

MAPLE LEAF GREEN WORLD INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Unaudited

For the three and six months ended June 30, 2019 and 2018
(Expressed in Canadian dollars, unless otherwise stated)

**Notice to Reader of the Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2019 and 2018**

The unaudited condensed consolidated interim financial statements of Maple Leaf Green World Inc. (the “Company”) for the three and six months ended June 30, 2019 and 2018 (“Financial Statements”) have been prepared by management and have not been reviewed by the Company’s independent auditor. The Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2018 which are available on the SEDAR website at www.sedar.com.

MAPLE LEAF GREEN WORLD INC.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
[Expressed in Canadian dollars except share data] - Unaudited

		<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	Notes	2019	2018	2019	2018
Operating expenses					
Share-based compensation	9	-	702,546	-	6,532,493
Personnel costs		71,327	76,831	153,805	131,769
Professional fees		4,512	61,231	31,075	135,873
Consulting fees		71,963	154,347	197,495	228,611
Office		190,964	38,998	244,670	105,114
Advertising and promotion		18,879	93,299	27,781	128,927
Rent		37,058	25,012	46,660	42,429
Repairs and maintenance		1,339	1,070	1,639	3,698
Regulatory and transfer agent		13,530	6,434	27,011	62,189
Travel		2,475	10,587	8,444	20,079
Research and development		-	7,642	517	11,511
Foreign exchange expense		(4,091)	8,454	3,764	3,263
Bad debt		451	-	451	-
Gain on recovery of bad debt		-	(10,397)	-	(24,309)
Depreciation and amortization	5 & 6	(5,601)	5,048	17,795	9,564
		402,806	1,181,102	761,107	7,391,211
Loss before other items		(402,806)	(1,842,628)	(761,107)	(7,391,211)
Interest income		-	30	-	392
Finance expense	7 & 8	(41,992)	(31,809)	(86,605)	(64,668)
Net finance expense		(41,992)	(31,779)	(86,605)	(64,276)
Other items					
Other income		-	-	-	2,670
Loss on disposal of assets	6	-	-	(3,503)	-
Gain on settlement of accounts payable	8	60,000	-	60,000	-
Loss for the period		\$ (384,798)	\$ (1,244,660)	\$ (791,215)	\$ (7,452,817)
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation adjustment, net of tax of \$nil		(7,641)	56,984	(3,192)	140,359
Total comprehensive loss		\$ (392,439)	\$ (1,187,676)	\$ (794,407)	\$ (7,312,458)
Loss per share attributable to the equity holders of the Company					
Loss per share - basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.05)
Weighted average number of shares outstanding - basic and diluted		159,722,757	152,534,220	159,218,302	150,761,281

MAPLE LEAF GREEN WORLD INC.
Condensed Consolidated Interim Statements of Financial Position
[Expressed in Canadian dollars]

	Notes	June 30, 2019	December 31, 2018
ASSETS		Unaudited	Audited
Current assets			
Cash and cash equivalents		\$ 16,920	\$ 574,242
Other receivables		39,177	141,646
Asset held for sale	6	1,148,477	-
Prepays		10,680	29,528
		1,215,254	745,416
Deposits	4	1,102,500	1,102,500
Long term prepaids		15,659	15,659
Right-of-use assets	5	57,160	-
Property, plant and equipment	6	10,726,546	11,459,771
Total assets		\$ 13,117,119	\$ 13,323,346
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 4,799,540	\$ 4,452,200
Current portion of right-of-use liability	5	6,910	-
Current portion of finance leases	8	143,596	142,806
Current portion of notes payable	7	967,204	815,606
Other payables		20,976	6,852
		5,938,226	5,417,464
Right-of-use liability	5	55,897	-
Finance Leases	8	453,349	552,087
Notes Payable	7	-	143,241
Total liabilities		6,447,472	6,112,792
Equity			
Share capital	9	23,481,286	23,218,131
Other reserves	9	12,663,042	12,672,697
Accumulated other comprehensive income		214,724	217,916
Deficit		(29,689,405)	(28,898,190)
		6,669,647	7,210,554
Total liabilities and equity		\$ 13,117,119	\$ 13,323,346

