IONIC BRANDS CORP.
(FORMERLY ZARA RESOURCES INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(EXPRESSED IN UNITED STATES DOLLARS)
(UNAUDITED)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED 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 unaudited condensed consolidated 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 Ionic Brands Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on information currently available.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019 (UNAUDITED)

(Expressed in United States Dollars)

	Notes		March 31, 2019		December 31, 2018
ASSETS					
Current Assets					
Cash		$	2,482,276	$	99,772
Trade and other receivables	7		3,943,162		5,549,517
Prepaids and deposits	8		373,491		714,607
Inventory	9		45,717		-
			6,844,646		6,363,896
Non-Current Assets					
Property and equipment	10		748,198		381,111
TOTAL ASSETS		$	7,592,844	$	6,745,007
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Accounts payable and accrued liabilities	11	$	2,334,077	$	1,628,671
Loans payable	12		3,158,609		761,113
Current portion of vehicle loans	16		26,719		25,496
Convertible debentures	14		-		12,119,940
Subscription receipts	15		-		5,492,364
			5,519,405		20,027,584
Non-Current Liabilities					
Vehicle loans	16		80,674		87,773
TOTAL LIABILITIES			5,600,079		20,115,357
SHAREHOLDERS' DEFICIENCY					
Share capital	17		19,369,477		1,465,157
Contributed surplus	17		6,115,239		-
Other comprehensive income			(2,431)		-
Accumulated deficit			(23,489,520)		(14,835,507)
TOTAL SHAREHOLDERS' DEFICIENCY			1,992,765		(13,370,350)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		$	7,592,844	$	6,745,007

Nature and continuance of operations	1
Commitments	16
Subsequent events	20

Approved and authorized for issue by the Board of Directors on May 29, 2019.

"John Gorst"
Director

"Andrew Schell"
Director

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)
(Expressed in United States Dollars)

			Three Months Ended		
	Notes		**March 31, 2019**		**March 31, 2018**
REVENUE					
Product sales	13	$	1,834,908	$	643,029
Equipment rental income	13		99,996		87,996
Royalty income	13		75,084		157,261
			2,009,988		888,286
COST OF GOODS SOLD			(915,126)		(466,887)
GROSS PROFIT			1,094,862		421,399
OPERATING EXPENSES					
Business development			389,693		51,677
Depreciation	12, 13		28,034		22,190
Interest and finance charges			794,158		18,249
Listing expenses	5		444,049		-
Office and administration			103,643		85,904
Professional fees			454,885		21,890
Rent expense	13		48,233		15,450
Research and development			9,450		4,100
Salaries and wages	13		627,863		177,115
Share-based payments	17		5,751,652		-
Transfer agent and regulatory fees			44,330		-
Travel			136,193		21,884
Utilities			877		296
			8,833,060		418,755
OTHER ITEMS					
Loss on acquisitions	6		(747,019)		-
Foreign exchange loss			(168,796)		-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$	(8,654,013)	$	2,644
Basic and diluted earnings (loss) per share		$	(0.15)	$	0.00
Weighted average number of shares outstanding – basic and diluted			59,669,734		50,722,611

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (UNAUDITED)

(Expressed in United States Dollars)

	Three Months Ended	
	March 31, 2019	**March 31, 2018**
Cash Flows from Operating Activities		
Net income (loss) for the period	$ (8,654,013)	$ 2,644
Adjustments for items not affecting cash:		
Depreciation	28,034	22,190
Interest and finance charges	330,087	3,095
Listing expenses	444,049	-
Loss on acquisitions	747,019	-
Share-based payments	5,751,652	-
Shares issued for services rendered	-	13,022
	(1,353,172)	40,951
Changes in non-cash working capital:		
Trade and other receivables	1,707,051	(252,578)
Bank indebtedness	-	32,500
Accounts payable and accrued liabilities	(505,118)	197,079
Prepaids and deposits	403,316	(100)
Inventory	(45,717)	-
	206,360	17,852
Cash Flows (used in) Investing Activities		
Purchase of property and equipment	(385,121)	(18,547)
Acquisition of US subsidiaries	27,313	-
	(357,808)	(18,547)
Cash flows from Financing Activities		
Proceeds from loans payable	7,012,981	26,514
Repayment of loans payable	(4,754,587)	(10,374)
Repayment of vehicle loans	(7,567)	(6,412)
	2,250,827	9,728
Effect of exchange rate changes on cash	283,075	-
Changes in cash during the period	2,099.373	9,033
Cash, beginning of period	99,772	13,618
Cash, end of period	$ 2,482,226	$ 22,651

IONIC BRANDS CORP. (FORMERLY ZARA RESOURCES INC.)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 (UNAUDITED)

(Expressed in United States Dollars, except number of shares)

