



**The Green
Organic Dutchman
Holdings Limited**

**Unaudited
Interim
Condensed
Consolidated
Financial
Statements**

For the three months ended
March 31, 2019 and 2018



The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(expressed in thousands of Canadian dollars, except common shares outstanding)

	Notes	As at March 31, 2019	As at January 1, 2019 (see note 3)	As at December 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents		\$ 174,428	\$ 213,549	\$ 213,549
Restricted cash	15, 16	50,000	50,000	50,000
Refundable sales taxes receivable		10,258	13,332	13,332
Trade receivables	16	2,337	1,199	1,199
Biological assets	4	361	395	395
Inventories	5	3,892	3,925	3,925
Prepaid expenses and deposits		3,919	3,521	3,521
Due from related parties		909	800	800
Other current assets		511	864	864
		<u>\$ 246,615</u>	<u>\$ 287,585</u>	<u>\$ 287,585</u>
Non-current assets				
Property, plant and equipment	6	157,187	108,808	107,529
Intangible assets	7	14,099	13,535	13,535
Goodwill	7	10,334	10,702	10,702
Investments in associates	8	10,674	10,944	10,944
Loan receivable		1,001	1,001	1,001
Other assets	15[a]	30,443	14,661	14,661
Total assets		<u>\$ 470,353</u>	<u>\$ 447,236</u>	<u>\$ 445,957</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 54,104	\$ 28,258	\$ 28,258
Income tax payable	13	901	781	781
Short-term loans	15	517	688	688
Current portion of lease liabilities	10	392	263	151
		<u>55,914</u>	<u>29,990</u>	<u>29,878</u>
Non-current liabilities				
Lease liabilities	10	1,451	1,468	261
Contingent consideration	9	663	688	688
Deferred tax liability	13	1,361	1,435	1,435
		<u>3,475</u>	<u>3,591</u>	<u>2,384</u>
Total liabilities		<u>\$ 59,389</u>	<u>\$ 33,581</u>	<u>\$ 32,262</u>
Shareholders' equity				
Share capital	11	403,219	392,068	392,068
Contributed surplus	11, 12	81,496	79,937	79,937
Deficit		(72,870)	(58,863)	(58,823)
Reserve for foreign translations		(837)	513	513
Total Shareholders' Equity attributed to The Green Organic Dutchman Holdings Ltd.		<u>\$ 411,008</u>	<u>\$ 413,655</u>	<u>\$ 413,695</u>
Non-controlling interests		<u>(44)</u>	<u>—</u>	<u>—</u>
Total Shareholders' Equity		<u>410,964</u>	<u>413,655</u>	<u>413,695</u>
Total Liabilities and Shareholders' Equity		<u>\$ 470,353</u>	<u>\$ 447,236</u>	<u>\$ 445,957</u>
Total number of common shares outstanding		<u>274,369,898</u>	<u>269,976,624</u>	<u>269,976,624</u>
Business combination	9			
Commitments and contingencies	15			
Subsequent events	19			

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

The Green Organic Dutchman Holdings Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	For the three months ended	
		March 31, 2019	March 31, 2018
Revenue		2,406	—
Cost of sales related to inventory production		983	—
Cost of sales related to business combination fair value adjustments to inventories		270	—
Gross profit before change in fair value of biological assets		1,153	—
Unrealized gain on changes in fair value of biological assets	4	215	—
Gross profit		\$ 1,368	\$ —
Operating expenses			
Sales and marketing expenses		\$ 2,995	828
Research and development expenses		436	516
General and administrative expenses		8,682	3,806
Share based compensation	12	3,419	2,172
Depreciation and amortization	6, 7	561	139
Total operating expenses		\$ 16,093	\$ 7,461
Loss from operations		(14,725)	(7,461)
Share of loss on investments in associates	8	(222)	—
Revaluation of contingent consideration		25	—
Foreign exchange loss		(159)	—
Finance income		1,186	195
Finance costs		(89)	—
Loss before income taxes		(13,984)	(7,266)
Current income tax expense		(121)	—
Deferred income tax recovery	13	14	—
Net loss		\$ (14,091)	\$ (7,266)
Other comprehensive loss			
Foreign currency translation loss		1,302	—
Foreign currency translation loss on equity method investment	8	48	—
Comprehensive loss		\$ (15,441)	\$ (7,266)
Net loss attributable to:			
The Green Organic Dutchman Holdings Ltd.		(14,007)	(7,266)
Non-controlling interests		(84)	—
Comprehensive loss attributable to:			
The Green Organic Dutchman Holdings Ltd.		(15,357)	(7,266)
Non-controlling interests		(84)	—
Basic and diluted net loss per share		\$ (0.05)	\$ (0.05)
Weighted average number of outstanding common shares		271,282,510	156,050,989

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(expressed in thousands of Canadian Dollars, except number of shares)

	Number of shares	Share capital	Contributed surplus	Reserve for foreign translations	Accumulated deficit	Non- Controlling Interests	Total
	#	\$	\$	\$	\$	\$	\$
Balance at December 31, 2018	269,976,624	392,068	79,937	513	(58,823)	—	413,695
Effect of adoption of IFRS 16	—	—	—	—	(40)	—	(40)
Balance at January 1, 2019	269,976,624	392,068	79,937	513	(58,863)	—	413,655
Share based compensation	—	38	3,381	—	—	—	3,419
Exercise of stock options	134,800	176	(73)	—	—	—	103
Exercise of warrants	4,264,354	10,937	(1,749)	—	—	—	9,188
Cancellation of shares	(5,880)	—	—	—	—	—	—
Contribution from non-controlling interest	—	—	—	—	—	40	40
Comprehensive loss for period	—	—	—	(1,350)	(14,007)	(84)	(15,441)
Balance at March 31, 2019	274,369,898	403,219	81,496	(837)	(72,870)	(44)	410,964

	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Total
	#	\$	\$	\$	\$
Balance as at January 1, 2018	142,594,801	72,572	18,296	(13,620)	77,248
Private placement of units	14,134,566	18,616	4,060	—	22,676
Finders' compensation - Units	692,290	935	208	—	1,143
Share based compensation	1,662,000	2,244	(1,284)	—	960
Exercise of stock options	18,000	16	(7)	—	9
Share issue costs	—	(760)	—	—	(760)
Comprehensive loss for period	—	—	—	(7,266)	(7,266)
Balance at March 31, 2018	159,101,657	93,623	21,273	(20,886)	94,010

