AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)

Condensed Interim Consolidated Financial Statements
Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of Agraflora Organics International Inc. (formerly PUF Ventures Inc.) for the nine months ended September 30, 2019 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	September 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		$ 1,822,983	$ 10,718,888
Loans receivable	6	646,407	253,333
Amounts receivable	5	767,582	253,509
Marketable securities	4,19	3,360,265	21,875
Prepaids and deposits	7	8,256,569	148,748
Inventory		2,808	-
		14,856,614	11,396,353
Investments	10	4,572,827	11,656,240
Property and equipment	8	37,326,150	1,591,099
Intangible assets	9,11,12	91,525,703	5,350,901
Goodwill	9,11,13	14,385,569	-
TOTAL ASSETS		**$ 162,666,863**	**$ 29,994,593**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 1,908,578	$ 324,632
Current portion of lease liability	15	309,510	-
		2,218,088	324,632
Long-term lease liability	15	1,555,098	-
TOTAL LIABILITIES		**3,773,186**	**324,632**
SHAREHOLDERS' EQUITY			
Share capital	16	174,165,360	48,624,710
Subscriptions receivable	16	-	(61,000)
Reserves	16	40,973,062	3,385,740
Deficit		(78,914,125)	(22,279,489)
Attributable to shareholders		136,224,297	29,669,961
Non-controlling interest	11,13	22,669,380	-
TOTAL SHAREHOLDERS' EQUITY		**158,893,677**	**29,669,961**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 162,666,863**	**$ 29,994,593**

Nature and continuance of operations (Note 1)
Subsequent events (Note 21)

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
EXPENSES				
Professional fees	$ 284,658	$ 73,476	$ 486,223	$ 136,201
Consulting and management (Note 17)	1,375,595	1,282,013	9,782,490	2,444,412
Development and compliance	44,351	70,984	86,882	84,558
Corporate development	435,665	163,599	2,943,505	492,542
Amortization	380,499	-	393,763	-
Office	241,999	(690)	278,805	72,241
Regulatory and transfer agent fees	148,717	31,513	417,771	140,801
Share-based compensation (Note 16)	31,015,915	-	37,641,588	2,054,508
Transaction costs (Notes 4,12)	3,545,179	-	4,325,179	-
Loss on foreign exchange	7,000	-	59,365	-
Distribution expenses (Note 12)	3,458,678	-	3,458,678	-
Finance and other costs	52,826	-	52,826	-
Production costs (Note 12)	4,841,323	-	4,841,323	-
Research and development (Note 12)	11,824,399	-	11,824,399	-
	(57,656,804)	(1,620,895)	(76,592,797)	(5,425,263)
Other Items				
Unrealized gain (loss) on marketable securities (Note 4)	(608,886)	(9,375)	(494,703)	(246,875)
Gain on revaluation of PSC (Note 11)	19,919,518	-	19,919,518	-
Gain on loss of control of Natures Hemp	-	310,435	-	310,435
Share of loss on equity accounted investments (Notes 11,13)	(46,324)	-	(529,592)	-
Gain on settlement of debt	17,537	-	17,537	-
Interest income	19,638	-	19,638	-
Gain on sale of assets (Note 4)	352,560	-	678,097	-
Net and comprehensive loss for the period	**$ (38,002,761)**	**$ (1,319,835)**	**$ (56,982,302)**	**$ (5,361,703)**
Net and comprehensive loss attributable to:				
Shareholders of Agraflora Organics International Inc.	$ (37,706,476)	$ (1,457,623)	$ (56,686,017)	$ (5,366,562)
Non-controlling interests	(296,285)	137,888	(296,285)	4,859
	$ (38,002,761)	**$ (1,319,835)**	**$ (56,982,302)**	**$ (5,361,703)**
Net loss per share – basic and diluted	**$ (0.05)**	**$ (0.00)**	**$ (0.10)**	**$ (0.02)**
Weighted average number of common shares outstanding	**825,501,140**	**296,405,365**	**564,615,960**	**292,291,405**

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital								
	Number of shares	Amount	Subscriptions received (receivable)	Share-based payment reserves	Warrant reserve	Non-controlling interest	Deficit	AOCI	Total
Balance at December 31, 2017	**276,052,890**	**$ 22,252,798**	**$ 149,200**	**$ 809,657**	**$ 855,963**	**$ 920,305**	**$ (17,384,754)**	**$ (37,500)**	**$ 7,565,669**
Net and comprehensive loss for the period	-	-	-	-	-	-	(5,430,122)	(209,375)	(5,639,497)
Subscriptions received	-	-	(149,200)	-	-	-	-	-	(149,200)
Non-controlling interest on consolidation of AAA-H	-	-	-	-	-	-	(137,551)	-	(137,551)
Shares issued for services	10,000,000	1,460,000	-	-	-	-	-	-	1,460,000
Options exercised	5,400,000	371,200	-	-	-	-	-	-	371,200
Warrants exercised	16,854,650	1,104,536	-	-	-	-	-	-	1,104,536
Share-based compensation	-	-	-	2,054,508	-	-	-	-	2,054,508
Balance at September 30, 2018	**308,307,540**	**$ 25,188,534**	**$ -**	**$ 2,864,165**	**$ 855,963**	**$ 920,305**	**$ (22,952,427)**	**$ (246,875)**	**$ 6,629,665**
Balance at December 31, 2018	**375,948,316**	**$ 48,624,710**	**$ (61,000)**	**$ 2,568,276**	**$ 817,464**	**$ -**	**$ (22,279,488)**	**$-**	**$ 29,669,961**
Net and comprehensive loss for the period	-	-	-		-	(296,285)	(56,686,017)	-	(56,982,302)
Non-controlling interest on consolidation of PSC	-	-	-	-	-	18,087,669	-	-	18,087,669
Non-controlling interest on acquisition of SUHM	-	-	-	-	-	4,877,996	-	-	4,877,996
Subscriptions received	-	-	61,000	-	-	-	-	-	61,000
Options exercised (Note 16)	23,125,000	2,931,750	-	-	-	-	-	-	2,973,750
Fair value of warrants exercised / expired	-	7,955	-	-	(7,955)	-	-	-	-
Fair value of options exercised / expired	-	1,994,930	-	(2,046,311)	-	-	51,381	-	-
Warrants exercised (Note 16)	13,147,700	1,051,816	-	-	-	-	-	-	1,051,816
Shares issued for equity participation (Note 11)	44,582,040	20,000,000	-	-	-	-	-	-	20,000,000
Shares issued for acquisitions (Note 12,13)	398,251,583	91,528,453	-	-	-	-	-	-	91,528,453
Shares issued for service (Note 16)	16,531,690	7,151,479	-	-	-	-	-	-	7,151,479
Shares issued for transaction costs (Note 4)	2,000,000	780,000	-	-	-	-	-	-	780,000
Share-based compensation (Note 16)	-	-	-	12,177,809	25,463,779	-	-	-	37,641,588
Issuance of special warrants	-	-	-	-	2,000,000	-	-	-	2,000,000
Shares issued for debt settlement (Note 16)	319,551	94,267	-	-	-	-	-	-	94,267
Balance at September 30, 2019	**873,905,880**	**$ 174,165,360**	**$ -**	**$ 12,699,774**	**$28,273,288**	**$ 22,669,380**	**$ (78,914,125)**	**$ -**	**$ 158,893,677**