	Common Shares		Contributed Surplus			
	Number of Shares	Amount	Warrants	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2017	48,730,502	$ 130,976	$ -	$ -	$ (540,177)	$ (409,201)
Net loss for the period	-	-	-	-	2,644	2,644
Shares issued for services rendered	2,014,492	13,022	-	-	-	13,022
Balance, March 31, 2018	50,744,994	143,998	-	-	(537,533)	(393,535)
Net loss for the period	-	-	-	-	(14,297,974)	(14,297,974)
Shares issued for:						
Services rendered	759,750	222,559	-	-	-	222,559
Settlement of debts	2,746,497	1,098,600	-	-	-	1,098,600
Balance, December 31, 2018	54,251,241	1,465,157	-	-	(14,835,507)	(13,370,350)
Net loss for the period	-	-	-	-	(8,654,013)	(8,654,013)
Blacklist shares exchanged	(54,251,241)	-	-	-	-	-
Shares issued for:						
Conversion of convertible debentures	32,363,816	12,119,940	28,237	-	-	12,148,177
Services rendered	1,075,818	409,294	-	-	-	409,294
Conversion of subscription receipts	14,280,146	5,492,364	89,056	-	-	5,581,420
Finders' fee shares	6,133,089	2,260,377	-	-	-	2,260,377
Reverse acquisition	54,251,241	-	-	-	-	-
Recapitalization of Zara	332,065	123,803	-	-	-	123,803
Issuance of financing fee warrants	-	-	246,294	-	-	246,294
Issuance of performance warrants	-	-	5,751,652	-	-	5,751,652
Share issuance costs	-	(2,501,458)	-	-	-	(2,501,458)
Currency translation adjustments	-	-	-	(2,431)	-	(2,431)
Balance, March 31, 2019	108,436,175	$ 19,369,477	$ 6,115,239	$ (2,431)	$ (23,489,520)	$ 1,992,765

1. NATURE AND CONTINUANCE OF OPERATIONS

Ionic Brands Corp. (formerly Zara Resources Inc.) ("Ionic", "Zara" or the "Company") was incorporated on October 9, 2012 in the province of Ontario. On July 3, 2013, the Company received its Certificate of Continuation and is now a company governed under the British Columbia Business Corporation Act. The Company is a public company whose common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "IONC". The head office of the Company is located at 1142 Broadway, Suite 300, Tacoma, Washington, USA.

Reverse Takeover

On March 22, 2019, the Company completed the acquisition of Blacklist Holdings Inc. ("Blacklist"), a private Washington-based company incorporated on February 26, 2014. Blacklist's business is in the sale of cannabis related hard goods (such as cartridges, applicators, pens, jars, etc.), licensing its intellectual property ("Licensed IP") and leasing its equipment to processors. The Company acquired all of the issued and outstanding shares of Blacklist under a share purchase agreement (the "Reverse Takeover Transaction", the "Transaction", or the "RTO"). In connection to the Transaction, the Company changed its name from Zara Resources Inc. to Ionic Brands Corp. and operating the primary business of Blacklist.

On the closing of the RTO, Blacklist became a wholly-owned subsidiary of the Company. As Blacklist is deemed to be the accounting acquirer for accounting purposes, its assets and liabilities and operations since incorporation on February 26, 2014 are included in the consolidated financial statements at their historical carrying value.

The Company's results of operations are included from March 22, 2019 onwards, the closing date. Please refer to the Reverse Acquisition (Note 5) for more details.

Acquisition of Subsidiaries

On January 1, 2019, Blacklist acquired two privately owned companies from a related party. Please refer to Note 6 for more details.

2. NATURE OF OPERATIONS AND GOING CONCERN

These condensed consolidated interim financial statements have been prepared by management on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. To date, the Company has not attained profitable operations.

For the three months ended March 31, 2019, the Company incurred a net loss of $8,654,013. As of March 31, 2019, the Company had working capital of $1,325,241 and an accumulated deficit of $23,489,520. The Company's ability to continue as a going concern is dependent upon its ability to achieve and maintain profitable operations and to generate funds therefrom. If the Company is unable to generate sufficient revenue from its sales, it will cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumptions inappropriate. These adjustments could be material.

3. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, these condensed interim consolidated financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting process.

Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in United States dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the United States entities is in United States dollars. The functional currency of the Canadian entities is in Canadian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks, and
- Exchange differences on monetary items received from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location
Blacklist Holdings Inc.	100%	USA
Blacklist Finco Inc. (“Blacklist Finco”)	100%	Canada
Blacklist Holdings, OR Inc. (“Blacklist Oregon”)	100%	USA
Blacklist Brands CA Inc. (“Blacklist California”)	100%	USA

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates, and assumptions affect the reported amounts of assets and liabilities at the reporting date and reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of its financial statements.

Areas of Judgment

Estimated Useful Lives and Depreciation of Property and Equipment

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment

The carrying value of long lived assets is reviewed each reporting period to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is recognized in the statement of operations. The assessment of fair values, require the use of estimates and assumptions for recoverable production discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of long lived assets could impact the impairment analysis.