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of Canadian dollars)

	Notes	For the three months ended	
		March 31, 2019	March 31, 2018
OPERATING ACTIVITIES			
Comprehensive loss		\$ (15,441)	\$ (7,266)
Items not affecting cash:			
Share based compensation - shares and options	12	3,396	1,030
Share based compensation - finders' units	12	—	1,070
Shared based compensation - restricted share units	12	23	—
Depreciation of property, plant and equipment	6	262	65
Amortization of intangible assets	7	299	74
Unrealized gain on change in fair value of biological assets	4	(215)	—
Share of loss from investments in associates	8	222	—
Revaluation of contingent consideration		(25)	—
Current income tax expense		121	—
Deferred income tax recovery	13	(14)	—
Changes in non-cash operating working capital items	14	11,823	1,253
Net cash from (used in) operating activities		\$ 451	\$ (3,774)
INVESTING ACTIVITIES			
Change in non-cash working capital related to property, plant and equipment		(22,666)	—
Change in non-cash working capital related to intangible assets		(292)	—
Additions to property, plant and equipment		(25,996)	(4,324)
Disposals of property, plant and equipment		7	—
Net cash outflow on investment in associates	8	—	(2,171)
Additions to intangible assets		(913)	—
Net cash used in investing activities		\$ (49,860)	\$ (6,495)
FINANCING ACTIVITIES			
Interest received		374	54
Proceeds from issuance of shares and warrants, net of share issue costs		—	21,918
Proceeds from the exercise of stock options		103	9
Proceeds from the exercise of warrants		9,188	—
Loan receivable		—	(1,001)
Repayments of short-term loans		(171)	—
Advances to related parties		(152)	—
Repayment on related party loans		43	190
Capital contributed by non-controlling interest		40	—
Net cash provided by financing activities		\$ 9,425	\$ 21,170
Net cash inflow		\$ (39,984)	\$ 10,901
Net foreign exchange difference		863	25
Cash, beginning of period		213,549	63,736
Cash and cash equivalents, end of period		\$ 174,428	\$ 74,662

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

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

1. DESCRIPTION OF BUSINESS

The Green Organic Dutchman Holdings Ltd. (“TGODH” or the “Company”) was incorporated on November 16, 2016, under the *Canada Business Corporations Act* (“CBCA”). The Company is a reporting issuer domiciled in Canada whose shares and certain warrants are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “TGOD” and on the OTCQX under the symbol “TGODF”. The Company’s registered and head office is located at 6205 Airport Road, Building A – Suite 301, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 (“Interim Consolidated Financial Statements”) include the financial statements of The Green Organic Dutchman Holdings Ltd. and its subsidiaries from the date the Company gained control of each subsidiary.

The Green Organic Dutchman Limited (“TGOD”), a subsidiary of TGODH, is a premium organic licensed producer of cannabis solutions. The principal activities of TGOD include growing and possessing medical cannabis as regulated by the Cannabis Act. TGOD obtained a wholesale licence to sell cannabis from Health Canada (“The Licence”). The Licence was amended on multiple occasions to include the extraction, production and sale of cannabis oil and to allow for direct sales to medical patients. The Company also formed a wholly owned subsidiary, Medican Organic Inc. (“Medican”), under the Statuts de constitution of Québec to invest in and develop a property in Valleyfield, Québec and build a facility (“The Québec Facility”). 9371-8633 Québec Inc. (“QuébecCo”), in which the Company has a 49.99% interest, was incorporated under the *Québec Business Corporations Act* (“QBCA”) for the purpose of investing in the Valleyfield land for the Québec Facility and operate similarly to TGOD. The Company incorporated The Green Organic Hemp Ltd (“TGOH”) under the CBCA for the purpose of exploring opportunities related to industrial hemp cultivation and associated products.

On July 5, 2018, the Company expanded its international footprint by investing in a company in Jamaica, Epican Medicinals Ltd (“Epican”) which holds various licences issued by the Cannabis Licensing Authority (“CLA”) of Jamaica. On October 1, 2018, the Company purchased all of the issued and outstanding shares of HemPoland sp. z.o.o. (“HemPoland”), a manufacturer and marketer of premium CBD oils, located in Poland. The Company, through various fully owned subsidiaries and subsidiaries that it controls, has an exploratory presence in Mexico, Denmark, Germany, and Greece. The accounting method for the entities located in Mexico and Denmark is full consolidation with recognition of a non-controlling interest.

2. BASIS OF PRESENTATION

These Interim Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation were followed in the preparation of these Interim Consolidated Financial Statements as those disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2018, except for the newly issued standards and amendments, and changes to policies as discussed below.

These Interim Consolidated Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018 which are made available on SEDAR at www.sedar.com.

These Interim Consolidated Financial Statements were approved by the Board of Directors and authorized for issue by the Board of Directors of the Company on May 14, 2019.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these Interim Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Interim Consolidated Financial Statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2018 with the exception of leases, as discussed below.

[a] New standards, interpretations and amendments adopted by the Company

IFRS 16 Leases ("IFRS 16")

Effective January 1, 2019, the Company adopted IFRS 16, which supersedes previous accounting standards for leases, including IAS 17, *Leases* ("IAS 17") and IFRIC 4, *Determining whether an arrangement contains a lease* ("IFRIC 4").

IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value or less than twelve months in duration. A lessee is required to recognize, on its statements of financial position, a right-of-use asset, representing its right to use the underlying lease asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized an increase to both assets and liabilities on the consolidated statements of financial position, as well as a decrease to general and administrative expenses (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use assets), and an increase to finance costs (due to accretion of the lease liability). The accounting treatment for lessors remains largely the same as under IAS 17.