AGRAFLORA ORGANICS INTERNATIONAL INC.
(FORMERLY PUF VENTURES INC.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Nine months ended	
	September 30, 2019	**September 30, 2018**
Operating activities		
Net loss for the period	$ (56,982,302)	$ (5,425,263)
Adjustments for:		
Amortization	393,763	159,377
Share-based compensation	37,641,587	2,054,508
Unrealized gain on marketable securities	494,703	-
Gain on revaluation of PSC	(19,919,518)	
Gain on sale of assets	(678,097)	-
Foreign exchange	59,365	-
Share of equity accounted investment losses	529,592	-
Shares issued for services	7,150,979	-
Transaction costs	4,325,179	-
Accrued interest	(19,638)	-
Gain on debt settlement	(17,537)	-
Shares issued for production costs	4,841,323	-
Shares issued for research and development costs	10,827,747	-
Shares issued for distribution expenses	3,458,678	-
Changes in non-cash working capital items:		
Receivables	(514,073)	(269,920)
Prepaids	(3,266,498)	30,861
Accounts payable and accruals	1,636,385	407,958
Lease liability	1,864,608	-
Net cash flows used in operating activities	(8,173,754)	(3,042,479)
Financing activities		
Loans payable	-	(242,325)
Subscriptions received	61,000	149,200
Proceeds on issuance of common shares, net	23,922,566	1,475,736
Net cash flows provided by financing activities	23,983,566	1,382,611
Investing activities		
Expenditures on equipment	(1,440,272)	(27,900)
Purchase of seed agriculture	(12,510)	-
Capital lease advances	(20,000,000)	-
Investment in Best Cannabis Products Inc.	(230,000)	(250,000)
Investment in Glow Lifetech Ltd.	(200,000)	-
Investment in marketable securities	(2,200,000)	-
Investment in Solaris	-	(158,038)
Investment in PSC	-	(400,000)
Loans receivable	(633,848)	-
Proceeds received from interest income	10,413	-
Net cash flows used in investing activities	(24,706,217)	(835,938)
Change in cash	(8,895,905)	(2,495,806)
Cash, beginning	10,718,888	3,791,249
Cash, ending	**$ 1,822,983**	**$ 1,295,443**

Non-cash transactions (Note 18)

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

AgraFlora Organics International Inc. (formerly PUF Ventures Inc.) (the "Company" or "Agraflora") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). The Company focuses on the cannabis industry. It owns an indoor cultivation operation in London, Ontario and has a controlling interest in Propagation Service Canada Inc., a 2,200,000 sq. ft. greenhouse complex in Delta, BC. During the year ended December 31, 2018, the Company changed its name from PUF Ventures Inc. to Agraflora Organics International Inc. and completed a share split on a 5 for 1 basis. All share capital numbers have been restated to reflect the share split. The Company's corporate office is located at Suite 810, 789 Pender Street, Vancouver, British Columbia V6C 1H2. The Company is listed on the Canadian Securities Exchange ("CSE").

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 16. At September 30, 2019, the Company has a working capital of $12,638,526 (December 31, 2018 – $11,071,721), and an accumulated deficit of $78,914,125 (December 31, 2018 - $22,279,489).

The Company generates no cash flow from operations and therefore relies upon the issuance of securities and debt for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its subsidiaries:

	Ownership Interest	Jurisdiction
AAA Heidelberg Inc.	100%	Canada
1210391 BC Ltd.	100%	Canada
Canutra Naturals Ltd.	100%	Canada
The Edibles and Infusions Corp.	80%	Canada
Propagation Services Canada Inc.	70%	Canada
Delta Organic Cannabis Corp.	100%	Canada
Pure Grow Medicinals S.A.S	100%	Columbia

2. BASIS OF PREPARATION (continued)

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2018.

Management has applied significant estimates and judgements related to the following:

Business combination and asset acquisition

Judgement is required to determine if the Company's acquisition represented a business combination or an asset purchase. More specifically, management concluded that all of the Company's acquisitions did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisition was an asset acquisition, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position.

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used.

Furniture and equipment - 20% declining balance
Computer equipment - 30% declining balance
Building - 6% declining balance

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Health Canada Licenses – Useful life of the facility
Other operational licenses – 8-18 years
Patents and trademarks– 10 years
Intellectual Property – 5-10 years

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as research and development expenses on the consolidated statement of comprehensive (loss) income as incurred. Capitalized deferred development costs are internally generated intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

Business Combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss.

Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments with the corresponding gain or loss recognized in profit or loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business Combination (continued)

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

Non-Controlling Interests

Non-controlling interests (“NCI”) are recognized either at fair value or at the NCI’s proportionate share of the acquiree’s net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interests held prior to obtaining control and the NCI in the acquiree, over the fair value of the identifiable net asset acquired, is recorded as goodwill.

Impairment

Long-lived assets

At each financial position reporting date, the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset’s recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

Intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU's for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on a fair value less costs of disposal. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

Share capital

Common shares:
Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Non-monetary consideration:
Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

The Company operates in the cannabis segment in Canada.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The following table shows the original classification under IFRS 9:

Financial assets/liabilities	Classification IFRS 9
Cash	Amortized cost
Loan receivables	Amortized cost
Marketable securities	FVTPL
Accounts receivable	Amortized cost
Accounts payable	Amortized cost

(ii) Measurement

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

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive loss (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Newly adopted accounting standards

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which replaces IAS 17, Leases ("IAS 17") and related interpretations. The standard introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases with a term exceeding 12 months, unless the underlying asset is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17. The Company adopted the standard on January 1, 2019. The Company did not have any leased properties in previous years, so the adoption of IFRS 16 has no impact on the beginning balances. The adoption of IFRS 16 has resulted in:

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "finance and other costs" in the condensed consolidated interim statement of comprehensive (loss) income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; 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 it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the condensed consolidated interim statement of comprehensive (loss) income. Short term leases are defined as leases with a lease term of 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 – Leases (continued)

Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the consolidated statement of comprehensive income.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease

There are no other pending IFRSs or IFRIC interpretations that are expected to be relevant to the Company's financial statements.

4. MARKETABLE SECURITIES

Volt Energy Inc.
During the year ended December 31, 2017, the Company received 625,000 common shares of Volt Energy Inc. on the sale of the Company's Lac Saint Simon Lithium project. The shares were initially valued at $350,000. As at December 31, 2018, the shares had a fair value of $21,875 and the Company has an unrealized loss of $290,624 and at September 30, 2019, the shares had a fair value of $18,750 and the Company has an unrealized loss of $3,125.

CBD Therapeutics Corp.
During the period ended September 30, 2019, the Company invested $1,000,000 in CBD Therapeutics Corp. (formerly Empower Clinics) in exchange for 10,000,000 units of CBD Therapeutics Corp. Each unit consists of one common share of CBD Therapeutics Corp. and one share purchase warrant, with each warrant entitling the Company to acquire one additional common share for a period of two years at a price of $0.16 per warrant share. The shares were initially valued at $1,000,000 and the Company assessed the value of the warrants to be $Nil due to uncertainty of exercising the warrants. At September 30, 2019, the shares had a fair value of $750,000 and the warrants had a fair value of $Nil and the Company has an unrealized loss of $250,000.

Cannabis Clonal Corp
During the period ended September 30, 2019, the Company purchased 3,000,000 common shares of Cannabis Clonal Corp. for $300,000. At September 30, 2019, the shares had a fair value of $300,000 and the Company did not recognize any unrealized gain or loss.

1205293 B.C. Ltd
During the period ended September 30, 2019, the Company purchased 5,000,000 units of 1205293 B.C. Ltd. for $500,000. Each unit consists of one common share of 1205293 B.C. Ltd. and one-half share of a common share purchase warrant, with each whole warrant entitling the Company to acquire one addition common share for a period of two years at a price of $0.20 per common share. The Company assessed the value of the warrants to be $Nil due to uncertainty of exercising the warrants. At September 30, 2019, the shares had a fair value of $500,000 and the warrants had a fair value of $Nil and the Company did not recognize any unrealized gain or loss.