Allowance for Doubtful Accounts, and the Recoverability of Receivables

Significant estimates are involved in the determination of recoverability of receivables and no assurance can be given that actual proceeds will not differ significantly from current estimations. Management has made significant assumptions about the recoverability of receivables. During the three months ended March 31, 2019, the Company recorded an impairment expense of $nil (March 31, 2018 - $nil) for receivables where collection is doubtful.

Contingencies

The assessment of contingencies involves the exercise of significant judgment and estimates of the outcome of future events. In assessing loss contingencies related to legal proceedings that are pending against the Company that may result in regulatory or government actions that may negatively impact the Company's business or operations, the Company and its legal counsel evaluate the perceived merits of the legal proceeding or unasserted claim or action as well as the perceived merits of the nature and amount of relief sought or expected to be sought, when determining the amount, if any, to recognize as a contingent liability or when assessing the impact on the carrying value of the Company's assets. Contingent assets are not recognized in the annual consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Areas of Judgment (continued)

Income Taxes

The assessment of income taxes involved the probability of realizing deferred tax assets, in relation to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position will be sustained upon examination by applicable tax authorities. In making its assessment, management give additional weight to positive and negative evidence that can be objectively verified.

Significant Judgments

The preparation of condensed consolidated interim 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 in applying the Company's condensed consolidated interim 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;
- The fair value and classification of financial instruments; and
- The classification of leases as either operating or finance type leases.

5. REVERSE ACQUISITION

On March 22, 2019, pursuant to the terms of the share exchange agreement (the "Agreement") the Company and Blacklist completed an amalgamation, whereby the Company acquired all of the issued and outstanding share capital of Blacklist, totaling 54,251,241 common shares, as a means by which Blacklist was able to attain a public listing of its common shares.

Pursuant to the Share Exchange Agreement:

- The Company consolidated its issued and outstanding capital at a ratio that resulted in 332,066 Zara shares outstanding. The Zara shares issued in connection with the Transaction were issued on a post-consolidation basis.
- The Company and Blacklist completed a "three-cornered" amalgamation (the "Amalgamation") whereby a wholly-owned subsidiary of Zara, 1185669 BC Ltd ("Zara Subco") amalgamated with a wholly-owned subsidiary of Blacklist, Blacklist Finco Inc. ("Blacklist Finco"). Upon completion of the Amalgamation, one common share of Blacklist Finco was exchanged for one Zara share, with an aggregate of 14,280,146 Zara shares being issued. Each common share of Blacklist Finco exchanged under the Amalgamation was issued upon the conversion of subscription receipts of Blacklist Finco pursuant to their terms in the private placement completed in tranches on November 26, 2018 and December 4, 2018.
- The Company issued on closing 5,250,000 Zara shares to certain finders at a deemed price of $0.50 per Zara share as finders' fees
- As a result of the Transaction, Zara issued an aggregate of 54,251,241 Zara shares to Blacklist shareholders. At the completion of the Transaction, 108,436,715 Zara common shares were outstanding.
- At the closing of the Transaction, the shareholders of Blacklist held 50% of Zara. Accordingly, Blacklist is considered to have acquired Zara with the transaction being accounted for as a reverse takeover of Zara by Blacklist shareholders.

(Expressed in United States Dollars)

5. REVERSE ACQUISITION (continued)

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combinations. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company share capital, contributed surplus and accumulated deficit within shareholders'' equity.

As a result of this asset acquisition, a listing expense of $444,049 has been recorded. This reflects the difference between the estimated fair value of Blacklist shares deemed to have been issued to the Company's shareholders less than the fair value of the assets of the Company's acquired.

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

Purchase Price		
54,251,241 common shares of Zara Resources Inc.	$	123,803
Total Purchase Price	$	123,803
Allocation of Purchase Price		
Other current assets	$	5,395
Accounts payable and accrued liabilities		(325,641)
Charge related to public company listing		444,049
	$	123,803

6. ACQUISITION OF SUBSIDIARIES

Blacklist Brands CA Inc.

On January 1, 2019, Blacklist acquired 100% of the outstanding shares of Blacklist Brands CA Inc., a company, wholly-owned by the CEO, incorporated on August 9, 2018 in the state of California for a consideration of $10.

This acquisition constitutes as an acquisition of business as defined in IFRS 3, and management concluded that the book values equal fair values of the assets and liabilities acquired as at January 1, 2019.

The allocation of consideration transferred is summarized as follows:

Due from unrelated party	$	93,211
Fixed assets		10,000
Security deposits		5,250
Due to related parties		(284,592)
Loss on acquisition		176,141
	$	10

Blacklist Holdings OR Inc.

In addition, on January 1, 2019, Blacklist acquired 100% of the outstanding shares of Blacklist Holdings OR Inc., a company, wholly-owned by the CEO, incorporated on August 9, 2018 in the state of Oregon for a consideration of $10.

This acquisition constitutes as an acquisition of business as defined in IFRS 3, and management concluded that the book values equal fair values of the assets and liabilities acquired as at January 1, 2019.

