



BIOME GROW INC.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Biome Grow Inc.

Opinion

We have audited the consolidated financial statements of Biome Grow Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, cash flow and changes in equity for the years ended December 31, 2018 and 2017 the related notes to the financial statements, including a summary of significant accounting policies.

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

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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since inception and has an accumulated deficit of \$9,689,529. As stated in Note 1, these events and 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 consolidated financial statements in accordance with IFRSs, 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 consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 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 audits resulting in this independent auditors' report is Fernando Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 29, 2019



BIOME GROW INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
ASSETS			
Current Assets			
Cash		1,859,505	3,071,290
Amounts receivable		1,116,306	-
Other receivables		-	341,922
Prepaid expenses		34,879	41,161
Inventory	10	644,689	-
Biological assets	9	197,163	-
		3,852,542	3,454,373
Goodwill	6	4,374,313	4,374,313
Intangible Assets	7	1,843,291	-
Property, plant and equipment	8	5,592,763	2,379,312
		15,662,909	10,207,998
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		650,099	261,194
Due to related parties		-	167,448
		650,099	428,642
Shareholders' Equity			
Share capital	11	22,702,283	10,440,558
Shares issuable	11	515,000	-
Contributed surplus		1,485,056	166,400
Deficit		(9,689,529)	(827,602)
		15,012,810	9,779,356
		15,662,909	10,207,998

Nature of operations and going concern (Note 1)

Commitments (Note 16)

Subsequent event (Note 17)

Approved and authorized for issue on behalf of the Board on April 29, 2019:

"Khurram Malik"

Director

"Brett James"

Director

BIOME GROW INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(Expressed in Canadian dollars)

	Note	2018	2017
		\$	\$
OPERATING EXPENSES			
Advertising and promotion		810,554	-
Amortization	7,8	260,319	-
Automobile expenses		18,753	7,722
Consulting		1,897,156	-
Finance charges and interest		-	50,973
Insurance		44,361	12,726
Office and miscellaneous		278,909	68,221
Platform development		107,128	-
Production and facility costs		162,336	-
Professional fees		654,336	416,348
Salaries and wages		995,647	279,329
Share based compensation	11	421,366	-
Transfer agent fees		71,267	-
Travel		24,853	4,375
Utilities		149,558	3,248
Net loss before other items		5,896,543	842,942
OTHER ITEMS			
Listing expense	5	3,920,923	-
Other income		(113,687)	(15,346)
Unrealized gain on changes in fair value of biological assets	9	(841,852)	-
		2,965,384	(15,346)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		8,861,927	827,596
Basic and diluted loss per share		(0.09)	(0.01)
Weighted average number of common shares outstanding		102,269,070	78,534,790

BIOME GROW INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(Expressed in Canadian dollars)

	Common Shares		Special Class C Shares	Shares Issuable	Contributed Surplus	Deficit	Total
	Number of Shares	Amount					
		\$	\$	\$	\$	\$	\$
Balance, January 1, 2017	60,000,000	-	-	-	-	-	-
Issuance of shares	25,766,190	6,255,607	-	-	-	-	6,255,607
Share issuance costs	106,665	(505,200)	-	-	166,400	-	(338,800)
Shares issued pursuant to acquisition of Highland	7,750,000	2,250,000	2,336,000	-	-	-	4,586,000
Issuance of shares for debts	347,170	104,151	-	-	-	-	104,151
Net loss for the year	-	-	-	-	-	(827,602)	(827,602)
Balance, December 31, 2017	93,970,025	8,104,558	2,336,000	-	166,400	(827,602)	9,779,356
Shares issued for cash	9,115,800	7,167,080	-	-	-	-	7,167,080
Issuance of shares to finders	265,000	241,979	-	-	-	-	241,979
Share issuance costs	-	(989,217)	-	-	268,335	-	(720,882)
Shares issued and issuable for services	1,126,770	1,089,270	-	265,000	-	-	1,354,270
Shares issued and issuable pursuant to acquisition agreements	2,187,505	1,650,005	-	250,000	-	-	1,900,005
Issuance of shares for debt	250,000	100,000	-	-	-	-	100,000
Shares and stock options deemed to be issued to shareholders of the Company upon completion of RTO transaction	1,153,254	1,153,254	-	-	14,383	-	1,167,637
Issuance of shares for services related to RTO transaction	1,575,000	1,620,000	-	-	711,907	-	2,331,907
Issuance of shares pursuant to exercise of warrants	485,255	229,354	-	-	(97,335)	-	132,019
Share-based compensation	-	-	-	-	421,366	-	421,366
Net loss for the year	-	-	-	-	-	(8,861,927)	(8,861,927)
Balance, December 31, 2018	110,128,609	20,366,283	2,336,000	515,000	1,485,056	(9,689,529)	15,012,810