ICC International Cannabis Corp.
The Company entered into a Cannabis Strain and Genetics Transfer Agreement with ICC International Cannabis Corp. ("ICC") on April 9, 2019 whereby the Company sold a portfolio of cannabis strains with a cost of $9,703 to ICC in exchange for 1,000,000 common shares of ICC. The ICC shares were issued on April 25, 2019 and had an initial fair value of $405,600. The Company recognized a gain on sale of $395,897.

4. MARKETABLE SECURITIES (continued)

At September 30, 2019, the shares had a fair value of $52,972 and the Company has an unrealized loss of $352,628.

On May 21, 2019, the Company entered into a commercial rights and offtake agreement with ICC, whereby ICC will purchase 20,000 kilograms of dried cannabis per annum for a term of 5 years expiring on December 31, 2024 from PSC. On May 28, 2019, in consideration for facilitating the executive of the Offtake Agreement, the Company issued 2,000,000 common shares with a fair value of $780,000 to an arm's length third party as transaction costs (Note 16).

<u>Roughrider Capital Corp.</u>
In 2018, Volt Energy Inc. ("Volt") Volt spun out its oil and gas assets into Roughrider Capital Corp. ("Roughrider") and distributed to the Volt shareholders two common shares of Roughrider for every one Class A Volt shares held. As a result, the Company received 1,250,000 Roughrider common shares for its 625,000 common shares of Volt. At December 31, 2018, the Company recorded the Roughrider shares at $Nil due to lack of market and uncertainty of realizing any value. At September 30, 2019 the shares had a fair value of $156,250 and the Company recorded unrealized gain of $156,250.

On April 2, 2019, the Company entered into a Share Purchase Option agreement with a third party, whereby the Company was granted an option to purchase all of the shares of AgraLeaf SA for a period of 12 months. On May 13, 2019, the Company assigned and transferred to Roughrider the option to purchase all of the optioned shares of AgraLeaf SA for a purchase price of 3,010,000 common shares of Roughrider. The shares were received and were initially valued at $376,250. At September 30, 2019 the shares had a fair value of $376,250 and the Company did not recognize any unrealized gain or loss.

<u>Sire Bioscience Inc.</u>
On February 28, 2019, the Company entered into a Simple Agreement for Future Equity ("SAFE") with Sire Bioscience Inc. ("Sire") (formerly Best Cannabis Products Inc.) whereby the Company invested $230,000 ("Purchase Amount") into Sire (paid). Pursuant to the terms of the agreement, Sire is required to issue shares of BCP at a discount of 20% and subject to a valuation cap of $8,672,500, upon the occurrence of certain events as indicated below:

- In the event of equity financing, Sire will automatically issue shares to the Company equal to the Purchase Amount divided by the conversion price if there is a transaction or series of related transactions with the principal purpose of raising capital pursuant to which Sire issues and sells shares at a fixed pre-money valuation of $20,000,000 or more generating gross proceeds to Sire of at least $10,000,000 before the expiration or termination of this SAFE; and
- In the event of liquidity, the Company will receive from Sire the number of shares equal to the Purchase Amount divided by the liquidity price.

In the event of dissolution, Sire will repay the Company the Purchase Amount, due and payable to the Company immediately prior to, or concurrent with, the consummation of the dissolution event.

The termination of the SAFE agreement is the earlier of the occurrence of any of the above events or December 31, 2019. If an equity financing, liquidity event or dissolution event does not occur on or before December 31, 2019, Sire will automatically issue to the Company the number of shares equal to the Purchase Amount divided by the conversion price. The conversion price of the SAFE agreement is the higher of the price per share equal to the valuation cap divided by the corporation capitalization or the price per share of the shares sold in the equity financing multiplied by the discount rate.

On September 11, 2019, Sire completed an equity financing and issued 4,600,000 common shares of Sire to the Company with a fair value of $230,000. The Company did not recognize any gain from the conversion of investment to shares. At September 30, 2019, the shares had a fair value of $230,000 and the Company did not recognize any unrealized gain or loss.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES (continued)

On August 27, 2018 the Company advanced $250,000 by way of a loan to Sire. The loan is due October 25, 2019 and bears interest at 4% per annum. The Company further advanced $18,683 of loan to Sire during the period ended September 30, 2019. During the period ended September 30, 2019, the Company received a cash payment of $10,413 for the interest on the loan and converted its $250,000 convertible loan receivable and $18,683 of debt to 5,373,670 common shares of Sire with a fair value of $268,683. The Company did not recognize any gain or loss from the conversion of loan to shares. At September 30, 2019, the shares had a fair value of $268,683 and the Company did not recognize any unrealized gain or loss.

<u>Eurolife Brands Inc.</u>
On July 15, 2019, the Company purchased 452 common shares of 1216165 B.C. Ltd for cash payment of $0.0452. During the period ended September 30, 2019, the Company sold all of the common shares of 1216165 B.C Ltd in exchange for 3,616,000 common shares of Eurolife Brands Inc. (formerly Cannvas Medtech Inc.) with an initially value of $352,560. At September 30, 2019 the shares had a fair value of $307,360 and the Company recorded unrealized loss of $45,200.

<u>Mindful Capital Inc.</u>
During the period ended September 30, the Company purchased 888,889 units of Mindful Capital Inc. for $400,000. At September 30, 2019, the shares had a fair value of $400,000 and the Company did not recognize any unrealized gain or loss.

5. AMOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018
Government sales tax recoverable	$ 767,582	$ 253,509
	$ 767,582	$ 253,509

6. LOANS RECEIVABLE

On July 2, 2019 the Company advanced $400,000 by way of a convertible loan to 2459160 Ontario Ltd. The loan is unsecured, matured on August 2, 2019 and bears interest at 10% per annum. The Company has the option to convert all or any portion of the principal amount of the loan, accrued interest and fees outstanding into common shares of 2459160 Ontario Ltd before the maturity date, at the maximum allowable discount. As at September 30, 2019, the loan has matured and is no longer convertible. The outstanding loan receivable is $409,863, including accrued interest.

On July 10, 2019 the Company advanced $200,000 by way of a loan to 1187744 BC Ltd. The loan is due July 10, 2020 and bears interest at 6% per annum. At September 30, 2019 a balance of $202,696 is receivable, including accrued interest.

On September 3, 2019 the Company advanced $33,848 ($25,000USD) to Eurasia Infused Cosmetics Inc. as a shareholder loan. The loan is non-interest bearing and is repaid out of proceeds from the sale of products and to be repaid before the distribution of any dividends (Note 10).

7. PREPAID EXPENSES

	September 30, 2019 $	December 31, 2018 $
Advances to third-party supplies	1,342,579	14,169
Prepaid management fees for Edibles JV	2,041,667	-
Deposits for purchase of 11122347 Canada Corp (Note 12)	4,841,323	-
Prepaid insurance and property taxes	31,000	7,706
Total	8,256,569	21,875

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

Property and equipment are held by the Company and its subsidiaries, Propagation Services Canada Inc. (“PSC”), AAA-Heidelberg Inc (“AAA-H”), Canutra Naturals Ltd (“Canutra”) and The Edibles and Infusions Corp. (“Edibles”). The building, certain furniture and equipment, computers and leasehold improvements are currently not available for use and has therefore not been amortized. The opening balances have been shown as of the date of transition to the consolidation method of accounting.

