2590672 ONTARIO INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018 AND
PERIOD FROM THE DATE OF INCORPORATION
AUGUST 3, 2017 to DECEMBER 31, 2017
(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of 2590672 Ontario Inc.:

Opinion

We have audited the financial statements of 2590672 Ontario Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2018 and for the period from August 3, 2017 (date of incorporation) to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and for the period from August 3, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $4,085,312 during the year ended December 31, 2018 and, as of that date, the Company had an accumulated deficit of $4,366,864 and working capital of $386,873. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 auditor's report is Patrycja Anna Kajda.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 29, 2019 — Licensed Public Accountants

2590672 Ontario Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	**$ 143,463**	$ 30,596
Subscription receivable (note 9)	**78,000**	98,000
Amounts receivable	**115,261**	-
Prepaid rent and deposit	**40,329**	50,000
Promissory note receivable (note 5)	**100,761**	-
Total current assets	**477,814**	178,596
Non-current assets		
Plant (note 6)	**63,881**	-
Total assets	**$ 541,695**	$ 178,596
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 90,941**	$ 58,692
Promissory note payable (note 7)	**-**	25,000
Total liabilities	**90,941**	83,692
Equity		
Share capital (note 9)	**4,531,663**	369,375
Contributed surplus (note 10)	**285,955**	7,081
Deficit	**(4,366,864)**	(281,552)
Total equity	**450,754**	94,904
Total equity and liabilities	**$ 541,695**	$ 178,596

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

Nature of operations and going concern (note 1)
Commitments (note 8)
Subsequent events (note 17)

Approved on behalf of the Board:

(Signed) "Ian MacDonald" Director

2590672 Ontario Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Period from Incorporation August 3 to December 31, 2017
Expenses		
Consulting (notes 9 and 13)	**$ 772,806**	$ 256,913
Professional fees	**84,946**	17,278
Rent	**443,556**	-
General and administration	**25,982**	280
Share-based compensation (notes 10 and 13)	**288,180**	7,081
Travel	**52,015**	-
Research and development (notes 9 and 11)	**2,400,000**	-
Depreciation (note 6)	**8,439**	-
Advertising and promotion	**9,905**	-
Foreign exchange loss	**244**	-
	4,086,073	281,552
Net loss before interest and other income	**(4,086,073)**	(281,552)
Interest income	**761**	-
Net loss for the year	**$ (4,085,312)**	$ (281,552)
Basic and diluted net loss per share	**$ (0.33)**	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	**12,303,622**	7,267,800

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

2590672 Ontario Inc.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Period from Incorporation August 3 to December 31, 2017
Operating activities		
Net loss for the year	**$ (4,085,312)**	$ (281,552)
Adjustments for:		
Depreciation	**8,439**	-
Share-based compensation	**288,180**	7,081
Issuance of common shares for debt settlement	**-**	159,875
Issuance of common shares for services	**2,850,000**	-
Accrued interest	**(761)**	-
Changes in non-cash working capital items:		
Subscription receivable	**20,000**	(98,000)
Amounts receivable	**(115,261)**	-
Prepaid rent and deposit	**9,671**	(50,000)
Amounts payable and other liabilities	**32,249**	58,692
Net cash used in operating activities	**(992,795)**	(203,904)
Investing activities		
Purchase of plant	**(72,320)**	-
Net cash used in investing activities	**(72,320)**	-
Financing activities		
Proceeds from issuance of common shares, net of share issue costs	**972,982**	209,500
(Repayment of) proceeds from promissory note	**(25,000)**	25,000
Proceeds from options exercised	**330,000**	-
Loans advanced	**(100,000)**	-
Net cash provided by financing activities	**1,177,982**	234,500
Net change in cash and cash equivalents	**112,867**	30,596
Cash and cash equivalents, beginning of year	**30,596**	-
Cash and cash equivalents, end of year	**$ 143,463**	$ 30,596

	As at December 31, 2018	As at December 31, 2017
Cash and cash equivalents		
Cash	**$ 38,463**	$ 30,596
Deposit in transit	**105,000**	-
	$ 143,463	$ 30,596