1 Special Class C share remains outstanding at December 31, 2018.

BIOME GROW INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(Expressed in Canadian dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(8,861,927)	(827,596)
Items not affecting cash:		
Amortization	260,319	-
Gain on settlement of liabilities	(67,448)	(15,346)
Listing expense	3,499,544	-
Share based compensation	421,366	-
Shares issued and issuable for services	1,354,270	-
Unrealized gain on changes in fair value of biological assets	(841,852)	-
Changes in non-cash working capital balances:		
Amounts receivable	(1,085,277)	(341,922)
Other receivables	341,922	-
Prepaid expenses	6,283	(41,160)
Accounts payable and accrued liabilities	519,474	(167,991)
Due to related parties	(167,448)	167,448
Cash used in operating activities	(4,620,775)	(1,226,567)
INVESTING ACTIVITIES		
Cash obtained through acquisitions	2,408	-
Cash paid for acquisitions	(24,995)	-
Additions of property, plant and equipment	(3,388,618)	(1,618,950)
Cash used in investing activities	(3,411,205)	(1,618,950)
FINANCING ACTIVITIES		
Shares issued for cash	7,167,080	5,996,532
Share issuance costs	(478,903)	(79,725)
Shares issued pursuant to exercise of warrants	132,019	-
Cash provided by financing activities	6,820,196	5,916,807
CHANGE IN CASH	(1,211,785)	3,071,290
CASH, BEGINNING OF THE YEAR	3,071,290	-
CASH, END OF THE YEAR	1,859,505	3,071,290
SUPPLEMENTAL CASH DISCLOSURES		
Cash paid for Income taxes	-	-
Cash paid for Interest	-	-
NON-CASH TRANSACTIONS		
Refer to Note 11		

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Biome Grow Inc. (the “Company”) formerly Orca Touchscreen Technologies Ltd. (“Orca”) was incorporated under the *Business Corporations Act* of British Columbia on December 31, 2013. The head office and principle business of the Company is 1401 - 480 University Avenue, Toronto, Ontario.

On October 3, 2018, the Company acquired Cultivator Catalyst Corp. (“CCC”) through a reverse acquisition transaction described in Note 5 (the “Transaction”). The historical operations, assets and liabilities of CCC are included as the comparative figures as at and for the year ended December 31, 2017, which is deemed to be the continuing entity for financial reporting purposes. CCC was incorporated on November 22, 2016 under the laws of Province of Ontario.

The Company’s principal business activity is pursuing opportunities in the cannabis industry. On May 19, 2017, the Company acquired 100% interest in Highland Grow Inc. (“HGI”) (formerly THC Dispensaries Canada Inc.). As at December 31, 2018, HGI holds a license to cultivate, process and sell for cannabis medical purposes in accordance with the Cannabis Act and Cannabis Regulations in Canada. During the year ended December 31, 2018, HGI cultivated and produced medical cannabis at its facility located in the province of Nova Scotia. During the year ended December 31, 2018, the Company acquired interest in a number of entities through various transactions as described in Note 6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which contemplates the realization of assets and the discharge of liabilities in the normal course of business. The Company has incurred losses since its inception and has an accumulated deficit of \$9,689,529 as at December 31, 2018 which has been funded primarily by issuance of equity and advances from related parties. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future.

2. BASIS OF PREPERATION

a) Statement of compliance and basis of measurement

The consolidated financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB.

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value. The functional and presentation currency of the Company is the Canadian dollar.

b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and the following Canadian subsidiaries:

Subsidiaries	Percentage of ownership
Cultivator Catalyst Corp.	100%
Great Lake Cannabis Co.	100%
Highland Grow Inc.	100%
Red Sands Craft Cannabis Co.	100%
The Back Home Medical Cannabis Corporation	100%
Weed Virtual Retail Inc.	100%

2. BASIS OF PREPERATION (CONTINUED)

b) Basis of consolidation (continued)

Subsidiaries are entities that the Company controls directly. Control is defined as the exposure, or rights, or variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights and the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Estimated useful lives and impairment considerations

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Significant accounting judgments and estimates(continued)

