Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Financial Statements

Three and Six Months Ended June 30, 2019

(Unaudited - Expressed in Canadian Dollars)

Liberty Leaf Holdings Ltd.

Six Months Ended June 30, 2019

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 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 consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Smythe Ratcliffe LLP, Chartered Accountants has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

August 29, 2019

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

		June 30, 2019		December 31, 2018
Assets				
Current				
Cash	$	177,514	$	402,393
Short term investments (note 9)		1,077,632		1,594,388
GST receivable		29,071		67,668
Prepaid expenses and deposits		63,583		91,455
		1,347,800		2,155,904
Property and Equipment (note 6)		34,832		39,732
Investment in Associate (note 8)		5,590,823		5,355,060
	$	6,973,455	$	7,550,696
Liabilities				
Current				
Accounts payable and accrued liabilities (note 10)	$	360,867	$	308,954
		360,867		308,954
Shareholders' Equity				
Share Capital (note 11)		27,389,515		27,258,306
Reserves (note 11)		6,310,117		6,266,817
Share Subscriptions		-		-
Deficit		(27,087,044)		(26,283,381)
		6,612,588		7,241,742
	$	6,973,455	$	7,550,696

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

Approved on behalf of the Board:

"William Rascan"	*"Steven Feldman"*
……………………………… Director	……………………………… Director
William Rascan	Steven Feldman

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss
For the Three and Six Months Ended June 30
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	**Six Months Ended June 30, 2019**	Six Months Ended June 30, 2018
Expenses				
Accounting, legal and audit (note 10)	**$ 39,011**	$ 20,157	**$ 62,167**	$ 60,537
Amortization (note 6)	**2,449**	3,043	**4,899**	4,323
Consulting fees (note 10)	**219,606**	71,000	**335,631**	366,475
Management fees (note 10)	**45,500**	43,500	**89,000**	87,000
Office and general	**17,259**	26,186	**42,835**	79,581
Rent	**5,000**	7,500	**12,500**	71,120
Share-based payments (note 10)	**-**	13,867	**83,509**	1,515,682
Shareholder communications and investor relations (note 10)	**17,662**	36,093	**33,938**	112,650
Transfer agent and filing fees	**15,038**	11,342	**31,542**	29,213
Research and development costs	**-**	18,762	**-**	18,762
	361,525	251,450	**696,021**	2,345,343
Loss (gain) on short term investments (note 9)	**80,000**	(53,257)	**60,000**	(73,812)
Interest Income	**(6,000)**	-	**(12,000)**	-
Gain on settlement of debt		(3,516)		(3,516)
Equity loss from associate (note 8)	**35,000**	-	**59,643**	-
Net Loss and Comprehensive Loss	**$ 470,525**	$ 194,677	**$ 803,664**	$ 2,268,015
Basic and Diluted Loss Per Share	**$ 0.00**	$ 0.00	**$ 0.01**	$ 0.02
Basic and Diluted Weighted Average Number of Common Shares Outstanding	**127,437,521**	117,018,716	**127,437,521**	116,017,837

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

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Six Months ended June 30, 2019 and 2018
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Share Subscriptions	Deficit	Total
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	3,000,000	2,670,000	-	-	-	2,670,000
Shares issued on the exercise of options and warrants	5,245,439	561,485	-	(1,100)	-	560,385
Shares issued for settlement of debt	117,198	43,363	-	-	-	43,363
Fair value of options and warrants exercised	-	161,647	(161,647)	-	-	-
Share options granted	-	-	1,515,682	-	-	1,515,682
Net loss for the period	-	-	-	-	(2,268,015)	(2,268,015)
Balance, June 30, 2018	**120,168,669**	**26,300,795**	**6,058,389**	**-**	**(24,978,297)**	**7,380,887**
Shares issued on the exercise of options and warrants	7,107,463	699,371	-	-	-	699,371
Fair value of options and warrants exercised	-	258,140	(258,140)	-	-	-
Share options granted	-	-	466,568	-	-	466,568
Net loss for the period	-	-	-	-	(1,305,084)	(1,305,084)
Balance, December 31, 2018	**127,276,132**	**27,258,306**	**6,266,817**	**-**	**(26,283,381)**	**7,241,742**
Shares issued on the exercise of options and warrants	660,000	91,000	-	-	-	91,000
Fair value of options and warrants exercised	-	40,209	(40,209)	-	-	-
Share options granted	-	-	83,509	-	-	83,509
Net loss for the period	-	-	-	-	(803,664)	(803,664)
Balance, June 30, 2019	**127,936,132**	**$ 27,389,515**	**$ 6,310,117**	**$ -**	**(27,087,044)**	**$ 6,612,588**