The Company adopted IFRS 16 with the cumulative effect of initial application recognized as an adjustment to retained earnings within shareholders' equity on January 1, 2019. The Company has not restated comparative figures for 2018. At transition, we applied the practical expedient available to us as lessee that allows us to maintain our lease assessments made under IAS 17 and IFRIC 4 for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed after January 1, 2019.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019, or if available, the interest rate implicit in the lease contract. Generally, right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease. For certain leases where the Company has readily available information, the Company has elected to measure the right-of-use assets at their carrying amounts as if IFRS 16 had been applied since the lease commencement date using the related incremental borrowing rate for the remaining lease period as at January 1, 2019.

On transition, the Company has elected to apply the recognition exemptions on short-term leases and low-value leases; however, the Company may choose to not elect the recognition exemptions on a class-by-class basis for new classes, and lease-by-lease basis, respectively, in the future. The Company does not currently have any contracts where it acts as the lessor.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

Reconciliation of condensed consolidated statement of financial position as at January 1, 2019

Below is the effect of transition to IFRS 16 on the impacted line items of the Company's interim condensed consolidated statement of financial position as at January 1, 2019:

	Reference	As reported as at December 31, 2018	Effect of IFRS 16 transition	Subsequent to transition as at January 1, 2019
ASSETS				
Non-current assets				
Property, plant and equipment	(i)	\$ 107,529	\$ 1,279	\$ 108,808
Total assets		\$ 445,957	\$ 1,279	\$ 447,236
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Current liabilities				
Current portion of lease liabilities	(i)	\$ 151	\$ 112	\$ 263
Non-current liabilities				
Lease liabilities	(i)	261	1,207	1,468
Total liabilities		\$ 32,262	\$ 1,319	\$ 33,581
Shareholders' equity				
Deficit		(58,823)	(40)	(58,863)
Total Shareholders' Equity		\$ 413,695	\$ (40)	\$ 413,655
Total Liabilities and Shareholders' Equity		\$ 445,957	\$ 1,279	\$ 447,236

(i) *Right-of-use assets and lease liabilities*

The Company has recorded a right-of-use asset and a lease liability for all existing leases at the lease commencement date, which is January 1, 2019 for the purposes of adoption. The lease liability has been initially measured at the present value of lease payments that remain to be paid at the commencement date. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

After transition, the right-of-use assets will initially be measured at cost, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use assets will typically be depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where we are reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

The Company's weighted average borrowing rate applied to lease liabilities at January 1, 2019 is 2.99%. The difference between operating lease commitments disclosed as at December 31, 2018 under IAS 17 and discounted using the incremental borrowing

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

rate at the date of initial application on January 1, 2019 and the lease liabilities recognized at the date of initial application is not significant. See note 10 for accounting policies, including estimates and judgments, to be used for accounting for leases under IFRS 16.

[b] Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

[c] Change in functional currency of HemPoland

For the three months ended March 31, 2019, the functional currency of the Company's wholly owned subsidiary, HemPoland, was determined to be the European Euro, where it was previously the Polish Zloty. The Company determined there were no material impacts to the current period or prior periods' financial statements as a result of this change.

[d] New standards, interpretations and amendments not yet adopted by the Company.

The Company has not identified any relevant or material new standards, interpretations and amendments to be adopted by the Company in future periods.

4. BIOLOGICAL ASSETS

As at March 31, 2019, the Company's biological assets consisted of cannabis seeds and cannabis plants. The continuity of biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance, January 1, 2018	—	—	—
Purchase of seeds	44	—	44
Unrealized gain on changes in fair value of biological assets	—	304	304
Production costs capitalized	441	—	441
Transfer to inventory upon harvest	(220)	(174)	(394)
Balance, December 31, 2018	\$ 265	\$ 130	\$ 395
Purchase of seeds	12	—	12
Unrealized gain on changes in fair value of biological assets	—	215	215
Production costs capitalized	229	—	229
Transfer to inventory upon harvest	(268)	(222)	(490)
Balance, March 31, 2019	\$ 238	\$ 123	\$ 361

The Company had no biological assets activity for the three months ended March 31, 2018.

The Company measures its biological assets at their fair values less estimated costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level three on the fair value hierarchy, were used by management as part of this model:

- Estimated selling price per gram – calculated as the expected approximate future per gram selling prices of the Company's cannabis products. With no extensive history of sales, the Company evaluated industry data which is expected to closely approximate the Company's expected selling prices.
- Stage of growth – represents the weighted average number of weeks out of the 18 to 22 estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant based on historical experience.

The inter-relationship between these aforementioned unobservable inputs and the fair-value of the biological assets is such that the carrying value of the biological assets as at March 31, 2019 would increase (decrease) if any of these inputs were to be higher (lower).

Other unobservable, level three inputs into the biological asset model include estimated post harvest costs, costs to complete and wastage. These additional level three inputs are not considered to be significant.

The following table quantifies each significant unobservable input, and provides the impact of a 10% increase or decrease in each input would have on the fair value of biological assets:

	As at March 31, 2019	As at December 31, 2018	Impact of 10% change as at March 31, 2019	Impact of 10% change as at December 31, 2018
Estimated selling price per gram (1)	\$3.00 to \$10.75	\$3.00 to \$10.75	\$ 44	\$ 54
Estimated stage of growth	6.22 weeks	16.68 weeks	\$ 101	\$ 47
Estimated yield of agricultural produce by plant (2)	61 to 78 grams	52 to 80 grams	\$ 33	\$ 54

(1) The estimated selling prices per gram include an estimate for the selling price of trim collected as part of the harvesting process which may have value in the oil production process in addition to the estimated selling price direct to medical patients and not wholesale pricing.

(2) The estimated yield varies based on the Company's different cannabis strains.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels.