Share-based compensation and warrants

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. In calculating the fair value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk-free interest rate.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assess whether it is probably that some or all of the deferred income tax assets and liabilities will be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Going concern

Management applies judgment in its evaluation of the Company's ability to continue as a going concern.

b) Biological assets

Biological assets are valued in accordance with IAS 41 and are presented at their fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventory after harvest. The Company's biological assets consist of cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data. These inputs are Level 3 on the fair value hierarchy, and are subject to volatility in market prices and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company expenses all direct and indirect costs related to the transformation of its biological assets into inventory. Such costs include labour, supplies, materials and facility costs including amortization of related production equipment. These costs are presented on the consolidated statements of comprehensive loss as expenses recorded in salaries and wages, production and facility costs, utilities, office and miscellaneous and amortization.

The Company values cannabis plants at cost, which approximates fair value from the date of initial clipping from mother plants until the plants begin the propagation cycle. The number of weeks in the growth cycle is between 10 and 12 weeks from propagation to harvest. The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less processing and selling costs.

The selling price is between \$5.00 and \$8.00 per gram.

The harvest yield is between 22 and 142 grams per plant.

The selling price used in the valuation of biological assets is based on the average selling price of all cannabis products and can vary based on strain, as well as the proportion derived from wholesale compared to retail. Expected yield is also subject to a variety of factors including strain and length of growth cycle.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Inventory

The Company values inventories at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined using the weighted average cost basis.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed. Storage costs, indirect administrative overhead and certain other selling costs related to inventories are expensed in the period incurred.

d) Impairment of long-lived assets

Long-lived assets, including property and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

e) Intangible assets

Intangible assets consist mainly of a license application, favorable leases, distribution agreement and a website under development acquired by the Company. Intangible assets are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized. As of December 31, 2018 and 2017, the Company does not hold any intangible assets which have been deemed to have an indefinite life.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The Company does not have any intangible assets with a definitive life.

At each financial position reporting date, the carrying amounts of the Company's long-lived assets, including property, plant and equipment and intangible assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The Company uses the following amortization rates for its intangible assets:

Favorable leases	Lease term	straight line
Distribution agreement	10 years	straight line
License applications	20 years	straight line
Website	5 years	straight line

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12 – Income Taxes. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement period adjustments. The measurement period is the period between the date of the acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

Management determines whether assets acquired and liabilities assumed constitute a business. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Company completed certain transactions described in Note 6 and concluded that the transactions did not qualify as a business combination under IFRS 3, “Business Combinations”.

g) Goodwill

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is measured at historical cost and is evaluated for impairment annually or more often if events or circumstances indicate there may be an impairment.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in income in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed. Acquisition related costs are recognized in the consolidated statements of comprehensive loss as incurred.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Property, plant and equipment

Property and equipment is measured at cost less accumulated amortization and impairment losses. The Company uses the following amortization rates for its property and equipment:

Building	25 years	straight line
Computer and software	5 years	straight line
Equipment	5 years	straight line
Leasehold improvements	Lease term	straight line

Certain of the Company's property, plant and equipment have not yet been put into use and as a result useful lives have not yet been determined and no amortization has been recorded to date on this property, plant and equipment.

Costs of assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment and amortization commences when the asset is available for its intended use.

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

i) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

j) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it related to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets - Classification

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

- Fair value through OCI (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of comprehensive loss in the period in which it arises.

Financial liabilities - Classification

The Company classifies its financial liabilities into the following categories:

- Financial liabilities at FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Classification of financial instruments

Cash	FVTPL
Accounts payable	Amortized cost
Due to related parties	Amortized cost

l) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued. The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

n) Provisions

The Company recognizes a provision when all of these conditions are met:

- a. an entity has present obligation (legal or constructive) as a result of a past event;
- b. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- c. a reliable estimate can be made of the amount of the obligation.

In certain asset acquisitions, the Company provides consideration that is contingent on uncertain future events of which the existence will be confirmed only by the occurrence or non-occurrence of one or more future events. These events are typically in control of management and as a result do not meet the definition of a financial liability until the events have occurred. As a result, a contingent consideration in these situations is not measured until the event occurs.

o) Share-based payments

The fair value of stock options granted is measured at the grant date using the Black-Scholes option pricing model. Where options are granted to consultants for goods or services rendered, the options are measured at the fair value of the goods or services received by the Company. If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of loss with a corresponding entry within equity, against share based compensation reserve. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in share based compensation reserve is credited to share capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

p) Reclassifications

Certain reclassifications have been made to the prior period's consolidated financial statements to conform to the current year's presentation on the consolidated statements of financial position and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Adoption of new pronouncements

During the year ended December 31, 2018, the Company adopted the following new or amended accounting standards. The adoption of the following new or amended accounting standards did not have a significant impact on the Company's consolidated financial statements.