	Furniture & Equipment $	Building $	Computers $	Right of use asset- Lease $	Leasehold improvements $	Total $
Cost:						
December 31, 2017	28,055	1,084,518	8,423	-	-	1,120,996
Additions	27,900	406,256	69,506	-	-	503,662
December 31, 2018	55,955	1,490,774	77,929	-	-	1,624,658
Additions	-	274,103	545	-	-	274,648
Acquired from business combinations	2,394,419	5,234,068	132,416	21,863,366	6,673,760	36,298,029
September 30, 2019	2,450,374	6,998,945	210,890	21,863,366	6,673,760	38,197,335
Amortization:						
At December 31, 2017	(14,781)	-	(5,967)	-	-	(20,748)
Charge for the year	(5,375)	-	(7,436)	-	-	(12,811)
At December 31, 2018	(20,156)	-	(13,403)	-	-	(33,559)
Charge for the period	(3,545)	-	(9,719)	-	-	(13,264)
Acquired from business combinations	-	-	-	(824,362)	-	(824,362)
September 30, 2019	(23,701)	-	(23,122)	(824,362)	-	(871,185)
Net book value:						
December 31, 2018	35,799	1,490,774	64,526	-	-	1,591,099
September 30, 2019	2,426,673	6,998,945	187,768	21,039,004	6,673,760	37,326,150

The right-of-use assets relate to the prepaid leased greenhouse facility in Delta, British Columbia for the purposes of cannabis cultivation and leased building and lands in Winnipeg, Manitoba for the purpose of production of edibles and infusion products containing CBD and THC. The lease in Delta was prepaid with a $20,000,000 advance by PSC and as at September 30, 2019, there is no lease liability.

9. INTANGIBLE ASSETS AND GOODWILL

During the period ended September 30, 2019, the Company acquired intellectual property, licenses and goodwill as follows:

	Patents and Trademarks $	Brand $	License $	Intellectual Property $	Goodwill $	Total $
Balance, December 31, 2018	-	-	-	-	-	-
Additions	10,276,802	2,537,500	7,373,901	71,337,500	14,385,569	105,911,272
Balance, September 30, 2019	10,276,802	2,537,500	7,373,901	71,337,500	14,385,569	105,911,272

The intangible assets are not ready for its intended use and no amortization has been recorded for the period ended September 30, 2019.

(Expressed in Canadian Dollars)

10. INVESTMENTS

Investment in AAA-H

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for $120,000. The Company executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company could acquire the remaining 83.5% interest subject to certain conditions including the grant of a Marijuana for Medical Purposes Regulations ("MMPR") license by issuing up to 22,937,500 common shares of the Company subject to CSE escrow policies. The common shares were to be issued in stages. On February 24, 2015, the first tranche of 5,437,500 common shares with a fair value of $348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting its investment in AAA-H. On October 30, 2015, the second tranche of 2,500,000 common shares, with a fair value of $80,000 representing an additional 9.1% interest was completed. On May 7, 2017, the third tranche of 2,500,000 common shares, with a fair value of $200,001 representing an additional 9.1% interest was completed. The Company then had a 54.49% ownership interest in AAA-H and as of that date commenced consolidating AAA-H as it held a controlling interest in AAA-H. On December 19, 2018, the Company acquired the remaining 45.51% interest in AAA-H by issuing 12,500,000 common shares with a fair value of $2,187,500. The Company now has 100% ownership interest in AAA-H. In addition, during the year ended December 31, 2018, the Company issued a further 2,008,237 common shares with a fair value of $351,441 to settle outstanding debts in AAA-H (Note 16).

The intangible asset of the Company increased during the year ended December 31, 2018 by $2,187,801 on the full acquisition of AAA-H from $3,240,416 to $5,427,917. At September 30, 2019 the Company conducted an impairment analysis of the cost-generating unit which included the intangible asset as well and the associated property, plant and equipment, and determined that the fair value of the cost-generating unit was $5,350,901 (December 31, 2018 - $5,350,901). As a result, an impairment of $Nil (December 31, 2018 - $77,016) was recorded.

The non-controlling interest of 45.51% in AAA-H was held by other minority shareholders.

Balance, December 31, 2017, allocated to intangible asset	$	920,305
Non-controlling interest in loss of AAA-H to December 19, 2018		(79,136)
Non-controlling interest allocated to equity on acquisition of 100% interest		(841,169)
Balance, December 31, 2018 and September 30, 2019	$	-

Investment in Solaris

During the year ended December 31, 2017, the Company acquired a 35% interest in a newly formed Australian company, Solaris Nutraceuticals Pty Ltd. ("Solaris") for $257,795 (US$200,000). The investment was accounted for as an equity interest. Under equity accounting, the Company's share of Solaris' loss for the year ended December 31, 2017 totaled $76,428.

During the year ended December 31, 2018, the Company advanced a further $158,038 and subsequent to these advances, the Company and Solaris mutually agreed to terminate the investment and the Company wrote off its investment resulting in a net loss of $339,406.

Investment in Cannvas

During the year ended December 31, 2017 the Company held an equity investment in Cannvas MedTech Inc. ("Cannvas"). On September 7, 2017, as completed on January 16, 2018, the Company entered into a Plan of Arrangement ("Arrangement") with Cannvas whereby the Company distributed 100% of Cannvas' shares to the Company's shareholders on a pro rata basis. The Company's shareholders were entitled to receive one share of Cannvas in exchange for every seven Company shares held as at the record date. Following completion of the Arrangement, (i) Cannvas held certain assets transferred to it by the Company, (ii) Cannvas became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to apply for and meet the listing requirements on a Canadian Stock Exchange, (iii) each of the Company's shareholder will continue to be shareholders of the Company, and (iv) all of the Company's shareholders as at the record date became shareholders of Cannvas.

Upon completion of the Arrangement in 2018 the Company recorded a loss of $129,662 on the transaction.

(Expressed in Canadian Dollars)

10. INVESTMENTS (continued)

Investment in Natures Hemp

By an agreement dated October 11, 2017, the Company acquired a 100% interest in a newly formed private company, Natures Hemp Corp. ("Natures Hemp") from the CEO and director of the Company. To acquire its interest, the Company issued 6,000,000 common shares with a fair value of $600,000 to the shareholders of Natures Hemp and realized a cost of acquisition of $544,282 as follows:

Fair value of shares issued to acquire Natures Hemp	$ 600,000
Allocated to	
Cash	(44,899)
Receivable	(10,818)
Acquisition costs expensed	$ 544,283

On August 28, 2018, Natures Hemp was spun out of the Company by way of a plan of arrangement (the "Plan of Arrangement"). Pursuant to the Plan of Arrangement, the shareholders of the Company received shares in Natures Hemp, and following completion of the Arrangement, Natures Hemp held the assets transferred to it by Agraflora with a $NIL value, and Natures Hemp became a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

Upon completion of the Plan of Arrangement in 2018 the Company recorded a loss of $310,437 on the transaction.

Investment in Eurasia Infused Cosmetics Inc.

On August 19, 2019, the Company entered into a Share Purchase Agreement with Eurasia Infused Cosmetics Inc. ("Eurasia"), a private company in British Columbia that carries the business of selling CBD and Hemp based products in Hong Kong and China, whereby the Company purchased 50% of the outstanding common and preferred shares of Eurasia. As consideration, the Company issued 15,000,000 common shares with a fair value of $4,050,000. Finders' fee of 1,500,000 common shares with a fair value of $405,000 were issued on closing. The investment was accounted for as an equity interest. Under equity accounting, the Company's share of Eurasia' loss for the period ended September 30, 2019 totaled $Nil.

Investment in Glow Lifetech Ltd.