(Expressed in United States Dollars)

6. ACQUISITION OF SUBSIDIARIES (continued)

The allocation of consideration transferred is summarized as follows:

Cash	$	27,333
Accounts Receivable		2,091
Due to related parties		(600,291)
Loss on acquisition		570,877
	$	10

7. TRADE AND OTHER RECEIVABLES

		March 31, 2019		December 31, 2018
Accounts and other receivables	$	3,943,162	$	57,153
Subscription receipts		-		5,492,364
	$	3,943,162	$	5,549,517

In anticipation of the Transaction, the Company underwent financing through subscription receipts totaling $5,492,364, which were converted to common shares of Zara when the Transaction was completed on March 22, 2019.

8. PREPAIDS AND DEPOSIT

		March 31, 2019		December 31, 2018
Prepaids	$	148,830	$	96,768
Deposits		224,711		617,839
	$	373,541	$	714,607

9. INVENTORY

		March 31, 2019		December 31, 2018
Work in progress	$	4,975	$	-
Finished goods		40,742		-
	$	45,717	$	-

During the three months ended March 31, 2019, total cost of inventory sold was $724,563 (March 31, 2018 - $nil).

(Expressed in United States Dollars)

10. PROPERTY AND EQUIPMENT

	Motor Vehicles ($)	Computer Equipment ($)	Furniture and Fixtures ($)	Leasehold Improvements ($)	Lab Equipment ($)	Patents ($)	Total ($)
Cost:							
At December 31, 2017	136,981	26,556	26,761	109,236	273,802	-	573,336
Additions	64,991	15,121	22,308	28,270	21,729	-	152,419
Disposal	(19,296)	-	-	-	-	-	(19,296)
At December 31, 2018	182,676	41,677	49,069	137,506	295,531	-	706,459
Additions	-	14,621	14,725	5,090	10,684	350,000	395,120
At March 31, 2019	182,676	56,298	63,794	142,596	306,215	350,000	1,101,579
Amortization:							
At December 31, 2017	34,038	10,625	5,865	48,111	70,693	-	169,332
Charge for the year	28,618	9,917	4,414	60,943	55,361	-	159,253
Eliminated on disposal	(3,237)	-	-	-	-	-	(3,237)
At December 31, 2018	59,419	20,542	10,279	109,113	126,054	-	325,348
Charge for the period	8,687	3,302	2,367	3,438	10,239	-	28,033
At March 31, 2019	68,106	23,844	12,646	112,492	136,293	-	353,381
Net Book Value:							
At December 31, 2018	123,257	21,135	38,790	28,452	169,477	-	381,111
At March 31, 2019	114,570	32,454	51,148	30,104	169,922	350,000	748,198

During the year ended December 31, 2018, Blacklist disposed of a vehicle for proceeds of $28,145, resulting in a gain on sale of assets of $5,612.

11. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

		March 31, 2019		December 31, 2018
Trade payables	$	1,731,588	$	1,170,589
Accrued expenses		291,351		356,915
Amounts due to related parties		311,138		101,167
	$	2,334,077	$	1,628,671

Accounts payables and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts totaled $nil (December 31, 2018 - $101,167) due to related parties (see Note 14).

12. LOANS PAYABLE

On December 31, 2016, Blacklist issued a promissory note to a director in the amount of $357,483 for the balance outstanding resulting from expenses paid by the director and repayments issued by Blacklist during the year ended December 31, 2016. The note was interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017, Blacklist entered into a revised promissory note agreement with the director for the amount of $353,219 for the balance outstanding from expenses paid by the director and repayments issued by Blacklist during the year ended December 31, 2017. During 2018, such note was assigned to an entity controlled by him. As at December 31, 2018, the balance outstanding including interest was $nil. During the year ended December 31, 2018, Blacklist recorded interest expense of $37,536.

12. LOANS PAYABLE (continued)

During the year ended December 31, 2015, Blacklist issued a promissory note to a company related to a director of Blacklist for the amount of $9,274. The promissory note was interest bearing at 10.5% per annum, unsecured and due on demand. During the year ended December 31, 2018, $390,550 of balance outstanding and accrued interest of a director of Blacklist was assigned to a company related to a director of Blacklist. As at March 31, 2019, the balance outstanding included accrued interest was $228,497 (December 31, 2018 - $268,054). During the three months ended March 31, 2019, the Company recorded interest expense of $7,665 (March 31, 2018 - $269).

On December 31, 2016, Blacklist entered into a promissory note agreement with a director of Blacklist for the amount of $216,002 for the balance outstanding from expenses paid by the director and repayments issued by Blacklist during the year ended December 31, 2016. The note is interest bearing at 10.5% per annum, unsecured and due on December 31, 2017. On December 31, 2017Blacklist entered into a revised promissory note agreement with the director for the amount of $298,712 for the balance outstanding from expenses paid by the director and repayment issued by Blacklist during the year ended December 31, 2017. The revised note is interest bearing at 10.5% per annum, unsecured and was extended to December 31, 2019. During the three months ended March 31, 2019, Blacklist borrowed a further $304,247 from the lender and paid $335,000 towards the loan. As at March 31, 2019, the balance outstanding including accrued interest was $375,504 (December 31, 2018 - $206,369). During the three months ended March 31, 2019, the Company recorded interest expense of $7,072 (March 31, 2018 - $7,841).