IFRS 2 Share-based Payment

The amendments clarified the classification and measurement of share-based payment transactions.

IFRS 9 Financial Instruments – Classification and Measurement

IFRS 9 was the first step in the process to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduced new requirements for classifying and measuring financial assets and liabilities and carried over from the requirements of IAS 39.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is a new standard which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 established a comprehensive five-step framework for the timing and measurement of revenue recognition.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are not mandatory for accounting periods beginning before January 1, 2019. They have not been early adopted in these consolidated financial statements and are expected to affect the Company in the period of initial application. In all cases the Company intends to apply these standards from application date as indicated below.

Effective for annual periods beginning on January 1, 2019

IFRS 16 Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company does not expect any significant impact on its consolidated financial statements as a result of the adoption of this standard.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

5. REVERSE TAKE-OVER TRANSACTION AND LISTING EXPENSE

Pursuant to the Transaction described in Note 1, the Company acquired all of the issued and outstanding common shares in the capital of CCC including the special class C share (the "Payment Shares") pursuant to an exchange ratio of five Payment Shares for each CCC common share and one special class C share of the Company for each special class C share of CCC (collectively, the "Exchange Ratio"). In addition, all of the outstanding common share purchase warrants of CCC were exchanged for common share purchase warrants of the Company based on the Exchange Ratio. Upon completion of the Transaction, shareholders of CCC were issued 106,089,475 common shares in exchange for 1,153,254 common shares of the Company.

The Transaction, for accounting purposes, is considered to be outside the scope of IFRS 3 - *Business Combinations* since the Company had limited inputs, processes, and outputs – as defined by IFRS 3 - prior to the transaction. Activities were limited to the management of cash resources and the maintenance of its stock exchange listing and did not constitute a business for accounting purposes. As a result, the transaction is accounted for in accordance with IFRS 2 - *Share-based Payment* whereby the Company is deemed to have issued shares in exchange for the net assets or liabilities together with its listing status at the fair value of the consideration received.

Since the issuance of common shares of the Company to the former shareholders of CCC on closing the acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations plus liabilities assumed by the Company acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing expense.

The listing expense is summarized as follows:

	\$
Fair value of share based consideration allocated:	
Deemed issuance of 1,153,254 common shares	1,153,254
Fair value of warrants outstanding	14,383
	1,167,637
Identifiable net assets acquired:	
Cash and cash equivalent	10,641
Liabilities	-
	10,641
Legal fees and other cash costs	432,020
Fair value of warrants issued	711,907
Fair value of common shares	1,620,000
Total listing expense	3,920,923

As part of the Transaction, the Company issued 1,575,000 common shares with an aggregate fair value of \$1,620,000 and 1,000,000 share purchase warrants with an estimated fair value of \$711,907 to certain individuals and corporations as fees for ongoing consulting services and services provided during the course of the Transaction, including introduction of the Company and CCC. The share purchase warrants are exercisable for a period of three years at a price of \$1.00 per common share of the Company.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

6. ACQUISITIONS

Highland Grow Inc. (formerly THC Dispensaries Canada Inc.)

Pursuant to a share purchase agreement (“SPA”) dated May 19, 2017, the Company acquired 100% issued and outstanding common shares of Highland Grow Inc. (“HGI”). As consideration, the Company issued 5,000,000 common shares with a fair value of \$500,000 and one Special Class B share (“Class B”) and one Special Class C share (“Class C”) with a fair value of \$3,386,000. The Class B and C shares are non-voting, redeemable, retractable and non-participating and convertible into common shares (the “Acquisition”).

The Class B shares are convertible to common shares upon issuance by Health Canada to HGI of a license to produce marihuana in accordance with the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). The conversion calculation is based on dividing \$1,050,000 by the price per common share paid by an arm’s length party in the most recent financing prior to the issuance of the license. On December 1, 2017, Health Canada issued the license and on December 21, 2017 the Class B share was converted into 2,625,000 common shares.