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

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Cash Flows
For the Six Months Ended June 30
(Unaudited - Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net loss for the period	$ (803,664)	$ (2,268,015)
Items not involving cash		
Amortization	4,899	4,323
Share-based payments	83,509	1,515,682
Loss (gain) on short term investments	60,000	(5,388)
Gain on settlement of debt		(3,516)
Interest accrued on short term investments	(12,000)	-
Equity loss from associate (note 8)	59,643	-
Changes in non-cash working capital		
GST receivable	38,597	28,773
Prepaid expenses	27,872	80,991
Accounts payable and accrued liabilities	51,913	49,849
Cash Used in Operating Activities	(489,231)	(597,301)
Investing Activities		
Advances to investment in associate (note 8)	(295,406)	(328,383)
Short term investments (note 9)	-	(1,550,000)
Proceeds on sale of short term investments	468,758	-
Purchase of equipment (note 6)	-	-
Cash Used in Investing Activities	173,352	(1,878.383)
Financing Activities		
Shares issued for cash, net of issue costs	91,000	2,354,135
Cash Provided by Financing Activities	91,000	2,354,135
Inflow (Outflow) of Cash	(224,879)	(121,549)
Cash, Beginning of the Period	402,393	1,211,065
Cash, End of the Period	$ 177,514	$ 1,089,516

Supplemental Disclosures with Respect to Cash Flows (note 13)

The accompanying notes are an integral part of these condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred an operating loss during the six months ended June 30, 2019 of $803,664 (2018 - $2,268,015) and has a deficit of $27,087,044 (December 31, 2018 - $26,283,381), 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 condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS"). As such, certain disclosures required by IFRS have been condensed or omitted.

These condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2018 annual consolidated financial statements, which have been prepared in accordance with IFRS.

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

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

c) Principles of consolidation

The condensed consolidated interim 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 condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on August 29, 2019.

e) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 June 30, 2019.

The key estimates applied in the preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements, as appropriate.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has adopted IFRS 16 Leases (“IFRS 16”) effective January 1, 2019. These changes to the Company’s significant accounting policies include:

The key requirements of IFRS 16 as they relate to the Company include the following:

Management does not expect these standards to have a significant impact on the Company’s condensed consolidated interim 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 $177,514 (December 31, 2018 - $402,393) and short-term investments of $1,077,632 (December 31, 2018 - $1,594,388) as at June 30, 2019.

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 June 30, 2019 equal $360,867 (December 31, 2018 - $308,954). All of the liabilities presented as accounts payable are due within 90 days of June 30, 2019.

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 June 30, 2019, the Company is exposed to market risk with respect to short term investments of $20,000 (December 31, 2018 - $80,000) representing the Company's investment in common shares of Blox Labs Inc. ("BLOX").

(Unaudited – Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
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
Additions		-		-		-
Balance, June 30, 2019	$	16,173	$	39,880	$	56,053
Accumulated Amortization						
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
Amortization		1,455		3,444		4,899
Balance, June 30, 2019	$	12,339	$	8,881	$	21,220
Net Book Value, December 31, 2018	$	5,289	$	34,443	$	39,732
Net Book Value, June 30, 2019	$	3,834	$	30,999	$	34,832

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.

(Unaudited – 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:

		2019	2018
Shares issued	$	4,350,000	4,350,000
Cash consideration	$	150,000	150,000
Advances	$	1,260,245	964,839
Equity loss from associate	$	(169,422)	(109,779)
Investment in associate	$	5,590,823	5,355,060

Summarized financial information for Just Kush is as follows:

		2019	2018
Current assets	$	14,572	112,227
Non-current assets	$	991,895	937,821
Current liabilities	$	140,391	59,291
Non-current liabilities	$	1,921,663	1,626,257
Net loss	$	172,878	318,200

(Unaudited – 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 earned interest at 1.2% per annum until February 2019 when the interest rate was increased to 2.0%. The investment is redeemable at any time before the maturity date. Interest earned on the investment is included in gain on short term investments. During the six months ended June 30, 2018, the Company redeemed $456,756 to cash to fund operations.

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 June 30, 2019, these 2,000,001 shares were valued at $0.01 per share for a market value of $20,000 (December 31, 2018 - $80,000), with a corresponding loss recognized during the period of $60,000.

