with Emerging Equities Inc. (“EEI”) whereby EEI was engaged as strategic financial advisor and facilitator for the Company (the “Agreement”). Pursuant to the Agreement, EEI will evaluate various funding alternatives for the Company including potential private placements and debt funding by candidates introduced by EEI to the Company. The Agreement supersedes and replaces the letter agreement the Company entered into with EEI dated May 1, 2018 and announced by the Company on May 3, 2018 in conjunction with a proposed brokered private placement financing with EEI as lead agent. In consideration of EEI providing strategic financial advisor and facilitator services to the Company, the Company issued to EEI 400,000 common share purchase warrants on September 15, 2018, each warrant entitling EEI to acquire one common share of the Company at an exercise price of \$0.60 with a maturity date of September 15, 2020. The warrants are subject to a four-month hold. A total of \$164,951 (2017 - \$Nil) share-based compensation expenses was recorded to warrant reserve.

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9. SHARE CAPITAL (continued)

(ii) On June 1, 2018, the Company announced a non-brokered private placement (the "Offering"), which was approved by the Aequis NEO Exchange on June 12, 2018. Each Unit is comprised of one common share in the capital of the Company (each, a "Common Share") and one Common Share purchase warrant (each, a "Warrant"). Each whole Warrant entitles the holder to acquire one Common Share at an exercise price of \$0.90. The securities are subject to a four-month hold. The Company received subscriptions in three separate tranches:

- a. The first tranche closed June 15, 2018. A total of 4,093,699 units were issued, the warrants have a maturity date of June 15, 2020;
- b. The second tranche closed August 13, 2018. A total of 797,000 units were issued, the warrants have a maturity date of August 13, 2020; and,
- c. The third and final tranche closed October 29, 2018. A total of 133,000 units were issued, the warrants have an expiry date of October 29, 2020.

A total of \$456,882 (2017 - \$Nil) was recorded to warrant reserve.

The Black Scholes valuation method was used to fair value the warrants issued with the following parameters:

	December 31, 2018	December 31, 2017
Weighted average risk-free interest rate	2.06%	NA
Weighted average expected life of options (years)	2.00	NA
Weighted average volatility	115%	NA
Dividend	-	NA
Estimated forfeiture rate	-	NA
Weighted average share price at the date of estimate	\$ 0.44	NA

10. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the fair value of consideration paid.

The Company has identified its directors and executive staff as key management personnel. Compensation to key management, including fees paid to companies controlled by directors and executive staff for their services provided, is as follows:

	December 31, 2018	December 31, 2017
Management remuneration	\$ 120,000	\$ 120,000
Consulting fee	60,000	60,000
Land lease	240,000	60,000
Stock based compensation	3,987,386	23,526
Total	\$ 4,407,386	\$ 263,526

As at December 31, 2018, an amount of \$694,893 (December 31, 2017 - \$823,120) for a finance lease for land in Telkwa, BC is due to an entity, partially owned by a Director of the Company. The lease is for a term of 5 years at \$20,000 per month. The Company has the option to purchase the land after October 2018 for a minimum of \$500,000.

Amounts are non-interest bearing and are due on demand. The Company did not pay any long-term or termination benefits to its key management.

11. CAPITAL MANAGEMENT

The Company's objectives of capital management are to provide returns for shareholders and to comply with externally imposed capital requirements, if any, to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis and continue to develop and expand its projects. As at December 31, 2018 and 2017, the Company has no externally imposed capital requirements.

The capital of the Company consists of notes payable and the items included in equity. The Board of Directors does not establish a quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. There have been no changes in the way the Company manages its capital during the year ended December 31, 2018.

12. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The Company manages its exposure to key financial risk in accordance with the Company's financial risk management framework. The objective of the framework is to protect the Company's future financial security. The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are liquidity risk, credit risk and market risk, which comprise foreign exchange rate risk, interest rate risk and other price risk. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Currently, the Company does not apply any form of hedge accounting.