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

2590672 Ontario Inc.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital				
	Number of shares	**Amount**	**Contributed surplus**	**Deficit**	**Total**
Balance, August 3, 2017	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Common shares issued for cash	5,237,500	209,500	-	-	209,500
Common shares issued for debt settlement	3,022,500	159,875	-	-	159,875
Share-based payments	-	-	7,081	-	7,081
Net loss for the year	-	-	-	(281,552)	(281,552)
Balance, December 31, 2017	**8,260,000**	**$ 369,375**	**$ 7,081**	**$ (281,552)**	**$ 94,904**
Common shares issued for cash	691,666	1,037,500	-	-	1,037,500
Share issuance cost	-	(64,518)	-	-	(64,518)
Common shares issued for services	4,800,000	2,850,000	-	-	2,850,000
Issued on exercise of stock options	660,000	339,306	(9,306)	-	330,000
Share-based payments	-	-	288,180	-	288,180
Net loss for the year	-	-	-	(4,085,312)	(4,085,312)
Balance, December 31, 2018	**14,411,666**	**$ 4,531,663**	**$ 285,955**	**$ (4,366,864)**	**$ 450,754**

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

1. Nature of operations and going concern

2590672 Ontario Inc. ("City View Green" or the “Company”) is incorporated under the Business Corporations Act (Ontario) and its common shares are not listed or quoted for trading on any exchange or market. The Company's corporate office is located at 738-157 Adelaide Street West, Toronto, Ontario M5H 4E7. The Company has submitted an application to Health Canada for an Access to Cannabis for Medical Purposes Regulations ("ACMPR") producer license which is under review.

On February 27, 2019, 100% of the Company's issued and outstanding common shares were purchased by City View Green Holdings ("CVG Holdings", formerly Icon Exploration Inc.) which resulted in a reverse take-over ("RTO") and CVG Holdings began trading on the Candian Securities Exchange ("Exchange") under the symbol "CVGR". See note 17(iii).

The financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. As at December 31, 2018, the Company is still in the development stage, has accumulated losses of $4,366,864 since its inception and expects to incur further losses in the development of its business, which casts significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. While the Company is continuing its best efforts to achieve the above plans, there is no assurance that any such activity will generate funds for operations. The financial statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Significant accounting policies

Basis of presentation

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 29, 2019, the date the Board of Directors approved the statements.

The financial statements are presented in Canadian dollars, which is also the functional currency of the Company. They have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value through profit and loss (FVTPL).

Cash and cash equivalents

Cash and cash equivalents include cash on deposit at banking institutions and deposit in transit. The Company did not have any cash equivalents as at December 31, 2018.

2. Significant accounting policies (continued)

Plant

Upon initial acquisition, plant is valued at cost, being the purchase price and the directly attributable costs of acquisition required to bring the assets to the location and in the condition necessary for these assets to be capable of operating in the manner intended by management.

In subsequent periods, plant is stated at cost less accumulated depreciation and any impairment in value.

Each component or part of plant with a cost that is significant in relation to the total cost of the item will be depreciated separately, unless there is no difference in depreciation on the respective components.

Leasehold improvements are amortized on the remaining term of the lease to which they relate.

Research and development costs

Research costs are expensed when incurred. Development costs are capitalized as intangible assets when the conditions related to the commercial and technical feasibility of the project, the ability to allocate the costs reliably and the probability of generating future economic benefits are fulfilled. Development costs are reviewed annually in order to determine whether the criteria for recognition as intangible assets are met.

As at December 31, 2018, no such costs have been deferred in the accounts of the Company.

Share-based compensation

The Company accounts for all equity-settled stock-based payments using a fair value based method incorporating the Black-Scholes option pricing model. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and is either recorded at the date of grant, in the case of options that vest immediately, or over the vesting period in the case of options that vest over a period of time. In the latter case, the Company estimates forfeitures at the time of grant and the amount recognized as an expense from time to time is adjusted to reflect any changes in the Company’s estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements with non-employees in which the Company receives goods or services as consideration are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of equity instruments granted.