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 six months ended June 30, 2019 and 2018:

		2019		2018
Consulting fees	$	10,000	$	9,000
Management fees	$	89,000	$	87,000
Accounting fees	$	9,575	$	4,000
Shareholder communications	$	24,000	$	25,000
Share-based payments	$	-	$	675,989

These transactions were in the normal course of operations. The Company engaged the CEO to provide management services to the Company in consideration of $75,000 during the period ended June 30, 2019 (2018 - $75,000). The Company engaged the CFO to provide management services in consideration of $14,000 (2018 - $12,000) and separately paid $9,575 for accounting services during the period ended June 30, 2019 (2018 - $4,000). The Company engaged a director to provide shareholder communication services for consideration of $24,000 during the period ended June 30, 2019 (2018 - $25,000). The Company engaged a director to provide consulting services for consideration of $10,000 during the period ended June 30, 2019 (2018 - $9,000). Incentive stock options were granted to key management during the period ended June 30, 2019 with a fair value of $nil (2018 - $675,989) estimated using the Black Scholes option pricing model.

As at June 30, 2019, accounts payable and accrued liabilities included $4,775 (December 31, 2018 - $19,375) 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

During the period ended June 30, 2019

During the period ended June 30, 2019, the Company issued 660,000 common shares of the Company for gross proceeds of $91,000 on the exercise of 660,000 stock options. The Company transferred $40,209 from reserves to share capital in conjunction with the exercises.

During the year ended December 31, 2018

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.

(Unaudited – Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Issued share capital (continued)

Warrants

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

	June 30, 2019		**December 31, 2018**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	3,304,342	$ 0.53	10,605,677	$ 0.10
Issued	-	-	2,688,342	0.60
Exercised*	-	-	(9,939,677)	0.09
Expired	616,000	0.20	(50,000)	0.08
Outstanding, end of period	2,688,342	$ 0.60	3,304,342	$ 0.53

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

(Unaudited – 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	**June 30, 2019**	**December 31, 2018**
May 24, 2019	-	$ 0.20	-	616,000
January 22, 2020	0.56	$ 0.60	2,629,743	2,629,743
April 5, 2020	0.77	$ 0.60	58,599	58,599
	0.57	$ 0.53	2,688,342	3,304,342

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.

(Unaudited – 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:

	June 30, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	7,750,000	$ 0.41	5,090,000	$ 0.17
Granted	2,000,000	0.15	6,500,000	0.40
Exercised*	660,000	0.14	(2,413,225)	0.15
Expired	(675,000)	0.55	(1,426,775)	0.24
Outstanding, end of period	8,415,000	$ 0.36	7,750,000	$ 0.41

* weighted average share price for options exercised during the year ended December 31, 2018 was $0.15

During the six months ended June 30, 2019

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 1.63%; expected dividend yield of zero; expected share price volatility of 100%; and expected life of 1.00 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 $0.042. Accordingly, $83,509 was recognized as share-based payment expense during the period ended June 30, 2019.

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.

(Unaudited – 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	**June 30, 2019**	**December 31, 2018**
January 31, 2019	-	$ 0.69	-	300,000
February 5, 2019	-	$ 0.52	-	100,000
March 2, 2019	-	$ 0.44	-	125,000
March 22, 2019	-	$ 0.49	-	50,000
May 15, 2019	-	$ 0.12	-	-
May 23, 2019	-	$ 0.30	-	100,000
July 5, 2019**	0.01	$ 0.10	590,000	750,000
July 18, 2019*	0.05	$ 0.25	150,000	150,000
August 1, 2019*	0.09	$ 0.11	250,000	250,000
August 1, 2019*	0.09	$ 0.245	575,000	575,000
September 27, 2019	0.24	$ 0.22	500,000	500,000
October 30, 2019	0.33	$0.16	100,000	100,000
November 24, 2019	0.40	$ 0.210	250,000	250,000
January 5, 2020	0.52	$ 0.74	2,500,000	2,500,000
March 18, 2020	0.72	$ 0.15	1,500,000	-
August 1, 2020	1.09	$ 0.245	2,000,000	2,000,000
	0.82	$ 0.34	8,415,000	7,750,000

*expired unexercised subsequently
**exercised subsequently

12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2019	**2018**
Accounts payable settled with share capital	$ -	$ 43,363
Subscriptions received	$ -	$ (1,100)
Shares issued for investments in associate	$ -	$ 2,670,000

13. SEGMENTED DISCLOSURE

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

14. 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 three months ended March 31, 2019. The Company is not subject to external restrictions on its capital.

15. 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 year ended December 31, 2018 were expensed as research and development costs.

16. 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.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to June 30, 2019.

(a) The Company issued 590,000 common shares of the Company for gross proceeds of $59,000 on the exercise of 590,000 stock options.