On October 31, 2017, the Company entered into a business loan and security agreement for the amount of $30,000. The note was interest bearing at 11.48% per annum, secured by all assets of the Company and due on October 31, 2018. As at December 31, 2018, the balance outstanding including accrued interest was $nil. During the year ended December 31, 2018, the Company recorded interest expense of $1,410.

In December 2018, Blacklist entered into a business loan agreement for the amount of $162,000. The note was non-interest bearing, due and payable upon the completion of Blacklist's next financing. As at March 31, 2019, the balance outstanding was $162,000 (December 31, 2018 - $162,000).

In December 2018, Blacklist entered into a business loan agreement for the amount of $124,690. The note was non-interest bearing, due and payable upon the completion of Blacklist's next financing. As at March 31, 2019, the balance outstanding was $124,690 (December 31, 2018 - $124,690).

In January 2019, Blacklist entered into a business loan agreement for the amount of $237,500. The note was non-interest bearing and required a financing fee of $37,500, due and payable on or before March 1, 2019. As at March 31, 2019, the balance outstanding was $0 (December 31, 2018 - $0).

On February 28, 2019, Blacklist entered into a bridge loan agreement (the "Bridge Loan") with an unrelated third party, whereby Blacklist received a loan of CAD $2,500,000 (US$1,898,398). The bridge loan matures one year from the closing date and carries an interest rate of 17% per annum, compounded monthly, payable in arrears. The Bridge loan has a minimum interest payment CAD $150,000 (US$115,385) should the principal be repaid prior to the maturity date. In connection with the Bridge Loan, a financing fee of CAD $92,000 (US$70,770) was paid and 2,000,000 share purchase warrants were issued. The Bridge Loan and all fees and interest has been fully repaid

(Expressed in United States Dollars)

12. LOANS PAYABLE (continued)

During the three months ended March 31, 2019, the Company entered into a loan agreement for $2,150,000 with an unrelated third party. and was due on May 15, 2019. The Company used all Blacklist assets as collateral to secure the loan. In addition, the Company has to pay a finance fee of CAD $260,000, an extension fee of CAD $26,000 and issue 2,600,000 share purchase warrants to the lender. As at March 31, 2019, the balance outstanding including accrued interest was $2,210,917 (December 31, 2018 - $nil).

Subsequent to the three months ended March 31, 2019, the Company repaid both the principal and interest on the loan.

		March 31, 2019		December 31, 2018
Balance, beginning	$	761,113	$	776,258
Issued		4,468,943		537,573
Interest expense		139,102		84,177
Settlement of loans payable		-		(200,000)
Repayment of loans payable		(2,210,549)		(436,895)
Balance, ending	$	3,158,609	$	761,113

13. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended March 31, 2019 and 2018 was as follows:

		March 31, 2019		**March 31, 2018**
Salaries and wages	$	303,975	$	62,662
Rent		9,000		12,000
	$	312,975	$	74,662

Accounts Payable and Accrued Liabilities

As at March 31, 2019, the following amounts in accounts payable were due to related parties:

- $41,167 (December 31, 2018 - $41,167) owing to a director for services rendered;
- $3,000 (December 31, 2018 - $3,000) owing to a director for services rendered;
- $57,000 (December 31, 2018 - $57,000) owing to a company controlled by a director for rent.

Loans Payable

As at March 31, 2019, $604,002 (December 31, 2018 - $474,423) in loans payable were owed to related parties (Note 13). During the three months ended March 31, 2019, the Company recorded interest expense of $14,737 (March 31, 2018 - $8110) paid to related parties for these loans.

Accounts Receivable

As at March 31, 2019, $4,653,433 (December 31, 2018 - $57,193) in accounts receivable were due from a company related to another company jointly owned by the CEO and former CFO.

13. RELATED PARTY TRANSACTIONS (continued)

Transactions with Related Parties (continued)

During the three months ended March 31, 2019, the Company had product sales to a company jointly owned by the CEO and former CFO of $1,487,050 (March 31, 2018 - $nil).

On October 1, 2017, Blacklist entered into a commercial lease agreement with a company controlled by a director for its head office. Under the agreement, Blacklist is required to make lease payments for a term of 3 years. During the three months ended March 31, 2019, the Company recorded rent expense of $9,000 (March 31, 2018 - $12,000) to the related party.

During the year ended December 31, 2016, Blacklist entered into an asset lease agreement with a company controlled by the CEO and former CFO. Under the agreement, Blacklist is the lessee and has leased the equipment for monthly fees of $10,000. Shortly after the execution of the agreement, both parties mutually filed amendments for fees payable when new equipment was added to the original leased equipment. During the three months ended March 31, 2019, the Company recognized equipment rental income of $99,996 (March 31, 2018 - $87,996).

