MEDCOLCANNA ORGANICS INC.

(FORMERLY INTEGRATED ENERGY STORAGE CORP.)

CONDENSED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2019

(Expressed in Canadian Dollars)

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 interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

MEDCOLCANNA ORGANICS INC. (formerly INTEGRATED ENERGY STORAGE CORP.)
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars - unaudited)

As at	March 31, 2019	December 31, 2018
Assets		
Current		
Cash	$ 431	$ 8,162
Restricted cash	739,704	-
GST receivable	40,056	25,455
Loan receivable (Note 7)	330,000	-
Total Assets	$ 1,110,191	$ 33,617
Liabilities and Shareholders' Deficit		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 181,224	$ 82,219
Demand loans (Note 4)	422,033	430,033
	603,257	512,252
Shareholders' Equity (Deficit)		
Share capital (Note 6)	1,187,537	53,420
Subscriptions received (Note 6)	-	4,440
Stock option reserve (Note 6)	2,561	2,561
Deficit	(683,164)	(539,056)
	506,934	(478,635)
Total Liabilities and Shareholders' Equity (Deficit)	$ 1,110,191	$ 33,617

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

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

MEDCOLCANNA ORGANICS INC. (formerly INTEGRATED ENERGY STORAGE CORP.)
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars - unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Operating expenses		
General and administrative	$ 11,426	$ 1,066
Amortization (Note 3)	-	1,358
Consulting fees	42,420	-
Professional fees	94,806	-
	(148,652)	(2,424)
Other items:		
Recovery (write off) of GST receivable	4,544	-
Net and comprehensive loss	$ (144,108)	$ (2,424)
Loss per share – basic and diluted	(0.01)	(0.00)
Weighted average number of common shares outstanding – basic and diluted	10,936,148	9,436,148

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

MEDCOLCANNA ORGANICS INC. (formerly INTEGRATED ENERGY STORAGE CORP.)
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - unaudited)

	Number of shares	Share capital	Subscriptions received	Stock option reserve	Deficit	Total
Balance, December 31, 2017	9,436,148	$ 27,770	$ -	$ 2,561	$ (370,847)	$ (340,516)
Net loss for the period	-	-	-	-	(2,424)	(2,424)
Balance, March 31, 2018	9,436,148	$ 27,770	$ -	$ 2,561	$ (373,271)	$ (342,940)
Balance, December 31, 2018	10,936,148	$ 53,420	$ 4,440	$ 2,561	$ (539,056)	$ (478,635)
Shares issued for cash	47,125,253	1,134,117	(4,440)	-	-	1,129,677
Net loss for the period	-	-	-	-	(144,108)	(144,108)
Balance, March 31, 2019	58,061,401	$ 1,187,537	$ -	$ 2,561	$ (683,164)	$ 506,934

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

MEDCOLCANNA ORGANICS INC. (formerly INTEGRATED ENERGY STORAGE CORP.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (144,108)	$ (2,424)
Items not affecting cash:		
Amortization	-	1,358
(Recovery) write off of GST receivable	(4,544)	-
Change in operating working capital:		
(Increase) in receivables	(10,057)	(52)
Increase in accounts payable and accrued liabilities	99,005	(21,189)
Net cash flows used in operating activities	(59,704)	(22,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Repayment of) loan	(8,000)	-
Change in restricted cash	(739,704)	-
Cash from issuance of common shares	1,129,677	
Share subscriptions received	-	17,410
Net cash flows provided by financing activities	381,973	17,410
CASH FLOWS USED IN INVESTING ACTIVITY		
Loan receivable	(330,000)	-
Net cash flows provided by investing activities	(330,000)	-
Increase in cash	(7,731)	(4,897)
Cash, beginning of the period	8,162	5,950
Cash, end of the period	$ 431	$ 1,053

