Liberty Leaf Holdings Ltd.

Consolidated Financial Statements

December 31, 2018 and 2017

(Expressed in Canadian Dollars)

Liberty Leaf Holdings Ltd.

December 31, 2018 and 2017

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIBERTY LEAF HOLDINGS LTD.

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

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

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

Material Uncertainty Related to Going Concern
We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $3,573,099 during the year ended December 31, 2018 and, as of that date, the Company has an accumulated deficit of $26,283,381. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Herve Leong-Chung.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2019

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Liberty Leaf Holdings Ltd.

Consolidated Statements of Financial Position
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Assets		
Current		
Cash	$ 402,393	$ 1,211,065
Short term investments (note 9)	1,594,388	-
GST receivable	67,668	53,450
Prepaid expenses and deposits	91,455	122,618
	2,155,904	1,387,133
Property and Equipment (note 6)	39,732	7,754
Investment in Associate (note 8)	5,355,060	1,830,000
	$ 7,550,696	$ 3,224,887
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	$ 308,954	$ 159,165
	308,954	159,165
Shareholders' Equity		
Share Capital (note 11)	27,258,306	21,070,550
Reserves (note 11)	6,266,817	4,704,354
Share Subscriptions	-	1,100
Deficit	(26,283,381)	(22,710,282)
	7,241,742	3,065,722
	$ 7,550,696	$ 3,224,887

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

Approved on behalf of the Board:

"William Rascan" ……………………………… Director
William Rascan

"Steven Feldman" ……………………………… Director
Steven Feldman

Liberty Leaf Holdings Ltd.

Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Expenses				
Accounting, legal and audit (note 10)	$	76,828	$	77,774
Amortization (note 6)		8,647		3,016
Consulting fees (note 10)		706,112		654,545
Management fees (note 10)		196,500		153,000
Office and general		177,702		78,946
Rent		142,414		147,329
Share-based payments (note 10)		1,982,250		378,657
Shareholder communications and investor relations (note 10)		200,896		143,630
Research and development costs		22,109		93,865
Transfer agent and filing fees		47,971		69,131
		3,561,429		1,799,893
Gain on settlement of debt (note 11)		(10,247)		-
Gain on short term investments (note 9)		(98,424)		-
Interest Income		(14,388)		-
Equity loss from associate (note 8)		109,779		-
Loss on settlement of prepaid		15,693		-
Write off of accounts receivable		9,257		-
Transaction costs (note 12)		-		66,050
Net Loss and Comprehensive Loss for the Year	$	3,573,099	$	1,865,943
Basic and Diluted Loss Per Share	$	0.03	$	0.02
Weighted Average Number of Common Shares Outstanding – Basic and Diluted		118,371,560		89,127,181

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

Liberty Leaf Holdings Ltd.

Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Share Subscriptions	Deficit	Total
Balance, December 31, 2016	**79,290,605**	$ **16,590,106**	$ **4,907,677**	$ **-**	$ **(20,844,339)**	$ **653,444**
Private placements	2,270,000	283,750	-	-	-	283,750
Share issue costs	-	(29,261)	11,136	-	-	(18,125)
Residual value of warrants issued	-	(34,050)	34,050	-	-	-
Shares issued for investment in associate (note 8)	4,000,000	1,680,000	-	-	-	1,680,000
Shares issued on the exercise of warrants	18,475,942	1,610,939	-	-	-	1,610,939
Fair value of warrants exercised	-	365,571	(365,571)	-	-	-
Shares issued on the exercise of share options	2,510,000	341,900	-	-	-	341,900
Fair value of share options exercised	-	261,595	(261,595)	-	-	-
Share options granted	-	-	378,657	-	-	378,657
Share subscriptions received	-	-	-	1,100	-	1,100
Net loss for the year	-	-	-	-	(1,865,943)	(1,865,943)
Balance, December 31, 2017	**106,546,547**	**21,070,550**	**4,704,354**	**1,100**	**(22,710,282)**	**3,065,722**
Private placements	5,259,485	2,103,794	-	-	-	2,103,794
Share issue costs	-	(310,044)	-	-	-	(310,044)
Shares issued for investment in associate (note 8)	3,000,000	2,670,000	-	-	-	2,670,000
Shares issued on the exercise of warrants	9,939,677	904,168	-	-	-	904,168
Fair value of warrants exercised	-	125,096	(125,096)	-	-	-
Shares issued on the exercise of share options	2,413,225	356,688	-	(1,100)	-	355,588
Fair value of share options exercised	-	294,691	(294,691)	-	-	-
Shares issued for settlement of debt (note 11)	117,198	43,363	-	-	-	43,363
Share options granted	-	-	1,982,250	-	-	1,982,250
Net loss for the year	-	-	-	-	(3,573,099)	(3,573,099)
Balance, December 31, 2018	**127,276,132**	**$ 27,258,306**	**$ 6,266,817**	**$ -**	**$ (26,283,381)**	**$ 7,241,742**