During the period ended September 30, 2019, the Company acquired 37.5% interest in private company Glow Lifetech Ltd. for $200,000. On June 10, 2019, Glow Lifetech Ltd. closed a private placement and diluted the Company's interest to 23.4%. The Company commenced equity accounting its investment in Glow Lifetech Ltd. and recorded a loss on its equity investment of $82,173 for the period ended September 30, 2019.

11. PROPAGATION SERVICES CANADA INC.

During the year ended December 31, 2018, the Company acquired a 40% interest in a joint venture called Propagation Services Canada Inc. ("PSC"), which has ownership of the Houwelings Delta Propagation Facility ("Facility"), consisting of 2,200,000 sq. feet of illuminated greenhouse space and 1,700,000 sq. feet of "ebb and flood" irrigation space. On April 25, 2019, the Company issued 20,588,235 common shares with a fair value of $10,705,882 to acquire an additional 10% interest in PSC.

The Company entered into an earn-in agreement with Delta Organics Cannabis Corp. ("DOCC") whereby DOCC can acquire an equity interest in the Company by committing $40,000,000 for the furtherance of the Facility's lease obligations, construction expenses, and operational expenses. As consideration the Company will grant to DOCC the option to acquire up to 19.9% of the outstanding common shares of the Company and a 20% interest in class B non-voting shares of PSC pursuant to the terms of the agreement. DOCC had acquired 89,164,080 (2018- 44,582,040) of the common shares of the Company for proceeds of $40,000,000 (2018 - $20,000,000) and received 20% of class B non-voting shares in PSC.

(Expressed in Canadian Dollars)

11. PROPAGATION SERVICES CANADA INC. (continued)

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with Organic Flower Investments Group Inc. ("OFIG") whereby the Company acquired 100% of all of issued and outstanding common shares of DOCC, which gives the Company an additional 20% equity stake in Propagation Services Canada Inc. The Company now has a 70% ownership interest in PSC. Management assessed that the Company controls PSC and in accordance with IFRS, consolidated the financial results of PSC from July 11, 2019 onwards in these condensed interim consolidated financial statements.

Under equity accounting, the Company's share of PSC loss for the period prior to consolidation totaled $447,419 (2018 - $31,967). As a result of the transaction to the consolidation method, the Company recorded a non-controlling interest of $18,087,669.

Prior to obtaining control, the Company recorded its investment in PSC to fair value, resulting in a gain of $19,919,518.

Fair value of shares issued to acquire controlling interest in PSC	$ 60,292,230
Implied value of PSC	$ 60,292,230
Net assets (liabilities) acquired	
Accounts receivable	68,260
Prepaid	51,456
Accounts payable and accrued liabilities	(1,675,842)
Amounts due to the Company	(23,722,056)
Property, plant and equipment	24,329,532
Intangible assets – License and Processes	50,800,000
Total net assets acquired	49,851,350
Balance allocated to	
Goodwill	10,437,880
Total	$ 60,292,230

Goodwill arose on this acquisition because purchase consideration included a control premium. In addition, the consideration paid reflected the value of PSC's application for Health Canada Standard Cultivation License and the benefits from access to a facility is large in scale and the cannabis production processes that are already in place. Those benefits were recognized separately from goodwill as identifiable intangible assets.

The non-controlling interest of 30% in PSC is held by other minority shareholders.

	$
Non-controlling interest, December 31, 2018	-
Fair value of non-controlling interest on transition to consolidation method of accounting	18,087,669
Non-controlling interest in loss of PSC to September 30, 2019	(224,282)
Total non-controlling interest, September 30, 2019	17,863,387

The accounting for this acquisition has been provisionally determined at September 30, 2019. The fair value of net assets acquired, specifically with respect to goodwill, intangible assets and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

12. ACQUISITIONS

On July 11, 2019, the Company completed the transaction pursuant to an Asset Purchase Agreement dated June 10, 2019 with OFIG whereby the Company acquired certain assets listed below from OFIG. As consideration the Company issued 348,109,251 common shares with a fair value of $71,863,907 on July 11, 2019.

- Exclusive Distribution Agreement dated May 8, 2019 between the Vendor and ICC International Cannabis Corp., ("ICC") which gives the Company access to a European distribution network composed of 80,000 retail outlets and pharmacies, as well as commercial rights for cannabis processing / finishing at select European-GMP certified facilities. The company expensed the acquisition cost as distribution expenses in the consolidated statement of comprehensive loss.
- Exclusive Sub-License Agreement dated May 30, 2019 between the Vendor and 1205293 B.C. Ltd. o/a Ture Focus Canada, which gives the Company rights to True Focus Canada's IP portfolio. The Company capitalized the acquisition costs of the IP portfolio as intangible assets.
- 80% of all of issued and outstanding common shares of 11353675 Canada Corp., which is party to an exclusive partnership agreement with a Toronto-based brewery to formulate, manufacture and distribute all cannabinoid-infused beverages developed by the brewery. The Company expensed the acquisition costs as production expenses in the consolidated statement of comprehensive loss.
- 100% of all of issued and outstanding common shares of SUHM Investments Inc ("SUHM"). SUHM is an 80% partner of the Edibles and Infusions Joint Venture. The Company accounted for the acquisition as a business combination under IFRS 3 (Note 13).
- 80% of all of issued and outstanding common shares of Potluck Potions and Edibles Inc., a party to an exclusive cannabinoid-infused bottling and manufacturing agreement with a Toronto bottling facility. The Company expensed the acquisition costs as research and development expenses in the consolidated statement of comprehensive loss.
- 80% of all of issued and outstanding common shares of 11122347 Canada Corp., which is party to a distribution agreement and licensing agreement (collectively, the "Definitive Agreements") with Health Cap Holdings, Inc. ("HealthCap") whereby, subject to obtaining applicable licenses, HealthCap will manufacture, supply and license certain dosing caps referred to as "HCHI Dosing Caps". The Company recorded the cost of acquisition as prepaid expenses since the transaction has not closed yet as of September 30, 2019.
- 100% of all of issued and outstanding common shares of 1180782 B.C. Ltd. ("DOC"), which owns a 20% equity stake in Propagation Services Canada Inc. (Note 11)
- 80% of all of issued and outstanding common shares of 11353705 Canada Corp., which controls the rights to a proprietary manufacturing process and formulation catalogue for a Nicorette-inspired medicinal cannabinoid product line. The Company expensed the acquisition costs as research and development expenses in the consolidated statement of comprehensive loss.
- 80% of all of issued and outstanding common shares of 11406426 Canada Corp., which holds Canadian exclusive rights to a portfolio of cannabinoid-infused product formulations. The Company expensed the acquisition costs as research and development expenses in the consolidated statement of comprehensive loss.
- 100% of all of issued and outstanding common shares of Trichome Cannabrands Inc., which holds the rights to a portfolio of 57 registered trademarks in Canada for a diversified range of cannabis products and services. The Company capitalized the acquisition costs of the trademarks as intangible assets.
- 100% of all of issued and outstanding common shares of Canutra Naturals Ltd., which has operations in the cultivation, extraction, manufacturing, and marketing of premium skincare, cosmetics and cannabinoid product lines from its flagship facility in eastern Canada. The Company accounted for the acquisition as a business combination under IFRS 3.

(Expressed in Canadian Dollars)

12. ACQUISITIONS (continued)

The Company issued finder common shares of 13,054,097 with a fair value of $4,503,663 to an arm's length party for facilitating the acquisition. The finder fees of $1,027,353 related to business combinations were capitalized as the as part of the consideration paid and the remaining finder fees of $3,545,179 were expensed as transaction costs. The company also granted 6,040,000 stock options with a fair value of $1,124,359 and 130,654,776 warrants with a fair value of $25,463,779 as part of the consideration paid to acquire the assets from OFIG. The Company expensed the fees paid as share-based compensation expense.