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

1. Nature and continuance of operations

Medcolcanna Organics Inc. (formerly Integrated Energy Storage Corp.) (the "Company"), was incorporated on May 31, 2010 under the *Business Corporations Act* (Alberta). The registered address of the Company is Suite 800, 400 - 5th Avenue SW, Calgary, Alberta T2P 0L6. The Company was pursuing the research and development of electrical energy storage systems primarily based upon the Vanadium Redox Battery Technology. on December 5, 2018, the Company entered into a share exchange agreement with Medcolcanna (BVI) Inc. ("Medcolcanna") that would result in a reverse takeover of the Company by Medcolcanna shareholders. In May 17, 2019, the Company completed the transaction with Medcolcanna and changed its name to "Medcolcanna Organics Inc." Pursuant to the transaction, the holders of the issued and outstanding Medcolcanna shares shall receive one post-consolidation of the Company's common shares for each Medcolcanna share held. Prior to the transaction, the Company completed a consolidation of its outstanding shares and options at a ratio to result in there being approximately 12,900,000 common shares outstanding immediately prior to the closing of the transaction. Prior to completion of the transaction, the Company also arranged for the settlement of certain outstanding debts through the issuance of pre-consolidation common shares. In connection with completion of the transaction, the Company issued 6,450,000 warrants to the existing shareholders of the Company. With the completion of the reverse takeover, the Company will continue to establish operations in Colombia as a producer of both THC and cannabidiol medical cannabis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2019, the Company has not generated any revenue and has incurred a loss since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The financial statements were authorized for approval on May 30, 2019.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

(c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

(d) License

Expenditures related to the acquisition of license rights are recorded at cost less accumulated amortization and accumulated impairment loss, if any. Directly attributable expenditures are capitalized as intangible assets when the product is technically and commercially feasible, the costs of generating the asset can be reliably measured, and there is an adequate plan to complete the project.

The costs of the license right is amortized over the estimated life once the license is ready for use. Amortization is calculated on a straight-line method over its estimated useful life. The amortization rate and method applicable to the license right is straight-line for a period of 5 years.

(e) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(f) Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

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

Classification:

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

The Company completed 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:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

Measurement:

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

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

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

Derecognition:

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are 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 statements of comprehensive loss.

(g) Share capital

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

(h) Loss per share

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

(i) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted, shall be based on the number of equity instruments that eventually vest.

(j) New standards adopted on January 1, 2019

IFRS 16: Leases

On January 1, 2019, the Company adopted IFRS 16 “Leases” to replace the existing guidance of IAS 17 “Leases”. The standard establishes principles and disclosures related to the amount, timing and uncertainty of cash flows arising from a lease. Under IFRS 16, lease arrangements previously classified as operating leases under IAS 17, are recognized on the consolidated statement of financial position as a right-of-use asset and corresponding lease obligation. IAS 17 criteria recognized a lease arrangement as a finance lease when substantially all of the risks and rewards of ownership of the underlying asset are transferred to the lessor, whereas IFRS 16 recognizes a finance lease based on the right to control and the use of an identified asset. The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial adoption is recognized as at January 1, 2019 and does not impact comparative figures or retained earnings. The Company has also elected going forward not to recognize right-of-use assets and lease obligations for low-value assets or short-term lease arrangements. Given that the Company currently has no lease arrangements, no adjustments were required from the adoption of this standard.

The details of the changes in accounting policy are disclosed below.

The lease arrangements are assessed based on whether they meet the following definition of a lease under IFRS 16:

a) Identified asset - The Company has access to the use of a physically distinct asset and the counterparty does not hold the right to substitute an alternative asset for use;
b) Right to direct the use of an asset - The Company has relevant operational decision-making rights for the use and purpose of the underlying asset; and
c) Substantially all of the economic rights and benefits - The Company obtains sole benefit from the use of the asset throughout the duration of the lease term.

Lease arrangements which meet the criteria of a lease are recognized as right-of-use assets and lease obligations at the lease commencement date.

The right-of-use asset is initially measured at cost. Subsequently it is measured at cost less accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease obligation. The lease obligation is measured at the present value of the lease payments outstanding at the commencement date, discounted using the implicit rate, and when not determinable, the Company’s incremental borrowing rate. The Company has elected to include both lease and non-lease components in the total estimated lease payments outstanding.

The lease obligation is re-measured when there is a change in estimated future payments arising from a change in a lease term, index or rate, residual guarantee or purchase option.

The Company has applied judgment and estimates when determining the estimated lease payments including the lease term. The assessment of whether a renewal, extension, termination or purchase option is reasonably certain to exercise was considered, based on facts and circumstances, and has the potential to significantly impact the amount of right-of-use asset and lease obligation recognized.