Financial instruments

<u>Recognition</u>

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive loss ("FVTOCI"); and
ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive loss (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial instruments classified and measured as follows:

Cash and cash equivalents	FVTPL
Subscription receivable	Amortized cost
Promissory note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory note payable	Amortized cost

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Loss per share

Basic and diluted net loss per share are calculated using the weighted average number of outstanding shares. The calculation of diluted loss per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options) on the theoretical number of shares using the treasury method. The Company had no dilutive instruments during the year ended December 31, 2018 and 2017.

Income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are determined on a non-discounted basis, using the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset 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.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies (continued)

New accounting standard adopted

IFRS 9 - Financial Instruments

On July 24, 2014, the IASB issued the completed IFRS 9 ("IFRS 9") to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	Amortized cost
Subscription receivable	Loans and receivables (amortized cost)	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Promissory note payable	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company’s financial instruments under IAS 39 has not changed under IFRS 9.

2. Significant accounting policies (continued)

Future accounting pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for annual accounting periods beginning after January 1, 2019, or later periods. The following has not yet been adopted and is being evaluated to determine its impact on the Company.

IFRS 16 – Leases ("IFRS 16") was issued by the IASB in January 2016. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease account. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 will result in the recognition of lease assets and liabilities of approximately $1,200,000.

The are no other relevant IFRS's or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company.

3. Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital structure to consist of share capital, contributed surplus, and deficit, which at December 31, 2018 totaled $450,754 (December 31, 2017 - $94,904). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Company. The Company is not subject to any capital requirements imposed by a lending institution.

(Expressed in Canadian Dollars)

5. Promissory note receivable

On November 5, 2018, the Company entered into a loan agreement with a company operating in the cannabis retail space ("Retailco"). The loan bears interest rate of Prime Bank Rate (defined below) plus 1% per annum, calculated monthly not in advance. The loan is repayable on or before May 5, 2019. Prime Bank Rate means the commercial lending rate of interest, quoted or published by the Bank of Montreal. As at December 31, 2018, the Company was owed $100,761 including accrued interest.

6. Plant

Cost	**Leasehold improvements**
Balance, August 3, 2017 and December 31, 2017	-
Additions	72,320
Balance, December 31, 2018	$ 72,320

Accumulated depreciation	**Leasehold improvements**
Balance, August 3, 2017 and December 31, 2017	$ -
Depreciation for the year	8,439
Balance, December 31, 2018	$ 8,439

Carrying value	**Leasehold improvements**
Balance, December 31, 2017	$ -
Balance, December 31, 2018	$ 63,881

7. Promissory note payable

On August 4, 2017, the Company issued a promissory note of $25,000 to Icon Exploration Inc. The note bear no interest and was fully repaid during the year ended December 31, 2018.

8. Commitments

On February 8, 2018, the Company entered into a lease agreement with 1985588 Ontario Inc. with respect to its Brantford, Ontario facility, expiring on January 31, 2023.

Future minimum annual lease payments are as follows:

2019	$ 310,000
2020	310,000
2021	310,000
2022	310,000
2023	25,833

(Expressed in Canadian Dollars)

9. Share capital

(a) Authorized share capital

Unlimited number of common shares, with no par value.

(b) Common shares issued

	Number of common shares		Amount
Balance, August 3, 2017	-	$	-
Common shares issued for cash (i)(ii)	5,237,500		209,500
Common shares issued for debt settlement (iii)	3,022,500		159,875
Balance, December 31, 2017	8,260,000	$	369,375
Common shares issued for cash (iv)	691,666		1,037,500
Share issuance cost (iv)	-		(64,518)
Common shares issued for services (v)(vi)(vii)	4,800,000		2,850,000
Issued on exercise of stock options	660,000		339,306
Balance, December 31, 2018	14,411,666	$	4,531,663

(i) On August 3, 2017, the Company issued 3,750,000 common shares at a price of $0.0192 per share for aggregate gross proceeds of $72,000. Subsequent to December 31, 2017, the share price structure was adjusted to $0.04 per share for aggregate gross proceeds of $150,000.