The fair value above represents the price for a batch of assets and the allocations of the purchase price has been determine below, using the relative costing method.

	Relative fair value applied $	**Relative fair value of finder fees applied $**
DOCC	12,058,446	2,260,958
SUHM (Edibles and Infusions)	16,107,937	604,048
1205293 B.C. Ltd. o/a Ture Focus Canada	4,994,974	187,312
11122347 Canada Corp	4,841,323	181,550
11406426 Canada Corp.	2,640,914	99,034
Trichome Cannabrands Inc	5,281,828	198,069
11353705 Canada Corp.	2,640,914	99,034
11353675 Canada Corp	4,841,323	181,550
Distribution Agreement with ICC	3,458,679	129,700
Canutra Naturals Ltd	9,451,650	354,437
Potluck Potions and Edibles Inc	5,545,919	207,971
Total	71,863,907	4,503,663

The accounting for this acquisition has been provisionally determined at September 30, 2019. The fair value of total consideration has been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted retrospectively to the acquisition date in future reporting periods.

(Expressed in Canadian Dollars)

13. BUSINESS COMBINATIONS

Canutra Naturals Ltd.

On July 11, 2019 the Company acquired 100% of the issued and outstanding shares of Canutra. Canutra is in the process of becoming licensed to process, cultivate and sell cannabis. This acquisition has been accounted for as business combination as Canutra met the definition of a business under IFRS 3, Business Combinations. As consideration, the Company paid 27,396,088 common shares with a fair value of $9,451,650 and issued 1,027,353 finder shares with a fair value of $354,437. In accordance with IFRS 3 – Business Combination, the equity consideration on transferred was measured at fair value at the acquisition date, which is the date control was obtained.

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

Consideration paid	**$**
Shares and finder shares issued	9,806,087
Total Consideration paid	**9,806,087**
Net assets acquired	
Cash	129,255
Accounts receivable	24,032
Inventory	2,610
Property, plant and equipment	2,381,850
Intangible asset - Formulations	2,537,500
Intangible asset – Brand	2,537,500
Accounts payable and accrued liabilities	(297,393)
Total net assets acquired	7,315,354
Balance allocated to	
Goodwill	2,490,733
Total	**9,806,087**

The accounting for this acquisition has been provisionally determined at September 30, 2019. The fair value of net assets acquired, specifically with respect to goodwill, intangible assets and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted to the acquisition date in future reporting periods.

(Expressed in Canadian Dollars)

13. BUSINESS COMBINATIONS (continued)

<u>The Edibles and Infusions Corp.</u>

On July 11, 2019, the Company acquired 100% of the issued and outstanding shares of SUHM. SUHM is an 80% partner of The Edibles and Infusions Corp. Joint Venture ("Edibles"). Edibles owns an edibles manufacturing facility in Winnipeg, Manitoba. This acquisition has been accounted for as business combination as Edibles met the definition of a business under IFRS 3, Business Combinations.
As consideration, the Company paid 46,689,673 common shares with a fair value of $16,107,937 and issued 1,750,863 finder shares with a fair value of $604,048. In accordance with IFRS 3 – Business Combination, the equity consideration on transferred was measured at fair value at the acquisition date, which is the date control was obtained.

Consideration paid	**$**
Cash	2,800,000
Shares and finder shares issued	16,711,985
Total Consideration paid	**19,511,985**
Implied value of Edibles	24,389,980
Net assets acquired	
Cash	56,636
Accounts receivable	515
Prepaid	2,041,667
Property, plant and equipment	847,543
Intangible asset – IP formulations	14,000,000
Intangible asset – IP Food Processing / Manufacturing Ability	6,000,000
Accounts payable and accrued liabilities	(13,335)
Total net assets acquired	22,933,026
Balance allocated to	
Goodwill	1,456,954
Total	**24,389,980**

The non-controlling interest of 20% in Edibles is held by the joint venture partner.

	$
Non-controlling interest, December 31, 2018	-
Fair value of non-controlling interest on transition to consolidation method of accounting	4,877,996
Non-controlling interest in loss of Edibles to September 30, 2019	(72,003)
Total non-controlling interest, September 30, 2019	4,805,993

The accounting for this acquisition has been provisionally determined at September 30, 2019. The fair value of net assets acquired, specifically with respect to goodwill, intangible assets and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, the amounts above may be adjusted to the acquisition date in future reporting periods.

(Expressed in Canadian Dollars)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Accounts payable	$ 1,533,727	$ 141,039
Amount due to related parties	275,799	69,275
Accrued liabilities	99,052	114,318
	$ 1,908,578	**$ 324,632**

15. LEASE LIABILITIES

The following is a continuity schedule of lease liabilities for the nine months ended September 30, 2019:

	$
Balance, December 31, 2018	**-**
Lease additions	1,863,367
Lease payments	(51,585)
Interest expense on lease liabilities	52,826
Balance, September 30, 2019	**1,864,608**
Current portion	(309,510)
Long-term portion	**1,555,098**

16. SHARE CAPITAL

a) Common shares

Authorized:
Unlimited number of common shares without par value.

Issued:

During the period ended September 30, 2019, the former CEO and president resigned from the Company. The Company issued 3,750,000 common shares pursuant to an option exercise for $630,000 as departing compensation for past services.

On March 22, 2019, the Company closed a $20,000,000 third tranche of the $40,000,000 Equity Participation and Earn-In Agreement with DOCC and issued 44,582,040 common shares of the Company at a price of $0.45 per share.

On April 25, 2019 the Company issued 20,588,235 common shares with a fair value of $10,705,882 for the acquisition of 10% of PSC (Note 11).

On April 25, 2019, the Company issued 10,000,000 common shares with a fair value of $5,200,000 to key personnel, including related parties, who are assisting with PSC and the 2.2 million square foot greenhouse project located in Delta, British Columbia.

On April 25, 2019 the Company issued 281,960 common shares with a fair value of $146,478 pursuant to a supply agreement entered into with Vendure Genetics Labs Inc. dated December 26, 2018 for the supply of certain cannabis plants and intellectual property rights.

On April 25, 2019 and June 26, 2019, the Company issued 1,250,000 and 1,250,000 common shares as the first and second allotment to a consultant with fair values of $650,000 and $525,000 respectively pursuant to a letter of intent (the “LOI”). As set out in the LOI, the Company agreed to issue a total aggregate of 5,000,000 common shares to the consultant with the remaining 2,500,000 common shares to be issued by December 25, 2019.

On May 28, 2019, the Company issued 2,000,000 common shares at a fair value of $780,000 to a non-related party as transaction costs in connection with the commercial rights and offtake agreement entered into with ICC International Cannabis Corp (Note 4).

On July 11, 2019, the Company issued 348,109,251 common shares with a fair value of $71,863,907 and 13,054,097 common shares with a fair value of $4,503,663 for the acquisition certain assets from OFIG (Note 12).

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

a) Common shares (continued)

On August 12, 2019, the Company issued 319,551 common shares with a fair value of $94,267 to settle $111,805 of debt for past consulting and other services provided, resulting in a gain on settlement of $17,537.

On August 21, 2019, the Company issued 15,000,000 common shares with a fair value of $4,050,000 and 1,500,000 common shares with a fair value of $405,000 for the acquisition of Eurasia (Note 10).

During the period ended September 30, 2019, the Company issued 23,125,000 common shares on the exercise of options for proceeds of $2,931,750. An amount of $1,994,930 was transferred from option reserve to share capital on exercise.

During the period ended September 30, 2019, 13,147,700 common shares on the exercise of warrants for proceeds of $1,051,816. An amount of $7,955 was transferred from warrant reserve to share capital on exercise.