3. License

Effective October 18, 2016, the Company signed a license agreement to gain non-exclusive rights to certain patented technologies. Consideration for the license includes an aggregate $27,163 (US$20,000) paid over four trenches as outlined below:

October 18, 2016 (“effective date”)	US$5,000 ($6,828 CDN paid)
Within 90 days of effective date	US$5,000 ($6,835 CDN paid)
Within 180 days of effective date	US$5,000 ($6,750 CDN paid)
Within 270 days of effective date	US$5,000 ($6,750 CDN paid)

The Company shall pay 1% of any revenues earned based on the licensed technology subject to minimum royalties starting in 2019 of $5,000, 2020 of $10,000 and 2021 and beyond of $20,000. The license terminates when the last of the patents expires or may terminate through written notice by the Company with 60 days notice.

The Company wrote down the license to $nil and recorded an impairment on the license of $17,656 during the year ended December 31, 2018 as it is changing its business plan and no longer intends to use the license. The License was terminated February 13, 2019.

4. Demand Loans

	March 31, 2019	December 31, 2018
Balance, beginning	$ 430,003	$ 305,946
Advances	-	124,057
Transferred to subscriptions received	(8,000)	-
Balance, ending	**$ 422,003**	**$ 430,003**

The demand loans are unsecured, non-interest bearing and have no fixed terms of repayment. Of the balance, $10,000 is owing to a director (Note 7).

5. Accounts Payable

	March 31, 2019	December 31, 2018
Accounts payable	$ 167,224	$ 68,219
Accrued liabilities	14,000	14,000
Total	**$ 181,224**	**$ 82,219**

6. Share Capital

Authorized Share Capital

Unlimited common voting shares; and
Unlimited preferred shares, issuable in series, with the rights, privileges, restrictions and conditions determined by the Board of Directors upon issuance.

Issued share capital

At March 31, 2019 and, there are 58,061,401 (2018 - 10,936,148) common shares and no preferred shares outstanding.

On October 12, 2018, the Company issued 1,500,000 shares at a price of $0.02 per share for gross proceeds of $30,000. Share issue costs of $4,350 were paid in relation to this issuance.

On January 3, 2019 the Company issued 222,000 common shares at a price of $0.02 for proceeds of $4,440, which has been received at December 31, 2018 and recorded as subscriptions received.

On March 5, 2019 the Company completed a non-brokered offering of 40,470,000 common shares for gross proceeds of $1,011,750. Proceeds raised by the Company, less certain advisory fees of $42,240, share issuance costs of $22,073 and loan of $330,000 to Medcolcanna (see Note 7), will be held in escrow pending completion of the reverse takeover transaction (see Note 1). The advisors will also be granted compensation options entitling the advisors to purchase that number of units of the resulting issuer equal to 6% of the aggregate number of common shares issued by the Company under the non-brokered offering with an exercise price per option that is equal to $0.25 per resulting issuer share, subject to any necessary adjustments. The resulting issuer compensation options shall have a term of 24 months following the date of issuance.

On March 26, 2019 the Company issued 6,433,253 common shares at a price of $0.02 for proceeds of $140,000, which was received as of March 31, 2019. Proceeds raise by the Company will be held in escrow pending completion of the reverse takeover transaction (see Note 1).

Stock Options

Changes in options during the period ended March 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, as at March 31, 2019 and December 31, 2018	500,000	$0.25

The weighted average remaining life of the outstanding options at March 31, 2019 is 1.43 years.

Details of stock options outstanding and exercisable as at March 31, 2019 are as follows:

Number of options outstanding	Exercise Price	Expiry
500,000	$0.25	September 5, 2020

The outstanding 500,000 stock options exercisable at a price of $0.25 were cancelled with the completion of the transaction with Medcolcanna (see Note 10).

Stock Option reserve

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

7. Loan Receivable

On February 25, 2019, the Company loaned $330,000 to Medcolcanna bearing interest at 8% and due on 90 days from the date of the loan.

8. Related Party Transactions

Included in demand loans is $10,000 (2018 - $10,000) owing to a director of the Company (Note 4).