The Class C shares are convertible to common shares upon issuance by Health Canada to HGI of a license to sell marihuana in accordance with the ACMPR. The conversion calculation is based on dividing \$3,050,000 by the price per common share paid by an arm’s length party in the most recent financing prior to the issuance of the license. As the amount of common shares is unknown, the Company estimated the likelihood that Health Canada would issue the license to sell, the time frame in which the license would be issued, used the latest common share financing price and calculated a fair value of \$2,336,000. The Class C share has not been converted in to common shares as of December 31, 2018.

Concurrent with the SPA, the Company entered into a settlement agreement dated May 19, 2017 (“Settlement Agreement”) with Matica Enterprises Inc. (“Matica”) and others. Prior to the SPA and Settlement Agreement Matica owned 50% of the common shares of HGI and was in a dispute with the other shareholders of HGI and certain related companies. In order to resolve the dispute and settle any claims or potential claims the parties entered into the Settlement Agreement. Pursuant to the Settlement Agreement Matica delivered the share certificate representing its 50% interest in HGI for cancellation and assigned the debt of \$240,000 to the Company. In exchange, the Company issued 1,750,000 common shares at a fair value of \$350,000 and gave Matica the right to receive additional common shares with a fair value of \$350,000 when HGI was issued a license under the ACMPR. As a result of receiving the license from Health Canada, the Company issued 875,000 common shares with a fair value of \$350,000 to Matica on December 20, 2017.

The Acquisition along with the Settlement Agreement were recognized as a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the acquisition date.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

6. ACQUISITIONS (CONTINUED)

Highland Grow Inc. (continued)

The allocation of the components of total consideration to the net assets acquired was as follows:

Consideration	\$
Fair value of class B and C common shares issued	3,386,000
Fair value of common shares issued pursuant to Settlement	700,000
Fair value of common shares issued pursuant to SPA	500,000
Total consideration	4,586,000
Net assets acquired	
Property and equipment	760,362
Other current assets	30,576
Current liabilities less CCC debt of \$240,000	(819,251)
	(28,313)
HGI debt assigned	240,000
Goodwill acquired	4,374,313
Total net assets acquired	4,586,000

The resulting goodwill represents the sales and growth potential of HGI and will not be deductible for tax purposes.

Great Lakes Cannabis Co. (formerly P 209 Inc.)

On March 2, 2018, the Company executed a share purchase agreement with the shareholders of Great Lakes Cannabis Co. ("Great Lakes") whereby the Company acquired 100% of the issued and outstanding shares of Great Lakes in exchange for an aggregate purchase price of \$3,500,000. As consideration, the Company issued common shares with a fair value of \$1,500,000 and has committed to issue common shares with a fair value of \$2,000,000 contingent upon future events.

The Company has accounted for the purchase as an asset acquisition as Great Lakes did not meet the definition of a business under IFRS 3, "Business Combinations". In accordance with the Company's accounting policy, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company has not recorded any contingent consideration related to the acquisition of Great Lakes.

The allocation of the components of total consideration to the net assets acquired was as follows:

Consideration	\$
Fair value of common shares issued	1,500,000
Total consideration	1,500,000
Net assets acquired	
Current assets	33,237
Intangible assets	1,503,643
Current liabilities	(36,880)
Total net assets acquired	1,500,000

Intangible assets acquired consist of a favorable lease and a license application. Refer to Note 7 for further information.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

6. ACQUISITIONS (CONTINUED)

The Back Home Medical Cannabis Corporation

On April 25, 2018, the Company acquired 100% of the issued and outstanding common shares of The Back Home Medical Cannabis Corporation ("Back Home") pursuant to a share purchase agreement. Back Home is a Newfoundland based ACMPR applicant. As consideration, the Company issued common shares with a fair value of \$150,000. In addition to the consideration paid, the Company has also committed to issue common shares valued at \$2,350,000 upon satisfaction of various conditions related to the licensing process as detailed in the share purchase agreement, of which \$250,000 has been recorded as issuable.

The Company has accounted for the purchase as an asset acquisition as Back Home did not meet the definition of a business under IFRS 3, "Business Combinations". In accordance with the Company's accounting policy, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company has not recorded any contingent consideration related to the acquisition of Back Home.

The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Consideration	\$
Fair value of common shares issued	150,000
Common shares issuable	250,000
Total consideration	400,000
Net assets acquired	
Current assets	100
Intangible assets	399,900
Total net assets acquired	400,000

Intangible assets acquired consist of a favorable lease and distribution agreement. Refer to Note 7 for further information.

Weed Virtual Retail Inc.