(a) Carrying value

Carrying value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect estimates. Management assessed that the fair values of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and interest payable approximate their carrying amounts largely due to the short-term maturities of these instruments, and the fair value of the notes payable approximates its carrying value, as the interest rate is a market rate for similar instrument offered to the Company.

The following table provides the quantitative disclosures of fair value measurement hierarchy of the Company's financial assets and liabilities.

	December 31, 2018			December 31, 2017		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value						
Cash	\$ 574,242	\$ -	\$ -	\$ 3,411,778	\$ -	\$ -
Other receivables	141,646	-	-	133,776	-	-
Notes payable	-	958,847	-	-	131,723	-

There was no transfer between fair value levels during the years ended December 31, 2018 and 2017.

12. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily associated to other receivables and cash and cash equivalents. The carrying value of the financial assets represents the maximum credit exposure. The Company undertakes credit evaluations on counterparties as necessary and has monitoring processes intended to mitigate credit risks. Trade receivables at December 31, 2018 contains an employee receivable which is short-term in nature and is secured by the individual's bonus and salary.

(c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at December 31, 2018, the Company has negative working capital of \$4,672,048 (2017 – positive \$4,813,400).

Based on the contractual obligations of the Company as at December 31, 2018, cash outflows of those obligations are estimated and summarized as follows:

		2019	2020	2021 and beyond	Total
Accounts payable and accrued liabilities	\$	4,452,200	\$ -	\$ -	\$ 4,452,200
Notes payable		815,606	143,241	-	958,847
Operating lease obligations		72,914	82,376	185,938	341,228
Finance land lease obligations		240,000	240,000	457,757	937,757
	\$	5,580,720	\$ 465,617	\$ 643,695	\$ 6,690,032

(d) Market risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As the notes payable bear fixed coupon rates of 6 - 12% per annum, the Company does not have interest rate risk at year-end.

12. FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS (continued)

(d) Market risk (continued)

(ii) Currency risk

The Company is exposed foreign currency risk when the Company undertakes transactions and holds assets or liabilities denominated in foreign currencies other than its functional currency.

The Company currently does not manage currency risk through hedging or other currency management tools. As at December 31, 2018, the Company's exposure to currency risk is summarized as follows:

Expressed in Canadian dollar equivalents	December 31, 2018	December 31, 2017
Financial assets denominated in US dollars		
Cash	\$ 381,492	\$ 839,915
	\$ 381,492	\$ 839,915
Financial liabilities denominated in US dollars		
Accounts payable	\$ 439,939	\$ -
Notes payable	928,847	131,723
	\$ 1,368,786	\$ 131,723

As at December 31, 2018, with other variables unchanged, a 10% change in the USD against the CAD would have increased (decreased) comprehensive loss by \$98,729 (2017 – \$70,819).

(iii) Other price risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to other price risk.

(e) Legal claim contingency

The Company is subject to a variety of claims and suits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, and cash flows. These matters are subject to inherent uncertainties and management's view of these matters may change in the future.

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13. SEGMENT INFORMATION

Operating segments are components of the Company where separate financial information is available that is evaluated and determined regularly by management. As at December 31, 2018, the Company has one reportable segment, being eco-agriculture and two geographical segments, being Canada and United States. Segment information is summarized as follows:

	December 31, 2018			December 31, 2017		
	Canada	USA	Consolidated	Canada	USA	Consolidated
Current assets	\$ 595,984	\$ 149,432	\$ 745,416	\$ 4,994,376	\$ 155,699	\$ 5,150,074
Other long-term assets	1,118,161	-	1,118,161	26,771	-	26,771
Property, plant and equipment	9,974,041	1,485,730	11,459,771	1,156,808	2,051,313	3,208,121
Total assets	\$ 11,688,186	\$ 1,635,162	\$ 13,323,348	\$ 6,177,955	\$ 2,207,011	\$ 8,384,966
Current liabilities	\$ 4,631,858	\$ 785,606	\$ 5,417,464	\$ 213,422	\$ -	\$ 213,422
Long term liabilities	552,087	143,241	695,328	-	131,723	131,723
Total liabilities	\$ 5,183,945	\$ 928,847	\$ 6,112,792	\$ 213,422	\$ 131,723	\$ 345,145