Going Concern Note 2

APPROVED ON BEHALF OF THE BOARD

(signed) Raymond Lai
Director

(signed) Terence Lam
Director

MAPLE LEAF GREEN WORLD INC.
Condensed Consolidated Interim Statements of Changes in Equity (Deficit)
[Expressed in Canadian dollars] - Unaudited

	Note	Share capital		Other Reserves					Total equity
		Number of common shares	Amounts	Share-based payments reserve	Warrant reserve	Total - other reserves	Accumulated other comprehensive income	Deficit	
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
Other comprehensive income		-	9,655	(9,655)	-	(9,655)	(3,192)	-	(3,192)
Loss for the period		-	-	-	-	-	-	(791,215)	(791,215)
Shares issued to settle accounts payable	9	387,096	60,000	-	-	-	-	-	60,000
Shares issued upon option exercised	9	100,000	10,000	-	-	-	-	-	10,000
Shares issuance expense	9	-	(5,000)	-	-	-	-	-	(5,000)
Private placement	9	1,450,000	188,500	-	-	-	-	-	188,500
At June 30, 2019		161,155,398	\$ 23,481,286	\$ 12,041,209	\$ 621,833	\$ 12,663,042	\$ 214,724	\$ (29,689,405)	\$ 6,669,647

	Note	Share capital		Other Reserves					Total equity
		Number of common shares	Amounts	Share-based payments 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)	(17,616,278)	7,216,702
Other comprehensive income		-	-	-	-	-	140,359	-	140,359
Loss for the period		-	-	-	-	-	-	(7,452,817)	(7,452,817)
Options granted	9	-	-	6,367,542	-	6,367,542	-	-	6,367,542
Options granted for land lease	9	-	-	46,512	-	46,512	-	-	46,512
Shares issued upon option exercised	9	800,000	203,953	(109,953)	-	(109,953)	-	-	94,000
Shares issued upon warrant exercised	9	6,021,272	1,285,581	-	(145,000)	(145,000)	-	-	1,140,581
Shares issuance expense	9	-	(209,048)	-	-	-	-	-	(209,048)
Private placement	9	4,093,699	2,456,219	-	-	-	-	-	2,456,219
At June 30, 2018		157,988,302	\$ 23,098,439	\$ 11,655,565	\$ 164,951	\$ 11,820,516	\$ 115,142	\$ (25,069,095)	\$ 9,965,002

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

MAPLE LEAF GREEN WORLD INC.
Condensed Consolidated Interim Statements of Cash Flows
[Expressed in Canadian dollars] - Unaudited