(ii) On September 5, 2017, the Company issued 1,487,500 common shares at a price of $0.04 per share for aggregate gross proceeds of $59,500.

(iii) On September 5, 2017, the Company completed a debt settlement ("Debt Settlement") with certain creditors of the Company to settle the creditors' debt for common shares. Pursuant to the Debt Settlement, the Company issued an aggregate of 3,022,500 common shares to settle an aggregate of $159,875 of debts.

(iv) During the year ended December 31, 2018, the Company issued 691,666 common shares for aggregate gross proceeds of $1,037,500 with share issue costs of $64,518.

(v) On January 1, 2018, the Company issued 3,000,000 common shares valued at $0.05 per common share to Quinsam Capital Corp. ("Quinsam") as a finder's fee for arranging for the introduction of 1985588 Ontario Inc. to the Company to enter into a commercial lease agreement.

(vi) During the year ended December 31, 2018, the Company issued 1,600,000 common shares valued at $1.50 per common share for research and development.

(vii) During the year ended December 31, 2018, the Company issued 200,000 common shares valued at $1.50 per common share for consulting.

(Expressed in Canadian Dollars)

10. Stock options

	Number of stock options	Weighted average exercise price
Balance, August 3, 2017	-	$ -
Granted (i)	2,000,000	0.50
Balance, December 31, 2017	2,000,000	$ 0.50
Granted (ii)(iii)	1,453,333	1.50
Exercised	(660,000)	0.50
Balance, December 31, 2018	2,793,333	$ 1.02

(i) On August 3, 2017, the Company granted 2,000,000 stock options to consultants and directors of the Company exercisable at $0.50 per common share. The options vest on the first anniversary of the grant and expire in 5 years. The grant date fair value of $28,200 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $0.04, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.51% and an expected maturity of 5 years. For the year ended December 31, 2018, $21,119 (period from incorporation August 3, 2017 to December 31, 2017 - $7,081) was expensed to share-based compensation.

(ii) On October 29, 2018, the Company granted 150,000 stock options to a director of the Company exercisable at $1.50 per common share. The options vest 1/4 each on 6, 12, 18 and 24 months from the grant date and expire in 3 years. The grant date fair value of $140,972 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $1.50, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 2.26% and an expected maturity of 3 years. For the year ended December 31, 2018, $25,372 (period from incorporation August 3, 2017 to December 31, 2017 - $nil) was expensed to share-based compensation.

(iii) On November 1, 2018, the Company granted 1,303,333 stock options to consultants and directors of the Company exercisable at $1.50 per common share. The options vest on the first anniversary of the grant and expire in 5 years. The grant date fair value of $1,470,277 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: share price of $1.50, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 2.41% and an expected maturity of 5 years. For the year ended December 31, 2018, $241,689 (period from incorporation August 3, 2017 to December 31, 2017 - $nil) was expensed to share-based compensation.

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

Expiry date	Exercise price ($)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
October 29, 2021	1.50	2.83	150,000	-
August 3, 2022	0.50	3.59	1,340,000	1,340,000
November 1, 2023	1.50	4.84	1,303,333	-
	1.02	4.13	2,793,333	1,340,000

(Expressed in Canadian Dollars)

11. Research and development

The nature of the research and development expenses for the year ended December 31, 2018 and period ended December 31, 2017 is summarized as follows (note 9(b)(vi)):

	Year Ended December 31, 2018	Period from Incorporation August 3 to December 31, 2017
Genetic strains	$ 750,000	$ -
Standard Operating Procedures	750,000	-
Extraction Facilty Plans	900,000	-
	$ 2,400,000	$ -

12. Loss per share

For the year ended December 31, 2018, basic and diluted loss per share has been calculated based on the loss attributable to common shares of $4,085,312 (period from incorporation August 3, 2017 to December 31, 2017 - $281,552) and weighted average number of common shares outstanding of 12,303,622 (period from incorporation August 3, 2017 to December 31, 2017 - 7,267,800). Diluted loss per share did not include the effect of stock options for the year ended December 31, 2018 as they are anti-dilutive.