5. INVENTORY

The Company's inventory assets include the following as of March 31, 2019 and December 31, 2018:

	Dried Cannabis	Hemp and Hemp Derived Products	As at March 31, 2019
Raw Materials	\$ —	\$ 1,198	\$ 1,198
Work-in-progress	915	1,457	2,372
Finished Goods	—	153	153
Packaging and Supplies	21	148	169
Total Inventory	\$ 936	\$ 2,956	\$ 3,892

	Dried Cannabis	Hemp and Hemp Derived Products	As at December 31, 2018
Raw Materials	\$ —	\$ 1,649	\$ 1,649
Work-in-progress	394	1,089	1,483
Finished Goods	—	768	768
Packaging and Supplies	—	25	25
Total Inventory	\$ 394	\$ 3,531	\$ 3,925

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

6. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in progress	Right-of-use assets	Total
Balance, December 31, 2018	\$ 2,683	\$ 2,711	\$ 196	\$ 1,823	\$ 699	\$ 503	\$ 697	\$ 99,010	\$ —	\$ 108,322
Impact of IFRS 16 transition	—	—	—	—	—	—	—	—	1,279	1,279
Transfers	—	—	—	(146)	—	—	(258)	—	404	—
Additions	—	—	—	618	87	92	14	47,851	93	48,755
Disposals	—	—	(7)	—	—	—	—	—	—	(7)
Effects of movements in foreign exchange	—	(53)	—	(51)	—	—	(22)	(10)	—	(136)
Balance, March 31, 2019	\$ 2,683	\$ 2,658	\$ 189	\$ 2,244	\$ 786	\$ 595	\$ 431	\$ 146,851	\$ 1,776	\$ 158,213
Accumulated depreciation:										
Balance, December 31, 2018	\$ —	\$ 96	\$ 32	\$ 238	\$ 231	\$ 122	\$ 74	\$ —	\$ —	\$ 793
Transfers	—	—	—	(96)	—	—	(53)	—	149	—
Depreciation	—	22	8	84	20	33	8	—	87	262
Effects of movements in foreign exchange	—	—	(1)	(14)	—	(14)	—	—	—	(29)
Balance, March 31, 2019	\$ —	\$ 118	\$ 39	\$ 212	\$ 251	\$ 141	\$ 29	\$ —	\$ 236	\$ 1,026
Net book value, March 31, 2019	\$ 2,683	\$ 2,540	\$ 150	\$ 2,032	\$ 535	\$ 454	\$ 402	\$ 146,851	\$ 1,540	\$ 157,187

Cost:	Land	Buildings	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in progress	Total
Balance, December 31, 2017	\$ 2,621	\$ 620	\$ 6	\$ 363	\$ 471	\$ 108	\$ 66	\$ 2,960	\$ 7,215
Additions	62	—	154	280	40	100	35	3,653	4,324
Balance, March 31, 2018	2,683	620	160	643	511	208	101	6,613	11,539
Additions from a business combination	—	1,062	1	641	11	—	378	23	2,116
Additions	—	—	35	499	177	295	265	93,338	94,609
Transfers	—	971	—	—	—	—	—	(971)	—
Impairment of fixed assets	—	—	—	(14)	—	—	(70)	—	(84)
Effects of movements in foreign exchange	—	58	—	54	—	—	23	7	142
Balance, December 31, 2018	\$ 2,683	\$ 2,711	\$ 196	\$ 1,823	\$ 699	\$ 503	\$ 697	\$ 99,010	\$ 108,322
Accumulated depreciation:									
Balance, December 31, 2017	\$ —	\$ 23	\$ 2	\$ 52	\$ 145	\$ 16	\$ 12	\$ —	\$ 250
Depreciation	—	5	1	22	20	12	5	—	65
Balance, March 31, 2018	—	28	3	74	165	28	17	—	315
Depreciation	—	68	29	150	66	93	56	—	462
Effects of movements in foreign exchange	—	—	—	14	—	1	1	—	16
Balance, December 31, 2018	\$ —	\$ 96	\$ 32	\$ 238	\$ 231	\$ 122	\$ 74	\$ —	\$ 793
Net book value, December 31, 2018	\$ 2,683	\$ 2,615	\$ 164	\$ 1,585	\$ 468	\$ 381	\$ 623	\$ 99,010	\$ 107,529

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

7. INTANGIBLE ASSETS AND GOODWILL

A continuity of the intangible assets is as follows:

	Health Canada Licence	Technology Licences	Distribution Channels	Brands	Other acquired rights	Goodwill	Total
Cost:							
Balance, January 1, 2019	\$ 5,870	\$ 200	\$ 5,904	\$ 1,054	\$ 1,344	\$ 10,702	\$ 25,074
Additions	—	1,205	—	—	—	—	1,205
Effect of movements in foreign exchange	—	—	(249)	(44)	(56)	(368)	(717)
Balance, March 31, 2019	\$ 5,870	\$ 1,405	\$ 5,655	\$ 1,010	\$ 1,288	\$ 10,334	\$ 25,562
Accumulated amortization:							
Balance, January 1, 2019	\$ 590	\$ 22	\$ 105	\$ 19	\$ 101	\$ —	\$ 837
Amortization for the period	74	8	101	18	98	—	299
Effect of movements in foreign exchange	—	—	(3)	(1)	(3)	—	(7)
Balance, March 31, 2019	\$ 664	\$ 30	\$ 203	\$ 36	\$ 196	\$ —	\$ 1,129
Net book value, March 31, 2019	\$ 5,206	\$ 1,375	\$ 5,452	\$ 974	\$ 1,092	\$ 10,334	\$ 24,433
	Health Canada Licence	Technology Licences	Distribution Channels	Brands	Other acquired rights	Goodwill	Total
Cost:							
Balance, January 1, 2018	\$ 5,870	\$ —	\$ —	\$ —	\$ —	\$ 2,007	\$ 7,877
Additions	—	200	—	—	26	—	226
Additions from a business combination	—	—	5,600	1,000	1,250	8,247	16,097
Effect of movements in foreign exchange	—	—	304	54	68	448	874
Balance, December 31, 2018	\$ 5,870	\$ 200	\$ 5,904	\$ 1,054	\$ 1,344	\$ 10,702	\$ 25,074
Accumulated amortization:							
Balance, January 1, 2018	\$ 295	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 295
Amortization for the period	295	22	101	18	97	—	533
Effect of movements in foreign exchange	—	—	4	1	4	—	9
Balance, December 31, 2018	\$ 590	\$ 22	\$ 105	\$ 19	\$ 101	\$ —	\$ 837
Net book value, December 31, 2018	\$ 5,280	\$ 178	\$ 5,799	\$ 1,035	\$ 1,243	\$ 10,702	\$ 24,237

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

8. INVESTMENTS IN ASSOCIATES

The carrying value of investments in associates consist of:

	Note	% ownership	Balance, December 31, 2018	Share of net income (loss)	OCI foreign exchange loss	Balance, March 31, 2019
QuebecCo	[a]	49.99 %	2,171	10	—	2,181
Epican	[b]	49.18 %	8,773	(232)	(48)	8,493
			10,944	(222)	(48)	10,674

	Note	% ownership	Balance, December 31, 2017	Additions	Transaction costs	Share of net loss	OCI foreign exchange loss	Balance, December 31, 2018
QuebecCo	[a]	49.99 %	—	2,001	170	—	—	2,171
Epican	[b]	49.18 %	—	9,869	90	(1,136)	(50)	8,773
			—	11,870	260	(1,136)	(50)	10,944

The following is a summary of financial information for the Company's associates at March 31, 2019 and for the three months then ended (at 100%):

	QuébecCo		Epican	
	As at March 31, 2019	As at December 31, 2018	As at March 31, 2019	As at December 31, 2018
Assets				
Current assets	25	—	4,840	5,364
Non-current assets	4,002	4,002	23,787	23,402
Total assets	4,027	4,002	28,627	28,766
Liabilities				
Current liabilities	95	90	583	420
Non-current liabilities	—	—	4,656	4,171
Total liabilities	95	90	5,239	4,591
	For the three months ended March 31, 2019	For the period from January 12, 2018 to December 31, 2018	For the three months ended March 31, 2019	For the period from July 5, 2018 to December 31, 2018
Revenue	25	25	476	757
Expenses	—	—	948	3,068
Net profit (loss) from operations	25	25	(472)	(2,311)
Effect of foreign currency translation	—	—	(98)	(101)
Comprehensive income (loss)	20	20	(570)	(2,412)

[a] Investment in QuébecCo

On January 12, 2018, the Company completed the purchase of 2,001,134 Class A shares of QuébecCo representing a 49.99% interest in the company. The purchase price paid was \$2,001 and \$170 in transaction costs were capitalized in accordance with IAS 28 *Investment in Associates*. QuébecCo holds a property located in the City of Salaberry-de-Valleyfield, Québec.

[b] Investment in Epican

On July 5, 2018, the Company purchased 5,759,788 shares of Epican in exchange for total cash consideration of \$8,348 and 247,353 shares of the Company, the fair value of which was determined to be approximately \$1,521.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

9. BUSINESS COMBINATION

Acquisition of HemPoland

On October 1, 2018, the Company entered into a share purchase agreement to purchase all of the shares of HemPoland, a manufacturer and seller of premium cannabidiols (“CBD”) oils. In connection with the transaction, the Company paid \$9,931 in cash and issued 1,968,323 restricted shares that are escrowed until September 30, 2021. Additionally, there is contingent consideration of up to 3,047,723 shares based on HemPoland achieving certain earnings targets by the end of the 2021 financial year which may be settled in cash pursuant to the terms of the agreement at the Company’s option.

The Company is continuing the process of determining the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments as permitted by IFRS. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the acquisition date:

	Note	Number of shares	Share price	Amount
Consideration paid				
Cash				9,931
Restricted shares issued	(i)	1,968,323	\$ 6.75	7,972
Contingent consideration	(ii)			688
Total consideration paid				\$ 18,591
Net assets acquired				
Current assets				
Cash and cash equivalents				1,520
Accounts receivable				420
Refundable Sales Taxes Receivable				462
Prepays				17
Inventory				2,600
Non-current assets				
Property, plant and equipment				2,116
Distributor relationships				5,600
CannibiGold brand				1,000
Non-compete agreements				1,250
Goodwill				8,247
Total assets				23,232
Current liabilities				
Accounts payable and accrued liabilities				1,254
Income taxes payable				675
Short-term loans				653
Current portion of capital lease obligation				86
Non-current liabilities				
Capital lease obligation				203
Deferred tax liability				1,770
Total liabilities				4,641
Total net assets acquired				\$ 18,591

- (i) Recorded at fair value, which was determined using a share price and exercise price of \$6.75, term of three years, discount rate of 2.31% and volatility of 75% with a corresponding entry included in contributed surplus.
- (ii) Subject to revaluation at each period end.

The Company recognized \$852 in transaction costs in the strategic business initiatives line item in the consolidated statement of loss and other comprehensive loss in connection with the business combination for the year-ended December 31, 2018. Proforma results of operations of HemPoland have not been presented as it would be impracticable to do so given changes to some of HemPoland’s operations.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

10. LEASES

Accounting policy

At inception of a contract, the Company assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

Lessee accounting

The Company records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of cost to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is typically depreciated on a straight-line basis over the lease term, unless the Company expects to obtain ownership of the leased asset at the end of the lease. The lease term consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where we are reasonably certain the exercise the option; and
- periods covered by options to terminate the lease, where we are reasonably certain not to exercise the option.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the Company depreciates the right-of-use asset over the underlying asset's estimated useful life. In addition, right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses the relevant incremental borrowing rate as the interest rate implicit in the leases cannot be readily determined. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of lease liabilities:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that we are reasonably certain to exercise, lease payments in an optional renewal period if we are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless we are reasonably certain not to terminate early.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension, or termination option. When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets.

Lease liabilities are also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

Certain leases require the Company to make payments that relate to property taxes, insurance, and other non-rental cost. These non-rental costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability.

Use of estimates and judgments

Estimates

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option. The Company makes certain qualitative and quantitative assumptions

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

when deriving the value of the economic incentive.

Judgments

The Company makes judgments in determining whether a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset and should provide the Company with the right to substantially all of the economic benefits from the use of the asset.

The Company also makes judgments in determining whether or not it has the right to control the use of the identified asset. The Company has that right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if it has the right to operate the asset or if it designed the asset in a way that predetermines how and for what purpose the asset will be used.

The Company makes judgments in determining the incremental borrowing rate used to measure its lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest that the Company would have to pay to borrow at a similar term and with a similar security.

Certain of the Company's leases contain extension or renewal options that are exercisable only by the Company and not by the lessor. At lease commencement, the Company assesses whether it is reasonably certain to exercise any of the extension options based on the expected economic return from the lease. The Company periodically reassesses whether it is reasonably certain to exercise the options and account for any changes at the date of the reassessment.