		Three months ended June 30,		Six months ended June 30,	
	Notes	2019	2018	2019	2018
OPERATING ACTIVITIES					
Loss for the period		\$ (384,798)	\$ (1,212,881)	\$ (791,215)	\$ (7,452,817)
Items not affecting cash:					
Depreciation and amortization	5 & 6	5,244	5,048	10,461	9,564
Gain on settlement of accounts payable	8	60,000	-	60,000	-
Disposal of assets		-	-	3,503	-
Accrued interest on notes payable	7	77,594	-	77,594	-
Share based compensation	9	-	702,546	-	6,532,493
Cash flows used in operations before non-cash working capital		(241,960)	(505,287)	(639,657)	(910,760)
Changes in non-cash working capital					
Other receivables		19,229	(68,024)	102,469	(129,409)
Prepays		6,953	29,176	18,846	15,636
Other payables		(2,062)	-	14,124	-
Deposit on shares issueable	4	-	209,400	-	209,400
Accounts payable and accrued liabilities		186,384	887,806	287,340	1,295,694
		210,505	1,058,358	422,780	1,391,321
Cash flows from (used in) operating activities		(31,455)	553,071	(216,876)	480,561
INVESTING ACTIVITY					
Change in right-of-use asset	5	2,496	-	5,647	-
Payment on finance land lease	8	-	(30,226)	-	(59,358)
Deposits	4	-	-	-	(962,673)
Additions to property, plant and equipment	6	(413,479)	(2,230,078)	(587,382)	(4,390,610)
Cash flows used in investing activity		(410,983)	(2,260,304)	(581,735)	(5,412,641)
FINANCING ACTIVITIES					
Note payable	7	(30,000)	-	(30,000)	-
Issuance of common share units	9	188,500	2,456,219	188,500	2,456,219
Share issuance costs	9	(5,000)	(209,048)	(5,000)	(209,048)
Proceeds from option exercised	9	10,000	-	10,000	94,000
Proceeds from warrant exercised	9	-	527,002	-	1,140,581
Shares issued for payment of debt	9	60,000	-	60,000	-
Cash flows from financing activities		223,500	2,774,173	223,500	3,481,752
Foreign exchange effect on cash		126,155	(8,723)	17,789	6,469
Net decrease in cash		(218,938)	1,066,941	(557,322)	(1,443,859)
Cash, beginning of period		109,703	909,701	574,242	3,411,778
Cash, end of period		\$ 16,920	\$ 1,967,919	\$ 16,920	\$ 1,967,919

Maple Leaf Green World Inc.
Notes to the Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2019 and 2018
(expressed in Canadian dollars, unless otherwise stated) - Unaudited

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 Aequis 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 2017, 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 unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on August 13, 2019.

2. GOING CONCERN

These unaudited condensed consolidated interim 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 June 30, 2019, The Company had an accumulated deficit of \$29,689,405, a negative working capital of \$4,722,972 and incurred losses of \$791,215 for the period 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 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 unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual

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consolidated financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018. These unaudited condensed consolidated interim financial statements follow the same significant accounting policies set out in note 4 to the audited consolidated financial statements for the year ended December 31, 2018 except for the adoption of IFRS 16.

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

These unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2019 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.

(c) Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on a historical basis, except for financial instruments recorded at fair value and share-based payments. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these unaudited condensed consolidated interim 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").

(d) Changes to significant accounting policies

IFRS 16 – Leases ("IFRS 16")

Adoption

The Corporation adopted IFRS 16 effective January 1, 2019, and the standard was applied using the modified retrospective method. The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect, if any, as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Corporation's unaudited condensed consolidated interim financial statements are not restated and continues to be reported under IAS 17.

Transition

On adoption of IFRS 16, the Corporation has recognized right-of-use ("ROU") assets and a corresponding lease liability in relation to all lease arrangements, excluding commitments in relation to arrangements not containing leases (service agreements), measured at the present value of the remaining lease payments as at December 31, 2018. ROU assets and a lease liability of \$63,698 were recorded as of January 1, 2019, with no impact on the Corporation's deficit. When measuring the lease liability, the Corporation discounts lease payments using the interest rate implicit in the lease, or the Corporation's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The weighted-average incremental borrowing rate applied on adoption was 12%.

There was no impact to lessor accounting from the adoption of IFRS 16.

Significant accounting policy:

The Corporation assesses new contracts at inception to determine whether it contains a lease. This assessment involves the exercise of judgement about whether the asset is specified for the Corporation, whether the Corporation obtains substantially all the economic benefits from use of that asset, and whether the Corporation has the right to direct the use of the asset. Leases are recognized as a ROU asset with a corresponding liability at the date of which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the statement of comprehensive income over the lease term to produce a constant periodic rate of interest on the

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remaining balance of the liability for each reporting period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate. ROU assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Corporation applies a single discount rate to portfolios of leases with similar characteristics. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net income and comprehensive income that reflects the proportionate decrease in scope.

Finance expense comprises interest expense on notes payable and interest on lease liabilities.