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

Liberty Leaf Holdings Ltd.

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Operating Activities				
Net loss for the year	$	(3,573,099)	$	(1,865,943)
Items not involving cash				
Amortization		8,647		3,016
Share-based payments		1,982,250		378,657
Gain on short term investments		(98,424)		-
Gain on settlement of debt		(10,247)		-
Interest accrued on short term investments		(14,388)		-
Equity loss from associate (note 8)		109,779		-
Changes in non-cash working capital				
GST receivable		(14,218)		(5,765)
Prepaid expenses		31,163		(95,653)
Accounts payable and accrued liabilities		203,399		82,665
Cash Used in Operating Activities		(1,375,138)		(1,503,023)
Investing Activities				
Advances to investment in associate (note 8)		(964,839)		(150,000)
Short term investments (note 9)		(1,550,000)		-
Proceeds on sale of short term investments		68,424		-
Purchase of equipment (note 6)		(40,625)		(9,816)
Cash Used in Investing Activities		(2,487,040)		(159,816)
Financing Activities				
Share subscriptions received		-		1,100
Proceeds from exercise of warrants		904,168		-
Proceeds from exercise of options		355,588		-
Shares issued for cash, net of issue costs		1,793,750		2,218,464
Cash Provided by Financing Activities		3,053,506		2,219,564
Inflow (Outflow) of Cash		(808,672)		556,725
Cash, Beginning of the Year		1,211,065		654,340
Cash, End of the Year	$	402,393	$	1,211,065

Supplemental Disclosures with Respect to Cash Flows (note 13)

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

1. NATURE OF OPERATIONS

Liberty Leaf Holdings Ltd. (the "Company") is a Vancouver, British Columbia, based company incorporated in the province of British Columbia. The Company is listed on the Canadian Securities Exchange (the "Exchange") under the symbol "LIB".

The Company was a mineral exploration company until October 21, 2016, when the Company changed its name, completed a transition to become a licensed producer of medical marijuana as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"), and began trading under the symbol "LIB". On October 19, 2016, the Company acquired 100% of the issued and outstanding shares of North Road Ventures Ltd. ("North Road") (note 7). On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush") (note 8).

The principal address of the Company is located at 700 – 838 West Hastings Street, Vancouver, British Columbia, Canada, V6C 0A6.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred an operating loss during the year ended December 31, 2018 of $3,573,099 (2017 - $1,865,943) and has a deficit of $26,283,381 (2017 - $22,710,282), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company has not yet commenced revenue-producing operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the application process for an ACMPR license or enter into agreements with other cannabis-related businesses. Management is actively engaged in the review and due diligence on opportunities of merit in the cannabis sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

3. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value. These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PRESENTATION (Continued)

c) Principles of consolidation

The consolidated financial statements of the Company consolidate the accounts of the Company and its wholly owned subsidiary, North Road, a British Columbia, Canada company. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

d) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on April 30, 2019.

e) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- Control

  Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

- Going Concern

  The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

3. BASIS OF PRESENTATION (Continued)

e) Use of estimates and judgments (Continued)

- Significant influence

  Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Just Kush.