On January 1, 2017, Blacklist entered into an agreement with a company jointly controlled by the CEO and former CFO (the "Licensee"). Under the agreement, Blacklist granted the Licensee a non-exclusive, non-transferrable, non-assignable royalty bearing license to reproduce, distribute, publically display, and publically use the IONIC trademark. As consideration of the license granted, the Licensee shall pay royalty fees of 5% of its gross revenue for 3 years. On January 1, 2018, the consideration was increased to 10% of gross revenue. During the three months ended March 31, 2019, the Company recognized royalty income of $108,422 (March 31, 2018 - $245,257).

During the three months ended March 31, 2019, the Company incurred expenses of $nil (March 31, 2018 - $nil) to 4 companies controlled by the Company's CEO. The ability of these companies to repay the amounts owing is uncertain, and therefore, the amounts receivable have been fully impaired.

14. CONVERTIBLE DEBENTURES

On July 6, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for CAD $735,000 (US$577,459). The Convertible Debenture bore interest at 0% per annum, provided, however, that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 21,000,000 common shares of Zara at CAD $0.035 per share.

On October 2, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for CAD $1,200,000 (US$942,790). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 18, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then October 18, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 4,800,000 common shares of Zara at CAD $0.25 per share.

(Expressed in United States Dollars)

14. CONVERTIBLE DEBENTURES (continued)

On October 10, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for CAD $1,250,000 (US$982,073). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on October 10, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,125,000 common shares of Zara at CAD $0.40 per share.

On November 26, 2018, Blacklist entered into convertible secured debenture agreements (individually, the "Convertible Debenture") for CAD $1,719,408 (US$1,350,869). The Convertible Debenture bore interest at 0% per annum, provided, however that if the Transaction was terminated in accordance with its terms, Blacklist shall pay interest at the rate of 9% per annum from the date that is the three-month anniversary of the date of termination of the Transaction. The interest shall accrue and shall be payable on the earlier of the maturity date or upon conversion of the Convertible Debenture. The Convertible Debenture is due on November 26, 2020, provided however, that if the Transaction was duly terminated pursuant to its terms, then November 26, 2019. On March 22, 2019, upon closing of the Transaction, the principal amount of this Convertible Debenture was converted to 3,428,816 common shares of Zara at CAD $0.50 per share.

		March 31, 2019		December 31, 2018
Beginning balance	$	12,119,940	$	-
Issue of convertible debentures, net		-		3,853,191
Change in fair value of convertible debentures (1)		-		8,266,749
Conversion to common shares		(12,119,940)		-
Ending balance	$	-	$	12,119,940

(1) The fair value is calculated based on the November 26, 2018 arm's length financing which the shares would be converted at fair value at $0.50 per share. Blacklist was a private company at the end of December 31, 2018, thus the November 2018 financing would be the most appropriate representation of Blacklist's share s fair value.

15. SUBSCRIPTION RECEIPTS

On November 26 and December 5, 2018, Blacklist Finco issued 14,280,146 subscription receipts shares for gross proceeds of CAD $7,140,073 (US$5,492,364). The subscription receipts were held in escrow until the closing of the Transaction; whereby, the subscription receipts were exchanged for post-consolidated common shares of Zara on a one-to-one basis. As at March 31, 2019, the funds were held in trust with the Company's transfer agent.

In connection with the subscription receipts, Blacklist Finco paid CAD $276,290 (US$210,229) and issued 552,580 financing fee warrants as financing fees (See Note 18).

(Expressed in United States Dollars)

16. COMMITMENTS

Vehicle Loans

The Company obtained financing for motor vehicles acquired. The loans are secured by the vehicle financed. The loans have terms ranging from 60 – 72 months and bear interest at 5.60% - 12.35%.

		March 31, 2019		December 31, 2018
Beginning balance	$	113,269	$	90,253
Issued		-		55,991
Interest expense		1,691		14,587
Repayments		(7,567		(47,562)
		107,393		113,269
Current		26,719		25,496
Non-current	$	80,674	$	87,773

A schedule for the Company's future minimum principal payments over the term of the leases is as follows:

Year		
2019	$	19,620
2020		28,394
2021		22,948
2022		23,562
2023		12,869
Total	$	107,393

17. SHARE CAPITAL

Authorized Share Capital

The Company's authorized share capital consists of:

- An unlimited number of voting common shares, with no par value
- An unlimited number of series A non-voting preferred shares
- An unlimited number of series B non-voting preferred shares
- An unlimited number of series C non-voting preferred shares

The series A and B preferred shares may be converted into common shares at the option of the Company. The series C preferred shares may be converted into common shares at the option of the holders. Each series of preferred shares are convertible into such number of common shares equal to the quotient of the paid-up capital of the preferred shares divided by the market price of the common shares on the date of conversion. Each series of preferred shares are subject to cumulative dividends at the rate of 5% per annum, which is payable in common shares of the Company based upon the prevailing market price of the common shares.

Zara did not have any Series A or B preferred shares outstanding at the time of the Transaction.

17. SHARE CAPITAL (continued)

Issued Share Capital (continued)

On January 21, 2019, all 83,333 Preferred C shares of Zara were converted into 1,428,566 pre-consolidated Zara common shares.