(e) Significant accounting judgements, estimates and assumptions

Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

(f) Accounting pronouncements not yet adopted

IFRS 3 – Business Combinations (“IFRS 3”), has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020. The Corporation is currently assessing the impact of this amendment.

IAS 1 – Presentation of financial statements (“IAS 1”) and IAS 8 – Accounting policies, changes in accounting estimates and errors (“IAS 8”), have been amended to (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and iii) incorporate guidance in IAS 1 regarding immaterial information. The amendments to IAS 1 and IAS 8 are effective for the years beginning on or after January 1, 2020. The Corporation is currently assessing the impact of this amendment.

Maple Leaf Green World Inc.
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4. DEPOSITS

The Company has reclassified the following 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) 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.

5. RIGHT OF USE ASSETS

Right of use assets consist of the following:

Cost	Office
As at January 1, 2019	\$ 63,698
Accumulated Depreciation	
As at January 1, 2019	\$ -
Additions	6,538
As at June 30, 2019	\$ 6,538
Net book Value	
As at January 1, 2019	\$ 63,698
As at June 30, 2019	\$ 57,160

Maple Leaf Green World Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

Cost	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2017	\$ 33,690	\$ 951,790	\$ 139,940	\$ 874,726	\$ 1,251,451	\$ 3,251,597
Additions	48,360	8,931,020	-	69,768	-	9,049,147
Disposals	-	(955,668)	-	-	-	(955,668)
Foreign translation impact	1,032	58,689	12,237	-	109,433	181,392
As at December 31, 2018	\$ 83,082	\$ 8,985,830	\$ 152,177	\$ 944,494	\$ 1,360,884	\$ 11,526,467
Additions	-	587,382	-	-	-	587,382
Disposals and impairment	(4,134)	-	-	(97,948)	-	(102,082)
Reclass as held for sale	-	-	-	-	(1,148,477)	(1,148,477)
Foreign translation impact	(510)	-	(6,192)	-	(55,363)	(62,065)
As at June 30, 2019	\$ 78,438	\$ 9,573,212	\$ 145,985	\$ 846,546	\$ 157,044	\$ 10,801,225

Accumulated depreciation	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2017	\$ 25,983	\$ -	\$ 17,493	\$ -	\$ -	\$ 43,476
Depreciation and amortization	5,992	-	14,454	-	-	20,445
Disposal	-	-	-	-	-	-
Foreign translation impact	481	-	2,293	-	-	2,775
As at December 31, 2018	\$ 32,456	\$ -	\$ 34,240	\$ -	\$ -	\$ 66,696
Depreciation and amortization	3,024	-	7,437	-	-	10,461
Disposal	(633)	-	-	-	-	(633)
Foreign translation impact	(314)	-	(1,531)	-	-	(1,845)
As at June 30, 2019	\$ 34,533	\$ -	\$ 40,146	\$ -	\$ -	\$ 74,679

Net book value	Furniture, equipment and software	Project development costs	Greenhouse and land improvement	Land on finance lease	Land	Total
As at December 31, 2018	\$ 50,626	\$ 8,985,830	\$ 117,937	\$ 944,494	\$ 1,360,884	\$ 11,459,771
As at June 30, 2019	\$ 43,905	\$ 9,573,212	\$ 105,839	\$ 846,546	\$ 157,044	\$ 10,726,546

During the quarter the Company and the lessor agreed to reduce the lease payments for October 1, 2018 to September 30, 2019 to \$60,000 from \$240,000. The \$60,000 had already been recorded to accounts payable in 2018, therefore no allocation was made for the land lease in 2019 to date. The present value of the land under lease and the finance lease payable were decreased by \$97,948 to reflect the new arrangement.

There are \$2,530,000 builder's liens against the land on finance lease. These amounts are included in accounts payable on the balance sheet.

On April 15, 2019 the Company listed the property in Nevada for sale. The land has increased in value since purchase and has been reclassified as a held for sale current asset.