- Treatment of license costs

  License costs are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any license costs as at December 31, 2018 and 2017.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The inputs used in assessing the recoverable amount of deferred tax assets;
- Assumptions used as inputs to calculate share-based payments; and
- Fair value of equity issuances for non-cash consideration.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the consolidated financial statements, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the year to the Company for purposes of these consolidated financial statements.

a) Foreign currency translation

The Company's presentation currency and the functional currency of the Company and its subsidiary is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property and equipment

i) Recognition and measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

iii) Amortization

The amortization rates applicable to each category of property and equipment are as follows:

Class of equipment	**Amortization rate**
Computer equipment	55% declining-balance
Office equipment	20% declining-balance

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

d) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company upon exercise. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. The related reserve value is transferred to share capital.

e) Financial instruments

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

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash	Fair value through profit and loss (“FVTPL”)	FVTPL
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial instruments (continued)

(ii) Classification of financial assets (continued)

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial instruments (continued)

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Fair value hierarchy

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Share-based payment transactions

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

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital. For those options and warrants that expire or are forfeited after vesting, the recorded value remains in reserves.

g) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive loss. 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 regard to previous years.

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

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

h) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) New and revised accounting standards issued but not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on the new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Management does not expect these standards to have a significant impact on the Company's consolidated financial statements.

IFRS 16 Leases

Issued by IASB January 2016, effective for annual periods beginning January 1, 2019

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

5. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

- Cash is classified as financial asset at FVTPL;
- Short-term investments as financial assets classified as FVTPL;
- Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing cash with major Canadian financial institutions. The Company is therefore exposed to credit risk with respect to cash of $402,393 (2017 - $1,211,065) and short-term investments of $1,594,388 (2017 - $nil) as at December 31, 2018.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2018 equal $308,954 (2017 - $159,165). All of the liabilities presented as accounts payable are due within 90 days of December 31, 2018.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

As at December 31, 2018, the Company is exposed to market risk with respect to short term investments of $80,000 (2017 - $nil) representing the Company's investment in common shares of Blox Labs Inc. ("BLOX").

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
Balance, December 31, 2016	$	3,580	$	2,032	$	5,612
Additions		9,816		-		9,816
Balance, December 31, 2017	$	13,396	$	2,032	$	15,428
Additions		2,777		37,848		40,625
Balance, December 31, 2018	$	16,173	$	39,880	$	56,053
Accumulated Amortization						
Balance, December 31, 2016	$	3,220	$	1,438	$	4,658
Amortization		2,897		119		3,016
Balance, December 31, 2017		6,117		1,557		7,674
Amortization		4,767		3,880		8,647
Balance, December 31, 2018	$	10,884	$	5,437	$	16,321
Net Book Value, December 31, 2017	$	7,279	$	475	$	7,754
Net Book Value, December 31, 2018	$	5,289	$	34,443	$	39,732

7. ACQUISITION OF NORTH ROAD VENTURES LTD.

On April 28, 2016, as amended July 4, 2016 and September 9, 2016, the Company entered into an agreement to purchase all of the shares of North Road.

During the year ended December 31, 2015, the Company advanced $107,500 to North Road in order to further its ACMPR license application. The amount advanced was without interest. If North Road submitted a ACMPR license application by June 30, 2016, based on the ACMPR rules in place when the letter of intent with North Road was signed on July 21, 2015, the amount advanced would be forgiven. The ACMPR application was submitted by North Road and the Company forgave repayment of the advance.

On April 28, 2016, as amended July 4, 2016 and September 9, 2016, the Company entered into an agreement to purchase all of the shares of North Road. As consideration for the purchase, the Company issued 12,000,000 common shares to the shareholders of North Road upon approval of the transaction by the Exchange. The common shares were valued at $660,000 based on the market price of the shares at the date of issuance. In relation to this transaction, the Company paid a finder’s fee of 1,200,000 common shares, which were valued at $66,000.