13. Related party balances and transactions

Related parties include key management being the Company's executive officers, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The following related party transactions were conducted in the normal course of operations and were made on an arm's length basis:

	Year Ended December 31, 2018	Period from Incorporation August 3 to December 31, 2017
Consulting	$ 340,500	$ -
Share-based compensation	95,077	708
	$ 435,577	$ 708

As at December 31, 2018, $2,104 (December 31, 2017 - $nil) included in accounts payable and accrued liabilities was payable to a key management personnel for expense reimbursement.

(Expressed in Canadian Dollars)

14. Income taxes

A reconciliation between tax expense and the product of accounting loss multiplied by the Company's domestic rate is as follows:

	Year Ended December 31, 2018	Period from Incorporation August 3 to December 31, 2017
Loss before income taxes	$ (4,085,312)	$ (281,552)
Combined statutory income tax rate	26.5%	26.5%
Income tax recovery based on statutory rates	(1,082,608)	$ (74,611)
Share-based payments	76,838	1,876
Share issuance cost booked directly to equity	(17,098)	-
Deferred tax assets not recognized	1,022,868	72,735
Income tax recovery	$ -	$ -

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2018	As at December 31, 2017
Property, plant and equipment	$ 8,439	$ -
Share issuance cost	51,614	-
Non-capital losses carried forward	4,075,266	274,471
	$ 4,135,319	$ 274,471

The Canadian non-capital loss carries forwards expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2022.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2037	$ 274,471
2038	3,800,795
	$ 4,075,266

15. Capital management

The Company's capital is composed of share capital, reserves and deficit. The Company manages its capital within the following objectives:

(a) to ensure that there is sufficient financial flexibility to achieve the ongoing business objectives; and

(b) to maximize shareholder return through enhancing shareholder value.

Management periodically reviews its capital management approach 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 for the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

16. Financial risk management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

(a) Credit risk

The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company has a working capital of $386,873 (December 31, 2017 - $94,904). The Company had a cash balance of $143,463 (December 31, 2017 - $30,596) to settle current financial liabilities of $90,941 (December 31, 2017 - $83,692). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short term loans.

(c) Fair Value

The carrying amount of each accounts payable and accrued liabilities and short-term loans approximates their fair value because of the short-term maturities of these items.

17. Subsequent events

(i) In January 2019, the Company obtained a $1.5 million line of credit, which funds will be used towards leasehold construction in connection with the operations of the business.

(ii) In January 2019, the Company closed a private placement wherein the Company issued 666,667 common shares at $1.50 per share for gross proceeds of $1,000,000.

(iii) On January 23, 2018 the Company entered into a letter of intent (the "LOI") for a non-arm's length business combination transaction with CVG Holdings through the purchase by CVG Holdings of 100% of the issued and outstanding common shares of City View Green (the “Acquisition”). The Acquisition closed on February 27, 2019. On the day of closing, the CVG Holdings delisted from the TSXV Exchange and migrated to the Exchange and began trading under the symbol "CVGR".

The consideration, upon City View Green and CVG Holdings each being satisfied with their respective due diligence reviews, including other requirements outlined in the LOI, at closing of the Acquisition, as consideration for all of the issued and outstanding securities of City View Green, CVG Holdings issued to the holders of outstanding City View Green common shares, eight (8) common shares per each one (1) outstanding City View Green common share held by them; and issue to holders of outstanding City View Green stock options, four (4) stock options per each one (1) outstanding City View Green Option held by them, with each Option being exercisable into one common share of the Company at prices ranging between $0.25/share and $0.75 per share for a period of 5 years from the date of closing of the Acquisition.

As a result of the transaction, City View Green shareholders control the CVG Holdings and the transaction was considered a RTO.