On June 1, 2018, the Company acquired 100% of the issued and outstanding common shares of Weed Virtual Retail Inc. ("Weed VR") pursuant to a share purchase agreement. Weed VR is expected to support online operations of the Company. As consideration, the Company paid \$24,995 in cash and issued common shares with a fair value of \$5. In addition to the consideration paid, the Company has also committed to issue common shares valued at \$600,000 upon achievement of certain milestones.

The Company has accounted for the purchase as an asset acquisition as Weed VR did not meet the definition of a business under IFRS 3, "Business Combinations". In accordance with the Company's accounting policy, only obligations arising from past events that exist independently of the entity's future actions are recognized as provisions. As a result, the Company has not recorded any contingent consideration related to the acquisition of Weed VR.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

6. ACQUISITIONS (CONTINUED)

Weed Virtual Retail Inc. (continued)

The following table summarizes the total consideration, the fair value of the identifiable assets acquired and liabilities assumed as of the date of the acquisition:

Consideration	\$
Cash	24,995
Fair value of common shares issued	5
Total consideration	25,000
Net assets acquired	
Cash	100
Intangible asset	24,900
Total net assets acquired	25,000

The intangible asset acquired consists of a website under development. Refer to Note 7 for further information.

7. INTANGIBLE ASSETS

	Distribution Agreement	Favorable Lease	License Application	Website	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2016 and 2017	-	-	-	-	-
Acquired through acquisition of:					
Great Lakes	-	21,000	1,482,643	-	1,503,643
Back Home	250,000	149,900	-	-	399,900
Weed VR	-	-	-	24,900	24,900
Amortization	-	(23,375)	(61,777)	-	(85,152)
Balance, December 31, 2018	250,000	147,525	1,420,866	24,900	1,843,291

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Computer and software	Construction in progress	Equipment	Land and Building	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2016	30,954	-	91,287	-	634,966	757,207
Acquired through business combination (Note 4)	-	-	-	-	-	-
Additions	-	-	113,441	-	1,508,664	1,622,105
Balance, December 31, 2017	30,954	-	204,728	-	2,143,630	2,379,312
Additions	1,727	2,154,218	99,407	595,466	537,800	3,388,618
Amortization	(6,364)	-	(48,177)	-	(120,626)	(175,167)
Balance, December 31, 2018	26,317	2,154,218	255,958	595,466	2,560,804	5,592,763

As the certain of the Company's facilities are being re-modelled to meet regulations and construction is currently in process on certain facilities, they are not fully available for use as at December 31, 2018 and thus there was no amortization recorded on these.

9. BIOLOGICAL ASSETS

	2018	2017
	\$	\$
Opening balance	-	-
Changes in fair value less costs to sell due to biological transformation	841,852	-
Transferred to inventory upon harvest	(644,689)	-
	197,163	-

The Company's biological assets consist of medical cannabis plants. The significant assumptions used to determine the fair value of the medical cannabis plants include:

- Expected yield by strain of plant
- Wastage of plants
- Duration of the production cycle
- Percentage of costs incurred to date compared to the total costs expected to be incurred
- Percentage of costs incurred for each stage of plant growth; and
- Market value less selling costs

The Company's estimates are, by their nature, subject to change and differences from anticipated yield will be reflected in the gain or loss on biological assets in future periods. On average, the growth cycle is 70 days. As at December 31, 2018, it is estimated that the Company's biological assets will yield approximately 34,300 grams of cannabis when harvested. As of December 31, 2018, a change of 10% or less in the estimated yield per plant, growth cycle and selling price of dry cannabis would not result in a significant variance in the fair value of biological assets or inventory.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

10. INVENTORY

As at December 31, 2018, the Company's inventory consisted of 112,000 grams of dried cannabis awaiting release for sale. The cost of inventory is recognized as an expense and included in cost of sales when sold.

11. SHARE CAPITAL

a) Authorized:

- Unlimited number of voting common shares without par value; and
- Unlimited number of non-voting and redeemable Special Class B and C shares without par value.

b) Issued and outstanding as at December 31, 2018: 110,128,609 common shares and 1 Special Class C share.