7. ACQUISITION OF NORTH ROAD VENTURES LTD. (Continued)

Under the terms of the agreement, as the ACMPR license application progresses the Company will pay to the shareholders of North Road compensation for meeting certain milestones described in cash or the equivalent dollar value of common shares of the Company as follows: $150,000 upon North Road completing the "Security Clearance" phase; $350,000 upon North Road completing the "Pre-license Inspection" phase; and $1,000,000 upon North Road receiving an approved ACMPR license.

The closing of the definitive agreement constituted a change of business for the Company and was approved by the Exchange on October 19, 2016.

8. INVESTMENT IN ASSOCIATE

On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush"), a private British Columbia company with an in process ACMPR license.

Pursuant to the agreement, the Company has advanced payment to Just Kush and the amount pertains to the build out expenditures incurred at the Just Kush facility to further Just Kush's ACMPR application. These amounts have been paid by the Company and will be reimbursed to the Company by Just Kush.

The capital of Just Kush consists of 100 Class A voting shares and 100 class B common shares. The Company acquired 45 Class A voting shares and 24 Class B common shares of Just Kush, representing approximately 34.5% equity interest in Just Kush.

As consideration, the Company paid $150,000 and issued 2,000,000 common shares of the Company upon execution of the agreement at a fair value of $840,000. In addition, the Company may acquire a further 36 Class B common shares pursuant to the milestones below. The Company issued a further 3,000,000 common shares at a fair value of $2,670,000 on January 15, 2018 to be held in escrow and to be released upon the following milestones:

i. Within two days of receipt of written notice from Just Kush indicating that Just Kush passed the Security Clearance pursuant to the ACMPR application, the Company shall issue 1,000,000 common shares of the Company to shareholders of Just Kush in exchange for 12 Class B shares.

(Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATE (Continued)

ii. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Produce pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

iii. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Introduction Inspection pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

iv. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Pre-Sales Inspection pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

v. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Sell, pursuant to the ACMPR application, the Company shall pay $600,000 to the shareholders of Just Kush, and issue 500,000 common shares of the Company to shareholders of Just Kush. The $600,000 is payable in cash and/or issuance of shares of the Company (based on a 20-day VWAP at the option of Company), in exchange for 6 Class B shares of Just Kush.

The 2,000,000 common shares were valued at $840,000 based on the market price of the shares on the date of issuance. In relation to this transaction, the Company paid a finder's fee of 1,000,000 common shares, which were valued at $420,000 and compensation shares of 1,000,000 common shares, which were valued at $420,000.

The Company has determined it has significant influence over Just Kush and accounts for its investment using the equity method. The following is a summary of the investment account:

		2018	2017
Shares issued	$	4,350,000	1,680,000
Cash consideration	$	150,000	150,000
Advances	$	964,839	-
Equity loss from associate	$	(109,779)	-
Investment in associate	$	5,355,060	1,830,000

Summarized financial information for Just Kush is as follows:

		2018	2017
Current assets	$	112,227	100
Non-current assets	$	937,821	177,650
Current liabilities	$	59,291	-
Non-current liabilities	$	1,626,257	177,984
Net loss	$	318,200	-

(Expressed in Canadian Dollars)

9. SHORT TERM INVESTMENTS

On March 13, 2018, the Company invested $1,500,000 in a redeemable short-term investment certificate with a maturity date of March 12, 2019. The investment earns interest at 1.2% per annum and is redeemable at any time before the maturity date. Interest earned on the investment is included in gain on short term investments.

On June 20, 2018, the Company purchased 666,667 common shares of BLOX (CSE: Blox) at $0.075 per share. The investment was made pursuant to the terms of an agreement signed December 9, 2017, where the Company agreed to purchase a minimum of $50,000 in shares of BLOX for investment purposes, when BLOX undertook its next equity financing. The investment is marked to market each reporting period and the gain or loss is reflected in gain on short term investments. Common shares of BLOX underwent a three for one stock split on June 28, 2018. As at December 31, 2018, these 2,000,001 shares were valued at $0.04 per share for a market value of $80,000, with a corresponding gain recognized during the year of $30,000.