On October 18, 2018, the Company closed a $12,500,000 first tranche of $40,000,000 Equity Participation and Earn-In Agreement with Delta Organic Cannabis Corp. and issued 27,863,775 common shares of the Company at a price of $0.448 per share.

On December 7, 2018, the Company closed a $7,500,000 second tranche of the $40,000,000 Equity Participation and Earn-In Agreement with DOCC. and issued 16,718,265 common shares of the Company at a price of $0.448 per share.

During the year ended December 31, 2018, the Company issued 10,000,000 common shares with a fair value of $1,460,000 for consulting services provided.

During year ended December 31, 2018 the Company issued 2,008,236 common shares with a fair value of $351,441 to settle $1,326,620 of debt, resulting in a gain on settlement of $975,179 (Note 9).

During year ended December 31, 2018 the Company issued 12,500,000 common shares with fair value of $2,187,500 to acquire the remaining outstanding shares of AAA-H, giving the Company 100% ownership of AAA-H (Note 9).

During the year ended December 31, 2018, 25,405,150 warrants was exercised for proceed of $1,691,076. An amount of $35,136 was transferred from warrant reserve to share capital on exercise.

During the year ended December 31, 2018, 5,400,000 options was exercised for proceeds of $371,200. An amount of $275,559 was transferred from option reserve to share capital on exercise.

As at September 30, 2019, the Company had $Nil in subscription receivable, compare to $61,000 subscription received in December 31, 2018.

b) Warrants outstanding

	Number of warrants	Weighted average exercise price	
At December 31, 2017	40,456,250	$	0.072
Warrants exercised	(25,405,150)		0.066
Warrants expired	(443,400)		-
At December 31, 2018	14,607,700	$	0.080
Warrants exercised	(13,147,700)		0.08
Warrants granted	130,654,776		0.39
Warrants expired	(1,460,000)		0.08
Balance at September 30, 2019	130,654,776	$	0.39

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

On July 11, 2019, the Company granted 130,654,776 warrants as part of the consideration paid to acquire the assets from OFIG. Out of the 130,654,776 warrants, 20,628,140 warrants have an exercise price of $0.05 per warrant expiring June 16, 2021, 43,685,818 warrants have an exercise price of $0.15 per warrant expiring August 21, 2023 and 66,340,818 warrants have an exercise price of $0.65 per warrant expiring December, 2020. These warrants have a total fair value, calculated using the Black-Scholes Option Pricing Model of $25,463,779 assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

c) Stock options outstanding

Under Company's 2015 Stock Option Plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options		Exercise price
March 29, 2018	March 29, 2020	4,750,000		0.168
September 10, 2018	September 10, 2020	500,000		0.128
October 31, 2018	October 31, 2020	1,250,000		0.142
March 15, 2019	March 30, 2020	20,400,000		0.550
May 21, 2019	May 21, 2024	6,000,000		0.460
May 30, 2019	May 30, 2024	3,000,000		0.390
July 11, 2019	May 17, 2024	6,040,000		0.03
August 1, 2019	August 1, 2024	30,000,000		0.13
Balance at September 30, 2019		71,940,000	$	0.38

	Number of options		Weighted average exercise price
At December 31, 2017	15,087,500	$	0.080
Options cancelled and expired	-		-
Options exercised	(5,400,000)		0.069
Options granted	24,625,000		0.159
At December 31, 2018	34,312,500		0.138
Options cancelled and expired	(937,500)		0.090
Options exercised	(26,875,000)		0.133
Options granted	65,440,000		0.40
At September 30, 2019	71,940,000	$	0.38

The weighted average remaining life of the options outstanding is 3.23 years (December 31, 2018 – 1.16 years)

On March 29, 2018, the Company granted 16,625,000 stock options to officers and consultants of the Company with an exercise price of $0.168 per option expiring March 29, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,305,255 assuming an expected life of 1.5 years, a risk-free interest rate of 1.77%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%.

On September 10, 2018, the Company granted 1,000,000 stock options to officers and consultants of the Company with an exercise price of $0.13 per option expiring September 10, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $58,412 assuming an expected life of 1.5 years, a risk-free interest rate of 2.11%, an expected dividend rate of 0.00%, and an expected annual volatility of 97%.

On October 31, 2018, the Company granted 7,000,000 stock options to officers and consultants of the Company with an exercise price of $0.14 per option expiring October 31, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $707,827 assuming an expected life of 1.5 years, a risk-free interest rate of 2.11%, an expected dividend rate of 0.00%, and an expected annual volatility of 109%.

16. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

During the year ended December 31, 2018, 5,400,000 options were exercised for gross proceeds of $371,200.

On March 15, 2019, the Company granted 20,400,000 stock options to consultants of the Company with an exercise price of $0.55 per option and an one-year term expiring March 15, 2020. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,341,035 assuming an expected life of 0.75 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 116%.

On May 21, 2019, the Company granted 6,000,000 incentive stock options to directors, officers and consultants with an exercise price of $0.46 and a five-year term expiring on May 21, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,688,545 assuming an expected life of 1.5 years, a risk-free interest rate of 1.66%, an expected dividend rate of 0.00%, and an expected annual volatility of 125%.

On May 30, 2019, the Company granted 3,000,000 incentive stock options to directors, officers and consultants with an exercise price of $0.39 and a five-year term expiring on May 30, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $596,092 assuming an expected life of 1.5 years, a risk-free interest rate of 1.56%, an expected dividend rate of 0.00%, and an expected annual volatility of 122%.

On July 11, 2019, the Company granted 6,040,000 stock options as consideration for purchase of assets from OFIG with an exercise price of $0.325 per option expiring May 17, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $1,124,360 assuming an expected life of 1.5 years, a risk-free interest rate of 1.62%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

On August 1, 2019, the Company granted 30,000,000 stock options to certain directors, officers and consultants with an exercise price of $0.31 per option expiring August 1, 2024. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $4,427,777 assuming an expected life of 1.5 years, a risk-free interest rate of 1.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 115%.

During the nine months ended September 30, 2019, 23,125,000 options were exercised for gross proceeds of $2,932,250 and 3,750,000 options were exercised for $630,000 as departing compensation for past services for the former CEO and President.

During the nine months ended September 30, 2019, an amount of $51,380 was transferred from option reserve to accumulated deficit for options expired, cancelled or forfeited.

d) Special Warrants

On September 27, 2019, the Company issued 6,666,667 special warrants of the Company at a price of $0.30 per special warrant for gross proceeds of $2,000,000. Each Special Warrant is convertible into units with each unit consisting of one common share of the Company and one transferable common share purchase warrant with each warrant entitling the holder thereof to purchase one additional share of the Company at a price of $0.50 per share for a period of 36 months from the date of issuance of the warrants.

e) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

f) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

17. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel and former management personnel for the period ended September 30, 2019 and year ended December 31, 2018:

Nine months ended September 30, 2019	Consulting and Management Fees	Share-based Compensation
Cherry Consulting Ltd	$ 59,955	$ 70,355
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	3,775,483	89,128
Clairewood Partners / David Parry	230,000	678,127
Christopher Hornung	90,000	161,956
Jerry Habuda	-	98,293
Brian O'Neill / O'Neill Law LLP	19,340	158,385
Joseph Perino	-	98,293
Jan Urata / Take It Public Services Inc.	85,200	18,449
Peter Nguyen / 1183877 BC Ltd	15,000	-
Brandon Boddy/ 1061437 BC Ltd	150,000	1,005,385
	$ 4,424,978	$2,378,371

Nine months ended September 30, 2018	Consulting and Management Fees	Share-based Compensation
Christopher Hornung	$ -	$ -
Cherry Consulting Ltd	18,600	-
Elben Capital Inc./ Derek Ivany/Equity Analytics Inc.	98,000	617,898
FourOneSix Inc.	125,000	308,949
Clairewood Partners / David Parry	30,250	617,898
	$ 271,850	$ 1,544,745

Amounts due to and due from former related parties are unsecured, non-interest bearing and due on demand. At September 30, 2019, $275,799 (December 31, 2018 - $69,275) is owing to current and former related parties for unpaid fees which are included in accounts payable and accrued liabilities. Refer also to Note 14.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non -cash financing and investing activities along with other cash flow information during the nine months ended September 30, 2019 and year ended December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Fair value of transfer on exercise of stock options and warrants	$2,054,266	$ 310,695
Fair value of stock options and warrants expired	51,381	42,979
Shares issued for acquisitions and investments	91,528,453	2,187,500
Shares issued for debt settlement	94,267	351,441
Shares and options issued for services	$ 7,151,479	$ 1,460,000

(Expressed in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Classification of financial instruments

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and accounts payable and accrued liabilities are measured using level 1 inputs.