9. Financial Risks and Capital Management

(a) Fair values

The fair values of cash, accounts payable, demand loans and share subscription received approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company’s financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

(f) Capital Management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and development of its license. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent on external financing to fund its activities. In order to carry out its activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

10. Subsequent Event

Closing of Medcolcanna Transaction

On May 17, 2019, the Company closed the agreement with Medcolcanna whereby terms for the acquisition of 100% of the common share of Medcolcanna by the Company were outlined (the "Transaction"). Medcolcanna is a private company incorporated under the laws of British Virgin Islands, and is the parent company of its wholly owned subsidiary, Medcolcanna S.A.S., which is located in Bogota, Colombia. Medcolcanna S.A.S. is licensed to grow psychoactive and non-psychoactive cannabis in Colombia with its cultivation facility and manufacture cannabis products anywhere in Colombia. It is currently anticipated that the Transaction will be effected by way of a share exchange.

Pursuant to the Transaction, all of the issued and outstanding common shares in the capital of the Company were consolidated, resulting in approximately 12,900,000 common shares being issued and outstanding immediately prior to the subsequent share issuances described below. As well, approximately 6,450,000 share purchase warrants were issued to certain shareholders, with each warrant being exercisable into one common share in the capital of Medcolcanna at an exercise price of $0.40 for a period expiring May 17, 2021.

Medcolcanna had 41,762,659 common shares and 4,681,330 share purchase warrants outstanding, of which 3,681,330 warrants were exercisable into one common share at an exercise price of $0.25 for a period expiring September 24, 2019, and the remaining 1,000,000 warrants being exercisable into one share at an exercise price of $0.40 for a period of 24 months from the date of issuance thereof.

Prior to the closing of the Transaction, Medcolcanna completed a brokered private placement of 30,986,800 subscription receipts (the "Subscription Receipts") at a price of $0.25 per Subscription Receipt for gross proceeds of $7,746,700 (the "Offering"). In connection with the completion of the Transaction, the Subscription Receipts were converted on a one-for-one basis into units of Medcolcanna comprising a total of 30,986,800 Medcolcanna shares and 15,493,400 common share purchase warrants exercisable for a period of two years at $0.40 per warrant. 2,102,028 compensation options issued to the agents in the Offering in conjunction with, and as partial compensation for, acting as agents in the Offering were also exchanged for compensation options of Medcolcanna on a one-for-one basis. Simultaneous with the Offering, Medcolcanna completed a non-brokered private placement of 400,000 common shares at a price of $0.09 per share for gross proceeds of $36,000 on March 15, 2019.

Granting of Stock Options

On May 21, 2019, the Company granted 7,400,000 options to acquire common shares to certain directors, officers, employees and consultants of the Company at a price of $0.40 per common share. The options were for a five-year term, expiring on May 31, 2024, with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date from the date of grant.

Innovative CBD Products Transaction

On May 23, 2019, the Company entered into an agreement for the purchase of Innovative CBD Products B.V. ("ICP"), a Netherlands-based company. ICP is the owner of various CBD formulations and related intellectual property with respect to the development of cannabis and cannabis by-products as it pertains to Crohn's disease, insomnia and rectal inflammation. Closing of the transaction is expected to occur by June 18, 2019. The Company has agreed to pay US$900,000, payable in Medcolcanna shares at a deemed price of $0.25 per share, plus a royalty of 10% gross margin of products developed by ICP and sold by Medcolcanna. The royalty will be paid to the seller for 10 year period following the closing of the transaction. The foregoing is subject to approval by the Exchange.

Acquisition of Interest in Cannabis Oil Refinery

On May 30, 2019, the Company entered into a Master Agreement (the “Agreement”) with Greenstein Capital Ltd. (“GCL”), a Maltese company. GCL’s subsidiary (“RefineryCo”) plans to construct and operate a refinery (the “Refinery”) in Germany for cannabis oil derivatives. Pursuant to the Agreement, GCL has agreed to grant a 20% shareholding in RefineryCo to the Company for a purchase price of US$1 million. Payment will be paid by the issuance by the Company of a convertible debenture in the principal amount of US$1 million. The convertible debenture will bear interest at 0.5% per year and payment will be due after the Refinery is completed and is operating to the Company’s satisfaction, and the 20% shareholding in RefineryCo has been issued to the Company. After coming due, the convertible debenture will be redeemable at maturity in cash or common shares of the Company, at the option of GCL, at a conversion price of $0.285 per share. If redeemed in common shares, only the principal, and no interest, will be payable by the Company.The foregoing is subject to approval by the TSX Venture Exchange.