Explanatory information

Lease liabilities

Below is a summary of the activity related to the Company's lease liabilities for the three months ended March 31, 2019.

	As at March 31, 2019
Lease liabilities, December 31, 2018	\$ 412
Effect of adoption of IFRS 16, January 1, 2019	1,319
Net additions	186
Interest on lease liabilities	39
Interest payments on lease liabilities	(39)
Principal payments on lease liabilities	(74)
Lease liabilities, March 31, 2019	\$ 1,843
Current portion lease liabilities, March 31, 2019	392
Long-term portion lease liabilities, March 31, 2019	1,451

11. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Key Transactions

- a) During the three months ended March 31, 2019, a total of 4,264,354 shares of the Company were issued as a result of 4,264,354 previously issued and outstanding warrants of the Company that were exercised at a weighted average exercise price of \$2.15 per warrant, for aggregate gross proceeds of \$9,188.
- b) During the three months ended March 31, 2019, a total of 134,800 shares of the Company were issued as a result of 134,800 previously granted and outstanding options of the Company that were exercised at a weighted average exercise price of \$0.76 per option, for aggregate gross proceeds of \$103.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

12. CONTRIBUTED SURPLUS

The Company's contributed surplus balances include the following:

	Notes	Reserve for share based payments	Reserve for warrants	Reserve for special warrants and underwriter special warrants	Contributed surplus	Escrowed share units	Total
		\$	\$			\$	\$
Balance, January 1, 2019		8,053	62,801	610	501	7,972	79,937
Stock based compensation	12 (a)	3,381	—	—	—	—	3,381
Exercise of stock options	12 (a)	(73)	—	—	—	—	(73)
Exercise of warrants	12 (b)	—	(1,749)	—	—	—	(1,749)
Balance, March 31, 2019		11,361	61,052	610	501	7,972	81,496

	Reserve for share based payments	Reserve for warrants	Escrowed share units	Total
Balance, January 1, 2018	4,413	13,883	—	18,296
Private placement of units	—	4,359	—	4,359
Finders compensation - Units	—	208	—	208
Issuance of units held in trust	—	72	(371)	(299)
Stock based compensation	(1,284)	—	—	(1,284)
Exercise of stock options	(7)	—	—	(7)
Balance, March 31, 2018	<u>3,122</u>	<u>18,522</u>	<u>(371)</u>	<u>21,273</u>

[a] Share based payments

The Company initiated an Employee Stock Option Plan (the "Original Plan") on February 2, 2017 that is administered by the Board of Directors of the Company which establishes exercise prices, at not less than the market price at the date of grant, and expiry dates, which have been set at three years from issuance. Options under the Original Plan remain exercisable in increments with one third being exercisable on each of the first, second and third anniversaries from the date of the grant, except as otherwise approved by the Board of Directors.

On January 31, 2018, the Company adopted a new stock options plan which superseded the Original Plan. There were 5,065,932 options issued and outstanding pursuant to the Original Plan, which will remain exercisable until their expiry or cancellation and in accordance with their vesting schedules. Under the Company's Amended Option Plan, adopted at the Annual General and Special Meeting ("AG&SM") on December 6, 2018, options may be granted for up to 10% of the common shares outstanding at the time of the grant for a term not exceeding five years. The exercise price of the options under the New Option Plan is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all applicable regulatory requirements. As at March 31, 2019, total options outstanding were 17,030,932. For the three months ended March 31, 2019, the Company recorded \$3,396 in non-cash share-based compensation expense pursuant to the grant of stock options and \$23 in non-cash restricted share unit compensation (three months ended March 31, 2018 - \$1,030 and \$nil, respectively). The Company recognized no stock-based compensation expense for the three months ended March 31, 2019 in the form of finders' units (three months ended March 31, 2018 - \$1,070).

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

The following is a summary of the changes in the Company's ESOP options:

	March 31, 2019		March 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	12,430,732	2.83	9,436,000	0.82
Granted	4,735,000	4.32	5,601,000	3.50
Exercised	(134,800)	0.76	(18,000)	0.50
Cancelled/Expired	-	-	-	-
Outstanding, end of period	17,030,932	3.26	15,019,000	2.01
Exercisable, end of period	3,193,132	2.25	2,414,800	0.56

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price \$	Weighted Average remaining contractual life of outstanding options in years	Expiry Date
February 7, 2017	2,028,532	807,732	0.50	0.86	February 7, 2020
June 1, 2017	933,000	244,000	1.15	1.17	June 1, 2020
October 2, 2017	1,684,000	422,400	1.15	1.51	October 2, 2020
January 8, 2018	400,000	128,000	1.65	1.78	January 8, 2021
January 12, 2018	20,400	—	1.65	1.79	January 12, 2021
March 28, 2018	4,805,000	1,591,000	3.65	1.99	March 28, 2021
May 28, 2018	250,000	—	4.12	4.16	May 28, 2023
June 25, 2018	80,000	—	6.91	4.24	June 25, 2023
June 26, 2018	200,000	—	6.83	4.24	June 26, 2023
August 2, 2018	210,000	—	5.50	4.34	August 2, 2023
August 13, 2018	550,000	—	5.25	4.37	August 13, 2023
September 7, 2018	25,000	—	6.20	4.44	September 7, 2023
October 1, 2018	250,000	—	6.75	4.42	September 1, 2023
October 9, 2018	160,000	—	6.37	4.53	October 9, 2023
October 22, 2018	75,000	—	4.93	4.56	October 22, 2023
October 25, 2018	450,000	—	4.53	4.57	October 25, 2023
November 9, 2018	75,000	—	3.82	4.61	November 9, 2023
December 4, 2018	25,000	—	3.22	4.68	December 4, 2023
December 14, 2018	75,000	—	3.08	4.71	December 14, 2023
January 8, 2019	600,000	—	2.67	4.78	January 8, 2024
January 14, 2019	600,000	—	2.76	4.79	January 14, 2024
January 21, 2019	75,000	—	2.99	4.81	January 21, 2024
January 28, 2019	200,000	—	3.41	4.83	January 28, 2024
February 1, 2019	75,000	—	3.77	4.84	February 1, 2024
March 4, 2019	75,000	—	4.09	4.93	March 4, 2024
March 11, 2019	210,000	—	4.30	4.95	March 11, 2024
March 12, 2019	50,000	—	4.37	4.95	March 12, 2024
March 18, 2019	50,000	—	4.42	4.97	March 18, 2024
March 19, 2019	50,000	—	4.74	4.97	March 19, 2024
March 22, 2019	2,750,000	—	5.13	4.98	March 22, 2024
Balance, March 31, 2019	17,030,932	3,193,132		2.92	