The following is an analysis of the Company's financial assets measured at fair value as at September 30, 2019 and December 31, 2018:

	As at September 30, 2019		
	Level 1	**Level 2**	**Level 3**
Marketable securities	$ 1,627,765	$ 1,332,500	$ 400,000
Loans receivable	-	-	$ 646,407
Investments	-	-	$ 4,572,827

	As at December 31, 2018		
	Level 1	**Level 2**	**Level 3**
Marketable securities	$ 21,875	-	-
Loans receivable	-	-	$ 253,333
Investments	-	-	$11,656,240

b) Financial risk management

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

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable exposed the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with the construction of its cannabis facilities in Ontario and British Columbia. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2019 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company will need additional funding through equity or debt financing, or a combination thereof, to complete its facilities.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(a) Interest rate risk

Interest rate risk consists of two components: 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; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. The Company does not have significant items in other currencies.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including positive stock market conditions, and the experience of management. The Company is not subject to any external covenants on its capital.

20. COMMITMENTS

During the period ended September 30, 2019, the Company entered into Supply Agreement with Vendure Genetics Labs Inc. ("Vendure") to purchase from Vendure certain plants, plant matter, related plant-based products and Vendure's right, title and interest, including the intellectual property rights in the products for a purchase price of $200,000 (paid) and 281,690 common shares (issued with a fair value of $146,478). Under the agreement, the Company is committed to issue a further $200,00 worth of common shares at the time of awarding Cannabis Cultivation license, and a further number of shares equal to $150,000 per year on each of March 31, 2020, March 31, 2021, March 31, 2022, and March 31, 2023.

21. SUBSEQUENT EVENTS

a) The Company has entered into a share exchange agreement (the "Agreement") with its wholly owned subsidiary 1210391 BC Ltd. ("SubCo" – incorporated May 28, 2019) and JJ Wolf Investments Ltd. ("Wolf"), whereby the Company, who is the registered and beneficial owner of 1 common share (the "SubCo Share") of SubCo which represents 100% of the issued and outstanding common shares of SubCo, sold the SubCo Share to Wolf in exchange for the issuance of 10,000,000 common shares (the "Wolf Shares") in the capital of Wolf at a price of $0.50 per Wolf Share, resulting in the Company owning 50% of the common equity of Wolf. The Company also transferred certain assets listed below to Wolf:

(Expressed in Canadian Dollars)

21. SUBSEQUENT EVENTS (continued)

Asset	**Amount transferred**
Sire Bioscience Inc.	4,600,000 shares
Sire Bioscience Inc	5,373,670 shares
Roughrider Capital Corp	4,260,000 shares
Volt Energy Corp	625,000 shares
Cannabis Clonal Corp	3,000,000 shares
Empower Clinics Inc.	100,000,000 shares
Empower Clinics Inc	10,000,000 warrants
1205293 B.C. Ltd	5,000,000 shares
1205293 B.C. Ltd	2,500,000 warrants
ICC International Cannabis Corp.	1,000,000 shares

b) On October 15, 2019, the Company issued 1,250,000 common shares as the third allotment to a consultant with fair value of $318,750 pursuant to a letter of intent (the "LOI").

c) On October 22, 2019, the Company entered into a Share Purchase Agreement and an Assignment and Assumption of Share Purchase Agreement to purchase 100% of the issued and outstanding shares of The Good Company GmbH, a German limited liability company on a pro-rata basis. As consideration, the Company will pay cash consideration of $1,000,000, issuance of 47,916,667 common shares of the Company and repayment of certain shareholder loans (issued on November 4, 2019 with a fair value of $10,302,083).

Under the terms of the Share Purchase Agreement, the sellers are entitled to receive additional shares of the Company corresponding to an aggregate deemed value of $5,000,000 if certain milestones are achieved or triggered within 18 months from the closing date of the Share Purchase Agreement or in the event that the sellers exercise Earn-Out Shifting Option. The Company also agreed to make cash contributions to The Good Company totaling $1,200,000.

In consideration for facilitating the execution of the transaction, the Company issued 5,000,000 finder shares to arm's length parties with a fair value of $1,075,000.

d) On October 30, 2019, the Company entered into a Letter of Intent, with EuroLife Brands Inc. ("EuroLife"). Under the terms of the Letter of Intent, the companies will collaborate to curate custom evidence-based cannabis content and associated learning modules to be deployed across EuroLife's physician-sanctioned German cannabis education platform, Cannvas.de.

e) On November 11, 2019, the Company entered into a definitive agreement with Tobmar Newsstand Inc ("TN")., North America's premier newsstand retailer, whereby the parties have agreed that the Company will develop, launch and market a variety of hemp lip balms to be sold at TN and TN will sell a variety of the Company's hemp products at certain retail locations, on the terms and conditions set out in the agreement.

The execution of the definitive agreement is a specified trigger for the issuance of milestone shares be issued in accordance with the consulting agreements dated May 23, 2019, as amended on August 27, 2019 and October 22, 2019, entered into with 1061437 BC Ltd. ("1061437"), a company owned and operated by CEO and a director of the Company, and 1132902 BC Ltd. (collectively, the "Consultants"), whereby the Consultants are entitled to 1,000,000 Shares each as the Company has successfully contracted with a Canadian national food retailer for the placement of Canutra Naturals Ltd.'s Whole Hemp Health product line on the retailer's shelves. As a result, the Company issued 2,000,000 common shares on November 15, 2019 with a fair value of $380,000 to the consultants.

21. SUBSEQUENT EVENTS (continued)

f) On November 20, 2019, the Company entered into a preferred supply agreement with Canadian consumer packaged goods broker and wholesaler, Red Phoenix International Trading Ltd. (“RPI”). Under the terms of the Supply Agreement, RPI will distribute the Company’s portfolio of organic cannabis sativa seed oil infused CPGs, including its Whole Hemp Health organic lip balm, as well as its Edibles & Infusions hemp-derived gummy stock-keeping units to domestic big box food retailers.

g) Subsequent to period end, the Company closed a non-brokered private placement offering of 28,750 unsecured convertible debentures for gross proceeds of $28,750,000. The debentures bear interest at a rate of 10% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2019. The debentures mature on December 31, 2021.

The debentures will be convertible at the holder's option into: (i) that number of common shares of the Company calculated on the basis of the aggregate principal amount of the debentures being converted divided by the conversion price of $0.30 per share (the “Conversion Price”); and (ii) a cash payment equal to the additional interest amount that such holder would have received if it had held the Debenture from the date of conversion to the maturity date. Holders converting their debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, but excluding, the date of conversion.