On March 22, 2019, prior to the completion of the Transaction, Zara consolidated its issued and outstanding share capital at a ratio of 1 new share for 35.9389 old shares. Prior to the completion of the Transaction, Zara had 332,065 post-consolidated common shares outstanding, and the Zara shares issued in connection with the Transaction were on post-consolidation basis.

On March 22, 2019, pursuant to the Share Exchange Agreement (see Note 5), 54,251,241 post-consolidated Zara common shares were issued to Blacklist shareholders and 14,280,146 post-consolidated Zara common shares were issued to Blacklist subscription receipts holders on completion of the RTO.

On March 22, 2019, pursuant to convertible secured debenture agreements (see Note12), the Company issued an aggregate of 32,363,816 post-consolidated Zara common shares to convertible debenture holders for conversion of convertible debentures. At the same time, the Company issued 174,000 post-consolidated Zara common shares to settle the cash financing fee of CAD $87,000 (US$66,198) in relation to the convertible debentures convertible at CAD $0.50.

On March 22, 2019, the Company issued 1,075,818 post-consolidated Zara common shares for settlement of debt. The fair value of the debt was $409,294.

On March 22, 2019, the Company issued 273,089 post-consolidated Zara common shares as partial settlement for finders' fee in connection to the Blacklist subscription receipts instead of paying the full $210,229 finders' fees in cash (see Note 13). The balance of $106,100 finders' fees was paid in cash.

On March 22, 2019, the Company issued an aggregate of 610,000 post-consolidated Zara common shares as finders fees for convertible debentures in Note 12. The fair value of the services was $198,899.

In connection with the closing of the RTO, the Company issued an aggregate of 5,250,000 post-consolidated Zara common shares as finders' fees. The fair value of the services was $1,997,363.

Stock Options

The Company has a stock option plan under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees, and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of 10 years. The plan allows for the issuance up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-dilute basis.

There was no outstanding stock option as at March 31, 2019 and December 31, 2018.

17. SHARE CAPITAL (continued)

Warrants

In connection with the subscription receipts in November and December 2018, Blacklist Finco paid CAD $276,290 (US$210,229) and issued 548,780 financing fee warrants as financing fees. Each warrant is exercisable for CAD $0.50 per share for a period of 18 months from the date of closing of the Transaction.

Using the Black-Scholes Option Pricing Model, management estimated the fair value of the financing fee warrants being $89,056, which was recorded in equity, with the following assumptions: risk-free interest rate of 1.46%, expected life of 1.5 years, expected volatility of 92.31% and no expected dividend.

Along with the subscription receipts in November and December 2018, Blacklist Finco also issued 174,000 financing fee warrants to finders of the debentures convertible at CAD $0.50. Each warrant is exercisable for CAD $0.50 per post-dated Zara common share for a period of 18 months from the closing date of the Transaction.

The fair value of the warrants, $37,868, had been recorded in equity. The fair value of warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.46%, an expected life of 1.5 years, expected volatility of 92.31% and no expected dividend.

On February 28, 2019, Blacklist issued 2,000,000 financing fee warrants in connection to a loan borrowed from an unrelated party (see Note 10). Each warrant is exercisable at CAD $0.55 per share for a period of one year from the date of issuance.

The fair value of the warrants, CAD $330,305 (US$246,294), had been recorded in equity. The fair value of warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.46%, an expected life of 1 year, an expected volatility of 92.31% and no expected dividend.

On March 22, 2019, the Company issued 6,000,000 performance warrants to an unrelated party. The conditions for vesting are as follow:

- 3,000,000 warrants will vest and become fully exercisable upon the Company issuing common shares with an aggregate value of CAD $5,000,000 in connection with a financing (other than the planned CAD $5,000,000 outlined in Section 1.6 of LOI dated July 6, 2018 (“LOI Financing”) where the holder acted as finder, underwriter, broker or in another similar capacity (the “Initial Financing”), within one calendar year of the closing of the transactions outlined in the Share Exchange Agreement dated February 26, 2019. These warrants shall be exercisable for 60 days following the closing date of the financing and shall only be exercisable during the exercisable period.
- 3,000,000 warrants will vest and become fully exercisable upon the Company issuing common shares with an aggregate value of CAD $10,000,000 in connection with one or more financings (including funds raised in Initial Financing, but excluding any funds raised in the LOI Financing) in each case where the holder acted as a finder, underwriter, broker or in another similar capacity, within one calendar year of the closing of the transactions outlined the Share Exchange Agreement. These warrants shall be exercisable for 60 days following the closing date of the financing and shall only be exercisable during the exercisable period.

Each performance warrant is exercisable at CAD $0.05 per share. As at March 31, 2019, the first performance condition was achieved, and management expected the second performance condition to be achieved subsequent to the three months ended March 31, 2019. The fair value of the performance warrants, $2,019,380, had been recorded in equity. The fair value of warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.46%, an expected life of 1.28 years, an expected volatility of 87.48% and no expected dividend.