During the year ended December 31, 2018:

- i. Upon completion of the Transaction described in Notes 1 and 5, the Company's common shares were split on a one common share for five common shares basis (1:5) ("Stock Split"). All share and per share figures in these consolidated financial statements have been retroactively adjusted to reflect the Stock Split.
- ii. The Company issued 9,115,800 common shares pursuant to private placements completed during the year for aggregate proceeds of \$7,167,080.
- iii. In connection with the private placements completed during the year, the Company issued 265,000 common shares with an aggregate value of \$241,978 as finders' fees, paid cash costs of \$478,903 and granted 358,050 finders' warrants with varying exercise prices with an aggregate fair value of \$268,336. The total share issuance costs recorded during the year ended December 31, 2018 were \$989,217
- iv. The Company issued 1,126,770 common shares with an aggregate fair value of \$1,089,270 for various consulting services provided to the Company. In addition, the Company has also recorded shares issuable amount of \$265,000 as at December 31, 2018 for shares issuable to certain consultants for services provided to the Company.
- v. The Company issued the following common shares in connection with the acquisition transactions described in Note 6:
 - a. 187,500 common shares with an aggregate fair value of \$150,000 were issued pursuant to the acquisition of Back Home. In connection with the same acquisition, the Company has recorded a shares issuable amount of \$250,000 as at December 31, 2018 for shares issuable to the vendors of Back Home upon reaching of certain milestones.
 - b. 2,000,000 common shares with an aggregate fair value of \$1,500,000 were issued pursuant to the acquisition of Great Lake.
 - c. 5 common shares with an aggregate fair value of \$5 were issued pursuant to the acquisition of Weed VR.
- vi. The Company issued 250,000 common shares with an aggregate fair value of \$100,000 in order to settle certain outstanding liabilities with a related party.
- vii. The Company issued 1,575,000 common shares with an aggregate fair value of \$1,620,000 and 1,000,000 warrants with an exercise price of \$3 per share and fair value of \$711,907 in connection with services provided for the Transaction described in Notes 1 and 5.
- viii. The Company issued 485,255 common shares in connection to warrants exercised for gross proceeds of \$132,019.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

b) Issued and outstanding (continued)

During the year ended December 31, 2017:

- ix. The Company issued 25,766,190 common shares for the total proceeds of \$6,255,607. In connection to the private placement, the Company paid cash commission of \$227,525, issued 106,665 common shares to finders for \$1.50 per share and paid legal fees of \$79,275. Additionally, the Company issued 911,460 warrants at an exercisable price between \$0.20 and \$0.50 per share with a fair value of \$166,401. Total share issuance cost paid by the Company pursuant to the private placement totalling \$505,200.
- x. The Company issued 7,750,000 common shares with a fair value of \$2,250,000 in connection to the acquisition of HGI. The transaction is described in Note 6.
- xi. The Company issued 347,170 common shares with a fair value of \$104,151 in connected to debt settlement.

c) Escrow shares

As of December 31, 2018, there were 45,069,375 common shares held in escrow.

d) Stock Options

A summary of the stock option transactions during the years ended December 31, 2018 and 2017 is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining years
Balance, December 31, 2016 and 2017	-	\$ -	-
Granted	400,000	1.60	-
Balance, outstanding and exercisable at December 31, 2018	400,000	1.60	2.80

During the year ended December 31, 2018, the Company recognized share-based compensation of \$421,366 (2017 - \$Nil) that was recorded in the consolidated statement of comprehensive loss. The share-based compensation represents the fair value of stock options granted during the year ended December 31, 2018 and is estimated on the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2018	2017
Share price	\$1.50	-
Exercise price	\$1.60	-
Risk-free interest rate	2.33%	-
Expected life	3 years	-
Volatility	120%	-
Dividend rate	0%	-
Forfeiture rate	0%	-
Fair value on grant date	\$1.05	-

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

e) Share purchase warrants

A summary of share purchase warrant activities are as follows:

	Number of warrants	Weighted average exercise price	Weighted average remaining years
		\$	
Balance, January 1, 2017	-	-	-
Granted	941,460	0.23	-
Balance, December 31, 2017	941,460	0.23	1.31
Granted	1,528,431	2.23	-
Exercised	(485,255)	(0.07)	-
Balance, December 31, 2018	1,984,636	2.33	1.84

The fair value of the finders' warrants granted during the year ended December 31, 2018 was \$994,626 (2017 - \$166,400). The fair value of these warrants at the date of grant was estimated using the Black-Scholes Option Pricing Model. The weighted average assumptions used in calculating the fair values are as follows:

	2018	2017
Exercise price	\$0.89	\$0.23
Risk-free interest rate	2.25%	1.20%
Expected life	2.61 years	2 years
Volatility	120%	168%
Dividend rate	0%	0%
Forfeiture rate	0%	0%
Fair value on grant date	\$1.05	\$0.19