Maple Leaf Green World Inc.
Notes to the Condensed Consolidated Interim Financial Statements
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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, 2017	\$ 131,723	\$ -	\$ -	\$ 131,723
Add Note payable	-	847,210	30,000	877,210
Less financing cost	-	(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
Balance, December 31, 2018	\$ 143,241	\$ 785,606	\$ 30,000	\$ 958,847
Interest incurred	4,201	77,594	895	82,690
Interest paid	(4,201)	-	(895)	(5,096)
loan payment	-	-	(30,000)	(30,000)
Foreign exchange effect	(5,827)	(33,410)	-	(39,237)
Current portion	(137,414)	(829,790)	-	(967,204)
Long Term Balance June 30, 2019	\$ -	\$ -	\$ -	\$ -

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 June 30, 2019, the carrying value of the note payable is \$137,414 (US\$105,000) (2018 - \$143,241 (US\$105,000)), and interest of \$4,201 (US\$3,150) (2018 - \$8,163 (US\$6,300)) 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 June 30, 2019, the carrying value of the note payable is \$829,790 (US\$575,873) (2018 - \$785,606 (US\$575,873)), and interest of \$77,597 (2018 - \$Nil) on the note payable had been accrued.

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. On May 8, 2019, the note was paid in full including \$875 interest.

8. OBLIGATIONS UNDER FINANCE LEASES

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

	June 30, 2019	December 31, 2018
Current	\$ 37,615	\$ 142,806
Non-current	559,330	552,087
Present value	\$ 596,945	\$ 694,893

During the quarter the Company came to an agreement with the lessor to settle \$120,000 in outstanding lease payments by issuing 387,096 shares of the Company's common stock at a deemed price of \$0.155. The shares were issued May 10, 2019. In addition, the Company and the lessor agreed to reduce the lease payments for October 1, 2018 to September 30, 2019 to \$60,000 from \$240,000. The \$60,000 had already been recorded to accounts payable in 2018, therefore no allocation was made for the land lease in 2019. The present value of the land under lease and the finance lease payable were decreased by \$97,948 to reflect the new arrangement.

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9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

	Number of common shares	Amount
Balance, December 31, 2017	147,073,331	19,361,733
Shares issued upon warrant exercised	6,021,272	1,285,581
Shares issued upon option exercised	1,100,000	263,251
Private placement	5,023,699	2,557,337
Share issuance costs	-	(249,771)
Balance, December 31, 2018	159,218,302	\$ 23,218,131
Shares issued upon option exercised	100,000	10,000
Private placement	1,450,000	188,500
shares issued for debt settlement	387,096	60,000
Share issuance costs	-	(5,000)
Balance, June 31, 2019	161,155,398	\$ 23,471,631

(b) Private placements

On May 15, 2019, The Company closed the first tranche of a private placement financing ("the Financing"). The Company issued a total 1,450,000 common shares at a price of \$0.13 per share for total proceeds of \$188,500. The Company also issued 387,096 common shares at a price of \$0.155 per share for settlement of debt with Woodmere Nursery Ltd. in the amount of \$120,000. In connection with the closing of the first tranche of the Financing, the Company has no finders' fees payable.

(c) Stock options

There were no options granted or exercised during the period. A total of \$Nil (2018 - \$6,532,493) share-based compensation expenses have been recorded in the condensed consolidated interim statement of comprehensive loss.