(Expressed in United States Dollars)

17. SHARE CAPITAL (continued)

Warrants (continued)

Also on March 22, 2019, the Company issued 11,000,000 performance warrants to directors, officers and employees of the Company. The conditions for vesting are as follow:

- 3,977,280 warrants will vest and become fully exercisable upon the Company receiving at least eight conditional use permits that allowed the Company, or an affiliate of the Company, to obtain a recreational cannabis license in the State of California by February 26, 2020. These warrants shall be exercisable for 60 days following the day the Company, or an affiliate of the Company, receives the eighth conditional use permit.
- 3,975,120 warrants will vest and become fully exercisable upon the Company having achieved total gross revenue of at least $20,000,000 during the fiscal year ended December 31, 2019. These warrants shall be exercisable for 60 days following the day the Company publicly filed its annual consolidated financial statements.
- 3,047,600 warrants will vest and become fully exercisable upon the Company having achieved total gross revenue of at least $80,000,000 during the fiscal year ended December 31, 2020. These warrants shall be exercisable for 60 days following the day the Company publicly filed its annual consolidated financial statements.

Each performance warrant is exercisable at CAD $0.05 per share. As at March 31, 2019, management expected all three performance conditions will be achieved, and the fair value of the performance warrants, $3,732,273, had been recorded inequity. The fair value of warrants was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.46%, an expected life of 2.28 years, an expected volatility of 91.78% and no expected dividend.

Details regarding warrants issued and outstanding are summarized as follows:

		Weighted average exercise price (CAD)	Number of shares issued or issuable on exercise
Balance – December 31, 2018	$	-	-
Issuance of warrants on convertible debentures (Note 12)		0.55	2,000,000
Issuance of warrants on convertible debentures (Note 12)		0.50	174,000
Issuance of warrants on subscription receipts (Note 13)		0.50	548,780
Issuance of performance warrants to finders		0.05	6,000,000
Issuance of performance warrants to employees		0.05	11,000,000
Balance – March 31, 2019	$	0.12	19,722,780

The expiry of warrants are as follows:

Grant Date	Expiry Date		Weighted average exercise price (CAD)	Number of warrants issued
March 22, 2019	March 22, 2020	$	0.55	2,000,000
March 22, 2019	June 30, 2020		0.05	6,000,000
March 22, 2019	September 22, 2020		0.50	722,780
March 22, 2019	June 30, 2021		0.05	11,000,000
		$	0.12	19,722,780

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

The Company's primary exposure to credit risk is on its accounts receivable. All of the Company's receivables are due from a related party resulting in a concentration of credit risk.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

19. CAPITAL MANAGEMENT

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is limited as the majority of its sales and expenditures are denominated in the same currency as its functional currency.

Interest Rate Risk

Interest rate risk if the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Based on borrowings that accrue interest as at March 31, 2019 and December 31, 2018, a 1% change in interest rate would not have a significant impact on net loss.

Fair Value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances. The

Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2018.

20. SUBSEQUENT EVENTS

On April 10, 2019, the Company announced it had entered into a Letter of Intent ("LOI") to acquire licensed cannabis volatile extraction and manufacturing assets of Kavry Management LLC ("Kavry"). The Company signed the LOI dated April 4, 2019 with Kavry subject to definitive documentation and for a purchase price of US$2,900,000 in cash and shares, with the shares valued based on the closing price of the Company's shares immediately preceding the date of closing.

On April 12, 2019, the Company granted 5,700,000 stock options to its directors, employees and consultants. These stock options may be exercisable within 5 years from grant date at a price of CAD $0.65 per share and have vesting periods of 0 to 9 months.

On April 25, 2019 the company entered into a Master Equipment Lease with a third party allowing the company to acquire $718,370 of new production equipment. The Lease calls for an initial payment of $101,430 and 23 subsequent monthly payments of $31,972.

On May 16, 2019, the Company closed a brokered offering of 17,227 convertible debenture units for gross proceeds of CAD $17,227,000 pursuant to a private placement of Units with a concurrent non-brokered offering of 2,532 Units for gross proceeds of CAD $2,532,000. The Units sold under the Concurrent Offering have the same terms and conditions as those Units sold under the Brokered Offering. Each Unit consists of (i) CAD $1,000 principal amount of 8.0% unsecured debentures convertible into common shares of the Company at a conversion price of CAD $0.75 per share, maturing on May 16, 2022, and (ii) 1,333 common share purchase warrants of the Company. Each warrant entitles the holder to purchase a common share at an exercise price of CAD $0.90 until May 16, 2022, subject to acceleration in certain circumstances.

On May 17, 2019 the Company entered into a Letter of Intent ("LOI") to acquire substantially all of the issued and outstanding stock of Astleys of London HK Limited. ("Astleys"). Astleys is a 150-year-old company that specializes in elegant pipe and cigar vaporizers. The LOI is subject to definitive documentation and for a purchase price of US$7,800,000 in cash and shares with a US$10,000,000 earnout.