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

e) Share purchase warrants (continued)

At December 31, 2018, the Company had share purchase warrants outstanding to acquire common shares of the Company as follows:

Expiry date	Number outstanding	Exercise price
		\$
February 27, 2019	150,000	0.20
March 2, 2019	220,000	0.20
August 31, 2019	58,335	0.27
November 3, 2019	33,335	0.30
November 30, 2019	25,000	0.40
December 11, 2019	59,070	0.77
January 19, 2020	85,160	0.60
April 1, 2020	54,930	1.00
May 11, 2020	18,715	27.50
July 27, 2020	15,577	20.00
July 28, 2020	8,976	20.00
August 30, 2020	23,800	1.00
September 17, 2020	1,500	1.00
September 25, 2020	37,766	19.75
September 28, 2020	111,375	1.00
October 1, 2020	15,715	1.00
November 30, 2020	27,645	20.00
February 1, 2021	12,592	20.00
February 16, 2021	5,242	20.00
March 4, 2021	2,700	20.00
April 18, 2021	14,712	20.00
August 16, 2021	1,866	20.00
October 3, 2021	1,000,000	1.00
October 19, 2021	625	1.60
	1,984,636	

The weighted average life of warrants outstanding at December 31, 2018 is 1.84 years.

12. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. During the years ended December 31, 2018 and 2017, key management compensation consisted of the following:

	2018	2017
	\$	\$
Professional and consulting fees	250,160	-
Salaries and wages	20,833	99,335
Share based compensation	421,366	-
	692,359	99,335

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

12. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

As at December 31, 2018, the Company had \$Nil (2017 - \$167,448) payable to related parties. The amounts are due on demand, non-interest bearing, unsecured, and have no fixed terms of repayment.

During the year ended December 31, 2017, the Company also paid \$50,852 in rent expense to a former related party.

13. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

As at December 31, 2018, the Company's financial instruments consist of cash, accounts payable, and due to related parties.

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

Cash is measured using level 1 fair value inputs. The carrying values of the accounts payable and due to related parties approximate their fair values because of the short-term nature of these instruments.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable, and due to related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short - term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

15. INCOME TAXES

The Company accounts for income taxes using the taxes payable method. As a result, the Company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	2018	2017
	\$	\$
Net income (loss) before income taxes	(8,861,927)	(827,596)
Income tax recovery based on effective rate of 29% (2017 – 26%)	(2,585,000)	(215,000)
Permanent differences and others	(901,000)	(88,000)
Effect of change in income tax rates	(4,000)	(12,000)
Change in valuation allowance	3,490,000	315,000
Net deferred tax (recovery)	-	-

Significant components of the company's deferred income tax assets (liabilities) are as follows:

	2018	2017
	\$	\$
Non-capital loss carry forward	3,475,000	242,000
Capital assets	51,000	73,000
Share issuance costs	279,000	-
Deferred tax assets not recognized	(3,805,000)	(315,000)
Deferred tax asset (liability)	-	-

As of December 31, 2018 the Company has losses of approximately \$12,053,000 available for carry-forward to reduce future years' taxable income. These losses begin to expire in 2034 as follows:

	\$
2034	56,000
2035	3,801,000
2036	1,193,000
2037	1,106,000
2038	5,897,000
	12,053,000

BIOME GROW INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in Canadian dollars)

16. COMMITMENTS

- i. In November, 2018, the Company entered into a supply and production agreement with the Province of Newfoundland and Labrador and the Newfoundland and Labrador Liquor Corporation. As part of the supply and production agreement, the Company has committed to providing \$500,000 to the Province of Newfoundland and Labrador over a period of five years to support a directed research and development program associated with cannabis innovation and sector growth.
- ii. The Company has entered into an employment agreement pursuant to which the Company will issue up to \$50,000 per year in common shares of the Company to a certain employee on each employment anniversary until 2022.
- iii. The Company obtained lease agreements for its premises in Ontario and Newfoundland through its acquisition of Great Lakes and Back Home for periods of 20 years and 10 years, respectively (see Note 7). Pursuant to the lease agreements, the Company does not have any significant financial commitments resulting from these lease agreements as the total lease was \$1 per premise and has been fully paid.

17. SUBSEQUENT EVENT

The Company issued a total of 32,786 common shares as a consideration for employment services. Additionally, the Company issued a total of 120,420 common shares pursuant to warrants exercise.