	December 31, 2018			December 31, 2017		
	Canada	USA	Consolidated	Canada	USA	Consolidated
Revenue	\$ -	\$ -	\$ -	\$ -	\$ 211,645	\$ 211,645
Operating expenses	8,523,465	505,159	9,028,624	1,471,457	546,025	2,017,482
Net loss	\$ (8,523,465)	\$ (505,159)	\$ (9,028,624)	\$ (1,471,457)	\$ (334,380)	\$ (1,805,837)

14. TAXES

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision is provided as follows:

	December 31, 2018	December 31, 2017
Loss for the year	\$ (11,281,911)	\$ (1,805,838)
Canadian statutory tax rate	27%	27%
Income tax benefit computed at statutory rates	(3,046,116)	(487,576)
Items non-deductible for income tax purposes	963,905	28,459
Differences on foreign tax rates	142,606	35,205
Share issue costs	(86,295)	(64,931)
Unused tax losses and tax offsets not recognized in tax asset	2,025,900	488,843
Income tax benefit	\$ -	\$ -

The Company's statutory rate includes a combined Canadian federal corporate tax rate of 15% and the applicable provincial corporate tax rate of 12%. The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets.

Deferred tax asset (liability) is comprised of the following:

	December 31, 2018	December 31, 2017
Intercompany loan in USD	\$ (36,329)	\$ -
Land	(255,013)	(236,176)
Non-capital loss carry forwards	291,342	236,176
Net deferred tax asset	\$ -	\$ -

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14. TAXES (continued)

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate taxable income to be able to recognize deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2018	December 31, 2017
Non-capital losses	\$ 19,590,819	\$ 12,267,468
Share issue costs	446,372	254,673
Tax value over book value of property, plant and equipment	1,652,906	-
Unrecognized deductible temporary differences	\$ 21,690,097	\$ 12,522,141

The Company's unrecognized unused non-capital losses have the following expiry dates:

	US	Canada	Total
2025	-	2,492,000	2,492,000
2026	-	343,000	343,000
2027	-	174,000	174,000
2028	-	1,346,000	1,346,000
2029	-	780,000	780,000
2030	-	-	-
2031	-	470,000	470,000
2032	-	1,679,000	1,679,000
2033	-	1,692,000	1,692,000
2034	-	358,000	358,000
2035	78,000	422,000	500,000
2036	98,000	527,000	625,000
2037	437,000	1,236,000	1,673,000
2038	1,599,000	5,669,000	7,268,000
	\$ 2,212,000	\$ 17,188,000	\$ 19,400,000

15. COMMITMENTS AND CONTINGENCIES

On December 11, 2017, the Company entered an office lease until December 31, 2022. The basic annual rent is as follows:

2019	\$72,914
2020	\$82,376
2021	\$89,438
2022	\$96,500

During the year ended December 31, 2018, the Company recorded rent expenses of \$106,269 (2017 - \$67,289).

16. SUBSEQUENT EVENTS

On January 11, 2019, the Company announced that it has exercised the option to acquire the approximately 37 acres of leased land containing its cannabis cultivation facility in Telkwa, British Columbia from Woodmere Nursery Ltd. for a fixed price of \$500,000 (the "Property"). The Company has also retained a consultant to apply to B.C. Agricultural Land Commission for the subdivision of the original parcel of land owned by Woodmere Nursery Ltd. Upon completion of the subdivision process, the Property will be transferred to the name of the Company. As of the date of this report, the subdivision of the land has not been completed.