In determining the amount of share-based compensation, the Company uses the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted. The following assumptions were used to measure the values of the stock options granted during the three months ended March 31, 2019:

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

	January 8, 2019	January 14, 2019	January 21, 2019	January 28, 2019	February 1, 2019	March 4, 2019
Risk-free interest rate	1.89%	1.89%	1.95%	1.88%	1.86%	1.76%
Expected life of options (years)	3.5	3.5	3.5	3.5	3.5	3.5
Expected annualized volatility	85.49%	85.40%	85.18%	85.26%	85.20%	84.42%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Black-Scholes value of each option	\$ 1.39	\$ 1.85	\$ 1.69	\$ 2.52	\$ 2.11	\$ 2.44

	March 11, 2019	March 12, 2019	March 18, 2019	March 19, 2019	March 22, 2019
Risk-free interest rate	1.64%	1.63%	1.60%	1.62%	1.48%
Expected life of options (years)	3.5	3.5	3.5	3.5	3.5
Expected annualized volatility	84.17%	84.13%	84.03%	84.01%	83.87%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Black-Scholes value of each option	\$ 2.58	\$ 2.48	\$ 3.12	\$ 3.34	\$ 2.68

Volatility was estimated by using the historical volatility of the Company and other companies that the Company considers comparable that have trading and volatility history. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term equal to the expected life of the options.

[b] Reserve for warrants

The following table reflects the continuity of warrants:

For the three months ended March 31, 2019	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
	#	\$	\$
Balance, January 1, 2019	69,759,127	5.07	62,801
Warrants exercised in the period	(4,264,354)	2.15	(1,749)
Balance, March 31, 2019	65,494,773	5.26	61,052

For the three months ended March 31, 2018	Number of warrants	Weighted Average Exercise Price	Amount, net of warrant issue costs
Balance, January 1, 2018	37,609,842	2.40	13,883
Units held in trust	133,750	3.00	72
Issuance of finders' units	692,290	3.00	208
Private placement units	6,462,763	3.00	4,359
Balance, March 31, 2018	44,898,645	2.50	18,522

As at March 31, 2019, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
	\$	#
April 4, 2019	2.15	598,244
August 18, 2019	2.15	397,080
October 2, 2020	3.00	130,250
May 2, 2020	7.00	15,092,363
February 28, 2021	3.00	34,729,336
June 26, 2021	9.50	1,955,000
April 19, 2021	9.00	12,592,500
	\$ 5.26	65,494,773

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

[c] Restricted share units

Under the Company's Restricted Share Unit Plan, adopted at the AG&SM on December 6, 2018, restricted share units may be granted up to a fixed maximum of 5,000,000 common shares, which entitle the holder to receive one common share without payment of additional consideration at the end of the restricted period, as determined by the Board of Directors of the Company at the time of the grant. For the three months ended March 31, 2019, the Company recorded \$23 in non-cash stock-based compensation related to restricted share unit compensation (March 31, 2018 - \$nil).

[d] Escrowed share units

In conjunction with the HemPoland acquisition, the Company issued 1,968,323 share units in escrow with a value of \$7,972. (See note 9)

13. INCOME TAXES

The Company's combined statutory tax rate is 26.5% for the three-month periods ended March 31, 2019 and March 31, 2018, expected to apply for the full year, applied to the pre-tax income of a given three-month period. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

The changes in the net deferred tax liability are provided below:

	For the three months ended	
	March 31, 2019	March 31, 2018
	\$	\$
Balance, beginning of period	1,435	—
Recognized in income	(14)	—
Effect of foreign currency translation recognized in other comprehensive income	(60)	—
Balance, end of period	1,361	—

14. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

	For the three months ended	
	March 31, 2019	March 31, 2018
	\$	\$
Prepaid expenses	(398)	(6)
Harmonized sales tax receivable	3,074	(532)
Accounts receivable	(1,138)	—
Capitalized cost of biological assets	27	—
Inventory	255	—
Other current assets	(21)	(149)
Other assets	(15,782)	935
Accounts payable and accrued liabilities	25,806	1,005
Total	11,823	1,253

15. COMMITMENTS AND CONTINGENCIES

[a] Construction agreements

The Company has entered into contracts to facilitate the construction of its facilities in Hamilton, Ontario and Salaberry-de-Valleyfield, Québec with various vendors. Pursuant to some of these agreements, the Company has issued letters of credit in the amount of \$5,003 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates ("GIC") securing the letters as collateral. The Company has pledged \$5,000 of GICs as collateral, which has been recorded in other assets, due to the long-term nature of the related project. As at March 31, 2019, there have been no breaches and no amounts have been drawn

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

on the letters of credit. As at March 31, 2019, the Company has outstanding deposits on construction related activities of \$25,186 (December 31, 2018 – \$9,431) included in other assets. The Company has also entered into an escrow agreement with its construction partner in Québec whereby \$50,000 has been allocated to the Québec project and these funds are included in restricted cash.

[b] Contractual lease commitments

The Company has entered into contracts at multiple locations, whereby they are committed to make future payments. Management has reviewed these contracts and determined that they do not contain leases as defined under IFRS 16. The total future minimum annual contractually committed payments, other than those already captured under IFRS 16, are \$95. The lease for the office space of the Company's headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at March 31, 2019, there have been no breaches and no amounts have been drawn upon this letter of credit.

[c] Revolver facility

On September 1, 2017, the Company executed a revolving credit agreement with a Canadian credit union entitling the Company to borrow to a maximum limit of \$5,000, subject to certain reporting requirements. The credit facility is secured by a GIC and bears a conventional rate of interest. As at March 31, 2019, the Company has not drawn under the revolver loan and is in compliance with the reporting requirements.