There were 100,000 options exercised during the period for gross proceeds of \$10,000, \$9,655 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, 2017	7,420,000	\$ 0.16
Options granted	7,800,000	0.61
Options forfeited	(300,000)	0.60
Options cancelled	(1,700,000)	0.41
Options exercised	(1,100,000)	0.11
Balance, December 31, 2018	12,120,000	\$ 0.41
Options cancelled	(300,000)	0.60
Options exercised	(100,000)	0.10
Balance, June 30, 2019	11,720,000	\$ 0.40

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As of June 30, 2019, the following stock options were outstanding:

Expiry Date	Exercise Price	Number of options outstanding	Number of options exercisable	Weighted average years to expiry
April 23, 2023	\$ 0.70	600,000	600,000	3.82
January 31, 2023	\$ 0.60	4,450,000	4,450,000	3.59
January 31, 2021	\$ 0.60	1,450,000	1,050,000	1.59
April 10, 2021	\$ 0.10	4,600,000	4,600,000	1.78
September 27, 2021	\$ 0.24	100,000	100,000	2.25
November 6, 2019	\$ 0.80	20,000	20,000	0.35
September 5, 2019	\$ 0.55	500,000	500,000	0.18
	\$ 0.40	11,720,000	11,320,000	2.48

(d) Warrants

The following is a summary of warrant transactions:

Number of warrants outstanding as at January 1, 2019	Issued	Exercised	Expired	Number of warrants outstanding as at June 30, 2019	Exercise price per warrant	Expiry date
12,794,798	-	-	-	12,794,798	\$ 0.850	August 31, 2019
400,000	-	-	-	400,000	\$ 0.600	June 15, 2020
4,093,699	-	-	-	4,093,699	\$ 0.900	June 15, 2020
797,000	-	-	-	797,000	\$ 0.900	August 13, 2020
133,000	-	-	-	133,000	\$ 0.900	October 29, 2020
18,218,497	-	-	-	18,218,497		

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	August 31, 2019
	400,000	-	-	400,000	\$ 0.600	June 15, 2020
	4,093,699	-	-	4,093,699	\$ 0.900	June 15, 2020
	797,000	-	-	797,000	\$ 0.900	August 13, 2020
	133,000	-	-	133,000	\$ 0.900	October 29, 2020
18,816,070	5,423,699	(6,021,272)	-	18,218,497		

During the period, a total of Nil warrants were exercised for gross proceeds of \$Nil (2018 – 6,021,272 warrants, \$1,140,581). \$Nil (2018 – \$145,000) was transferred from warrant reserve to share capital on exercise of these warrants.

On April 9, 2019, the Company announced it had decided to extend the expiry dates and lower the exercise price of an aggregate of 17,818,497 common share purchase warrants (comprising of 12,794,798 warrants in May 2017 private placement offering (“May 2107 Warrants”) expiring May 2019 and 5,023,699 warrants in 2018 private placement offering (“2018 Warrants”) expiring June – August 2020. Pursuant to the policies of Neo Exchange Inc. the extension and repricing of Warrants are material to the company and require disinterested shareholder approval. The independent board of directors approved the extension of May 2017 Warrants from May 4, 2019 to August 31, 2019. The Company plan to seek approval from shareholders of changes to Warrants in its upcoming 2019 annual general and special meeting.

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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:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Management remuneration	\$ 30,000	\$ 30,000	\$ 60,000	\$ 60,000
Consulting fee	15,000	15,000	30,000	30,000
Land lease	-	60,000	-	120,000
Stock based compensation	-	1,701,040	-	3,964,670
Total	\$ 45,000	\$ 105,000	\$ 90,000	\$ 4,174,670

As at June 30, 2019, there is \$12,000 owing to a director and officer of the Company included in other payables on the balance sheet.

As at June 30, 2019, an amount of \$596,945 (December 31, 2018 - \$694,893) 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.

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 been denied. The Company is currently assessing its options to either appeal the decision or purchase the whole property.

During the quarter the Company came to an agreement with the lessor to settle \$120,000 in outstanding lease payments by issuing 387,096 shares of the Company's common stock at a deemed price of \$0.155. The shares were issued May 10, 2019. In addition, the Company and the lessor agreed to reduce the lease payments for October 1, 2018 to September 30, 2019 to \$60,000 from \$240,000. The \$60,000 had already been recorded to accounts payable in 2018, therefore no allocation was made for the land lease in Q1 or Q2 2019.