During the year ended December 31, 2018, the Company recognized a gain on short-term investments of $68,424 to reflect the gain on the sale of the shares previously recorded.

10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss for the years ended December 31, 2018 and 2017:

		2018		**2017**
Consulting fees	$	29,000	$	-
Management fees	$	196,500	$	153,000
Accounting fees	$	7,000	$	4,500
Shareholder communications	$	56,500	$	37,500
Share-based payments	$	922,518	$	51,628

These transactions were in the normal course of operations. The Company engaged the CEO, to provide management services to the Company in consideration of $170,000 during the year ended December 31, 2018 (2017 - $128,000). The Company engaged the CFO to provide management services in consideration of $26,500 (2017 - $14,500), and separately paid $7,000 for accounting services during the year ended December 31, 2018 (2017 - $3,000). The Company engaged a director to provide shareholder communication services for consideration of $56,500 during the year ended December 31, 2018 (2017 - $37,500). The Company engaged a director to provide consulting services for consideration of $28,000 during the year ended December 31, 2018 (2017 – $2,000 in management fees). Incentive stock options were granted to key management during the year ended December 31, 2018 with a fair value of $922,518 (2017 - $51,628) estimated using the Black Scholes option pricing model.

As at December 31, 2018, accounts payable and accrued liabilities included $19,375 (2017 - $38,264) due to officers and directors or companies controlled by officers and directors and former directors and officers. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

<u>During the year ended December 31, 2018</u>

On January 22, 2018, the Company closed a non-brokered private placement and issued 5,000,000 units at a price of $0.40 per unit for gross proceeds of $2,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable by the holder to acquire one additional common share for a period of two years from issuance at an exercise price of $0.60. The Company paid finder's fees of $206,250 and issued 259,485 finder's units with the same terms as the private placement units with a fair value of $103,794. The Company allocated all of the proceeds to the common shares and $nil to the warrants based on the residual value method.

On April 5, 2018, the Company issued 117,198 units at a fair value of $0.37 per unit to settle $46,879 of debt due to an unrelated party. Each unit consists of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per share for a period of two years from the closing. The Company recognized a gain on settlement of debt of $3,516 to reflect the difference between the amount owing and the share price on the issuance date.

During the year ended December 31, 2018, the Company issued 9,939,677 common shares of the Company for gross proceeds of $904,168 on the exercise of 9,939,677 share purchase warrants. The Company transferred $125,096 from reserves to share capital in conjunction with the exercises. The Company also issued 2,413,225 common shares of the Company for gross proceeds of $356,688 on the exercise of 2,413,225 stock options. $1,100 of the proceeds were received prior to December 31, 2017. The Company transferred $294,691 from reserves to share capital in conjunction with the exercises.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Issued share capital (continued)

During the year ended December 31, 2017

On May 24, 2017, the Company closed a non-brokered private placement and issued 2,270,000 units at a price of $0.125 per unit for gross proceeds of $283,750. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share for a period of two years from issuance at an exercise price of $0.20. The Company allocated $249,700 of the proceeds to the common shares and $34,050 to the warrants based on the residual value method. The Company paid finder's fees of $18,125 and issued 145,000 finder's warrants. Each finder's warrant is exercisable into one common share for a period of two years from issuance at a price of $0.20. The fair value of the finder's warrants of $11,136 was estimated using the Black Scholes option pricing model.

On December 11, 2017, the Company issued 3,000,000 common shares (valued at $1,260,000) as part of the investment in Just Kush (note 8). The Company also issued 1,000,000 common shares (valued at $420,000) as a finder's fee pursuant to the agreement.

During the year ended December 31, 2017, the Company issued 18,475,942 common shares for gross proceeds of $1,610,939 on the exercise of 18,475,942 share purchase warrants. The Company transferred $365,571 from reserves to share capital in conjunction with the exercises. The Company also issued 2,510,000 common shares for gross proceeds of $341,900 on the exercise of 2,510,000 options. The Company transferred $261,595 from reserves to share capital in conjunction with the exercises.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	December 31, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	10,605,677	$ 0.10	28,466,619	$ 0.08
Issued	2,688,342	0.60	2,415,000	0.20
Exercised*	(9,939,677)	0.09	(18,475,942)	0.09
Expired	(50,000)	0.08	(1,800,000)	0.08
Outstanding, end of year	3,304,342	$ 0.53	10,605,677	$ 0.10

*weighted average share price for warrants exercised during the year ended December 31, 2018 was $0.09

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Warrants (continued)

The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**December 31, 2018**	**December 31, 2017**
April 4, 2018	-	$ 0.075	-	2,400,000
September 16, 2018	-	$ 0.075	-	4,050,000
October 19, 2018	-	$ 0.10	-	2,837,677
May 24, 2019	0.39	$ 0.20	616,000	1,318,000
January 22, 2020	1.06	$ 0.60	2,629,743	-
April 5, 2020	1.26	$ 0.60	58,599	-
	0.94	$ 0.25	3,304,342	10,605,677

Share options

The Company has adopted a share option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant and the options are exercisable for a period not to exceed 10 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options (continued)

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Options granted to directors, employees and consultants vest immediately. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

Share option transactions and the number of share options outstanding are summarized as follows:

	December 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,090,000	$ 0.17	3,835,000	$ 0.14
Granted	6,500,000	0.40	4,000,000	0.17
Exercised*	(2,413,225)	0.15	(2,510,000)	0.14
Expired	(1,426,775)	0.24	(235,000)	0.10
Outstanding, end of period	7,750,000	$ 0.35	5,090,000	$ 0.17

* weighted average share price for options exercised during the year ended December 31, 2018 was $0.33

During the year ended December 31, 2018

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.92%; expected dividend yield of zero; expected share price volatility of 138%; and expected life of 1.69 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.31. Accordingly, $1,982,250 was recognized as share-based payment expense during the year ended December 31, 2018.

During the year ended December 31, 2017

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.18%; expected dividend yield of zero; expected share price volatility of 150%; and expected life of 1.54 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.095. Accordingly, $378,657 was recognized as share-based payment expense during the year ended December 31, 2017.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options (continued)

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**December 31, 2018**	**December 31, 2017**
February 3, 2018	-	$ 0.195	-	50,000
April 13, 2018	-	$ 0.16	-	200,000
July 20, 2018	-	$ 0.105	-	100,000
August 1, 2018	-	$ 0.11	-	100,000
August 10, 2018	-	$ 0.11	-	40,000
October 25, 2018	-	$ 0.12	-	100,000
October 26, 2018	-	$ 0.15	-	2,350,000
November 22, 2018	-	$ 0.215	-	250,000
November 25, 2018	-	$ 0.20	-	100,000
December 22, 2018	-	$ 0.49	-	350,000
January 31, 2019*	0.08	$ 0.69	300,000	-
February 5, 2019*	0.10	$ 0.52	100,000	-
March 2, 2019*	0.17	$ 0.44	125,000	-
March 22, 2019*	0.22	$ 0.49	50,000	-
May 15, 2019	-	$ 0.12	-	100,000
May 23, 2019	0.39	$ 0.30	100,000	-
July 5, 2019	0.51	$ 0.10	750,000	750,000
July 18, 2019	0.55	$ 0.25	150,000	-
August 1, 2019	0.58	$ 0.11	250,000	250,000
August 1, 2019	0.58	$ 0.245	575,000	-
September 1, 2019	-	$ 0.095	-	100,000
September 27, 2019	0.74	$ 0.22	500,000	-
November 24, 2019	0.90	$ 0.210	250,000	250,000
October 30, 2019	0.83	$0.16	100,000	-
January 5, 2020	1.01	$ 0.74	2,500,000	-
August 1, 2020	1.59	$ 0.245	2,000,000	-
	0.96	$ 0.35	7,750,000	5,090,000

*expired unexercised subsequently

(Expressed in Canadian Dollars)

12. TRANSACTION COSTS

On January 31, 2017, the Company entered into a letter of intent ("LOI") to acquire up to a 27.5% interest in GR8 Track, Inc. ("GR8"), a private company based in California, USA, licensed to produce cannabis for medical use.