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 June 30, 2019 and 2018, 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

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risk characteristics of the underlying assets. There have been no changes in the way the Company manages its capital during the period ended June 30, 2019.

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.

	June 30, 2019			December 31, 2018		
	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	\$ 16,920	\$ -	\$ -	\$ 574,242	\$ -	\$ -
Other receivables	39,177	-	-	141,646	-	-
Other payables	20,976	-	-	6,852	-	-
Notes payable	-	967,204	-	-	958,847	-

There was no transfer between fair value levels during the periods ended June 30, 2019 and December 31, 2018.

(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. Other receivables at June 30, 2019 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 June 30, 2019, the Company has negative working capital of \$4,722,972 (December 31, 2018 – \$4,672,048).

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Based on the contractual obligations of the Company as at June 30, 2019, cash outflows of those obligations are estimated and summarized as follows:

	Payment Due by Year			
	2019	2020	2021 and beyond	Total
Accounts payable and accrued liabilities	\$ 4,799,540	\$ -	\$ -	\$ 4,799,540
Notes payable	829,790	137,414	-	967,204
Right-to-use obligations	5,296	17,655	56,496	79,447
Finance land lease obligations	60,000	240,000	420,000	720,000
	\$ 5,694,626	\$ 395,069	\$ 476,496	\$ 6,566,191

(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.

(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 June 30, 2019, the Company's exposure to currency risk is summarized as follows:

Expressed in Canadian dollar equivalents	June 30, 2019	December 31, 2018
Financial assets denominated in US dollars		
Cash	\$ 1,935	\$ 376,503
	\$ 1,935	\$ 376,503
Financial liabilities denominated in US dollars		
Accounts payable	\$ 294,789	\$ 406,614
Notes payable	967,204	928,847
	\$ 1,261,993	\$ 1,335,461

As at June 30, 2019, with other variables unchanged, a 10% change in the USD against the CAD would have increased (decreased) comprehensive loss by \$126,013 (December 31, 2018 – \$98,729).

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(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

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. 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 and deposit 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.

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.

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.

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 June 30, 2019, the Company has one reportable segment, being eco- agriculture and two geographical segments, being Canada and United States. Segment information is summarized as follows:

	June 30, 2019			December 31, 2018		
	Canada	US	Consolidated	Canada	US	Consolidated
Current assets	\$ 27,688	\$ 1,187,566	\$ 1,215,254	\$ 595,984	\$ 149,432	\$ 745,416
Other long term assets	1,175,319	-	1,175,319	1,118,159	-	1,118,159
Property, plant and equipment	10,462,158	264,388	10,726,546	9,974,041	1,485,730	11,459,771
Total assets	\$ 11,665,165	\$ 1,451,954	\$ 13,117,119	\$ 11,688,185	\$ 1,635,162	\$ 13,323,347
Current liabilities	\$ 5,108,436	\$ 829,790	\$ 5,938,226	\$ 4,631,858	\$ 785,606	\$ 5,417,464
Long term liabilities	453,349	137,414	509,246	552,087	143,241	695,328
Total liabilities	\$ 5,561,785	\$ 967,204	\$ 6,447,472	\$ 5,183,945	\$ 928,847	\$ 6,112,792

	June 30, 2019			December 31, 2018		
	Canada	US	Consolidated	Canada	US	Consolidated
Operating expenses	622,643	138,464	761,107	8,523,465	505,159	9,028,624
Net loss	\$ (622,643)	\$ (138,464)	\$ (761,107)	\$ (8,523,465)	\$ (505,159)	\$ (9,028,624)

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14. SUBSEQUENT EVENTS

Subsequent to June 30, 2019 the Company was served notice of a civil claim filed by a sub-contractor of one of the Telkwa contractors in the amount of \$225,736 for work performed on the building. The Company has filed a response to the claim. The amount is included in accounts payable on the balance sheet.