Pursuant to the terms of the agreement, the Company paid a deposit of $50,000 USD within 7 business days from execution of the LOI. The definitive agreement was subject to a 60-day due diligence period and the Company completing a minimum financing of $500,000 gross proceeds.

The due diligence period expired and management concluded it would not complete the execution of the LOI. Management determined that the Company would not recover the $50,000 USD deposit paid, which was written off during the year ended December 31, 2017.

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2018	2017
Accounts payable settled with share capital	$ 43,363	$ -
Subscriptions received	$ (1,100)	$ 1,100
Shares issued for investments in associate	$ 2,670,000	$ 1,680,000

14. SEGMENTED DISCLOSURE

The Company currently operates in one industry segment, being development of cannabis products, and in one geographic area, being Canada.

15. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% (2017 - 26%) to income before income taxes.

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

	2018	2017
Loss before income taxes	$ (3,573,099)	$ (1,865,943)
Statutory income tax rate	27.00%	26.00%
Income tax benefit computed at statutory tax rate	(964,737)	(485,145)
Items not deductible for income tax purposes	548,186	115,624
Effect of change in tax rates	-	(153,361)
Change in timing differences	(28,547)	-
Unrecognized benefit of deferred income tax assets	445,098	522,883
Income tax benefit	$ -	$ -

(Expressed in Canadian Dollars)

15. INCOME TAXES (Continued)

Significant tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2018	2017
Non-capital losses carried forward	$ 10,964,187	$ 9,253,859
Excess of tax value over carrying value of exploration and evaluation assets	4,422,073	4,593,852
Excess of tax value over carrying value of property and equipment	18,420	9,774
Share issue costs	191,772	48,167
Capital losses	1,430,459	1,430,459
Unrecognized deferred tax assets	$ 17,026,911	$ 15,336,111

The Company has non-capital losses of approximately $10,994,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2026	$ 92,000
2027	404,000
2028	607,000
2029	1,385,000
2030	727,000
2031	802,000
2032	839,000
2033	245,000
2034	442,000
2035	744,000
2036	1,572,000
2037	1,508,000
2038	1,627,000
	$ 10,994,000

16. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders’ equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company’s approach to capital management during the year ended December 31, 2018. The Company is not subject to external restrictions on its capital.

17. RESEARCH AND DEVELOPMENT

On March 1, 2017, the Company entered into an agreement for services to be provided by ESEV R&D LLC. ("ESEV"), a medical research company in Israel. Under the terms of the agreement, ESEV will organize and oversee medical studies to demonstrate the efficacy of formulas and products owned or licensed by Liberty for specific medical conditions in pets. The initial statement of work includes testing the efficacy of Cannabinoids (CBD) in canine osteoarthritis, which includes hip dysplasia, elbow dysplasia and stifle Degenerative Joint Disease (DJD). Costs incurred during the years ended December 31, 2018 and 2017 were expensed as research and development costs.

On December 9, 2017, the Company entered into an agreement for services to be provided by BLOX, a blockchain technology company in Ontario. Under the terms of the agreement, BLOX will develop on behalf of the Company a blockchain based software application to track and monitor the sale and distribution of cannabis and marijuana products, from cultivator to end consumer. Costs incurred during the year ended December 31, 2017 were expensed as research and development costs.

18. COMMITMENTS

According to the terms of the agreement to purchase shares of Just Kush (note 8), the Company has agreed to pay all property taxes associated with the ACMPR application, all costs associated with furthering the ACMPR application process and upon commencement of the Buildout pursuant to the ACMPR application, a minimum of $2,500 per month in rent to Just Kush for a term not to exceed six months.

19. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2018.

(a) The Company granted 2,000,000 share options to consultants of the Company on March 18, 2019, with a term to expiry of one year and an exercise price of $0.15.

(b) The Company issued 250,000 common shares of the Company for gross proceeds of $37,500 on the exercise of 250,000 stock options.