[d] Claims and Litigation

From time to time, the Company and/or its subsidiaries may become defendants in legal actions and the Company intends to defend itself rigorously against all legal claims. The Company is subject to certain employment related claims by former employees for which provisions have been recognized to the extent that they are likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders. Due to the uncertainty of the timing and the amount of estimated future cash outflows relating to this claim, no provision had been recognized. Other than the claims previously described, the Company is not aware of any other material or significant claims against the Company.

[e] Short-term loans

On October 1, 2018, as part of the HemPoland transaction, the Company assumed HemPoland's operating line of credit of which the entire outstanding amount drawn upon of \$146 (400 PLN [in thousands]) was repaid as at March 31, 2019 (December 31, 2018 - \$146). Also, as part of the HemPoland transaction, the Company assumed HemPoland's short-term loan payable on certain premises in Poland, of which \$517 remained outstanding as at March 31, 2019 (December 31, 2018 - \$542).

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

The Company's financial instruments were comprised of the following as at March 31, 2019: cash and cash equivalents; restricted cash; refundable sales tax receivable; trade receivables; due from related parties; loan receivable; other current assets; accounts payable and accrued liabilities; short-term loans; contingent consideration and lease liabilities.

The fair values of the financial assets and financial liabilities are determined at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized costs that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments. The fair value of the loan receivable recorded at fair value through profit and loss is Level 3 and is based on the established underlying fair values of the assets during the recent transaction involving the investment in QuébecCo, whereby it was reasonably concluded to continue to approximate the same fair value as at March 31, 2019 as compared to the initial recognition date.

[b] Fair value hierarchy

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

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three months ended March 31, 2019, there were no transfers of amounts between levels.

[c] Management of risks arising from financial instruments

[i] Market risk

All foreign currencies shown in this note are also presented in thousands.

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at December 31, 2018, the Company had no financial assets and liabilities for which cash flows were denominated in foreign currencies other than cash, trade receivables, accounts payable and accrued liabilities, lease liabilities, short-term loans, and due from related parties. The Company does have some suppliers that prefer to contract in foreign currencies. The Company holds cash in U.S. dollars (“US\$”), Euros (“EUR”), and Polish zloty (“PLN”). As at March 31, 2019, the Company had \$13,461 (US\$ 10,083) of cash (December 31, 2018 - \$14,304) and \$12 (US\$ 9) in amounts due from related parties (December 31, 2018 - \$9) denominated in U.S. dollars. As at March 31, 2019, the Company also had \$426 (PLN 1,223) of cash (December 31, 2018 - \$338) denominated in Polish Zloty and \$688 (EUR 459) of cash (December 31, 2018 - \$450) denominated in Euros (“EUR”). The Company has not used foreign exchange contracts to hedge its exposure to foreign currency cash flows for the three months ended March 31, 2019.

Interest rate risk

The Company’s exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at March 31, 2019, the Company had five term deposits of \$25,000, \$5,191, \$5,000, \$150 and \$92 bearing interest at 1.50%, 2.00%, 2.10%, 1.50%, and 3.05% respectively (December 31, 2018 - \$25,000, \$5,148, \$5,000, \$5,000 and \$150 bearing interest at 1.50%, 1.95%, 2.00%, 2.00% and 1.50%, respectively). The Company also has \$50,000 in restricted cash held in trust related to the Valleyfield construction project and earning a conventional rate of interest from a reputable top tier Canadian bank.

[ii] Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, trade receivable, refundable sales tax receivable, due from related parties, prepaids and deposits, other assets and loan receivable represents the maximum exposure to credit risk as at March 31, 2019. Since the inception of the Company, no losses have been suffered in relation to any of the above-mentioned assets.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into sales contracts with only stable, creditworthy parties and through frequent reviews of exposures to individual entities.

The Company assesses the credit risk of trade receivables by evaluating the aging of trade receivables based on the invoice date. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of loss and comprehensive loss. When a trade receivable balance is considered uncollectible, it is written off against the allowance for expected credit losses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of loss and comprehensive loss. As at March 31, 2019, the Company’s trade receivables are 100% concentrated in Europe. The Company had one customer whose balance comprised 35% of total trade receivables as at March 31, 2019 (December 31, 2018 – two customers at 54% and 14%).

The following tables set forth details of trade receivables, including aging of trade receivables that are not overdue, as well as an analysis of overdue amounts and related allowance for doubtful accounts:

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	\$	\$
Total trade receivables	2,337	1,199
Less allowance for expected credit losses	—	—
Total trade receivables, net	<u>2,337</u>	<u>1,199</u>
Of which		
Current	1,370	1,123
31-90 days	967	59
Over 90 days	—	17
Less allowance for expected credit losses	—	—
Total trade receivables, net	<u>2,337</u>	<u>1,199</u>

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets.

The Company's contractual maturities due to be paid within one year are represented by its accounts payable and accrued liabilities balances, its short-term loans, and its current portion of finance lease obligations as at March 31, 2019. The Company also has finance lease obligations due beyond one year from the reporting date. The Company has sufficient cash and cash equivalents to meet these obligations.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

17. SEGMENTED INFORMATION

The Company's business activities are conducted through one operating segment which consists of the production and distribution of cannabis and related products. Segment performance is based by region.

[i] Revenue, gross profit and select expenses by region is as follows

The Company's revenues were derived primarily from the Company's operations in Europe from the Company's wholly owned subsidiary, HemPoland. The Company had one customer that accounted 17% of total revenue earned during the three months ended March 31, 2019 (Three months ended March 31, 2018 – none).

	For the three months ended			March 31,
	March 31, 2019			2018
	Europe	Canada	Total	Total - Canada
Revenue	\$ 2,404	\$ 2	\$ 2,406	\$ —
Gross profit	\$ 1,152	\$ 216	\$ 1,368	\$ —
Operating expenses, excluding stock-based compensation, depreciation and amortization	\$ 1,316	\$ 10,797	\$ 12,113	\$ 5,150
Share based compensation	\$ —	\$ 3,419	\$ 3,419	\$ 2,172
Depreciation and amortization	\$ 281	\$ 280	\$ 561	\$ 139
Non-operating income	\$ 49	\$ 692	\$ 741	\$ 195
Net loss	\$ (503)	\$ (13,588)	\$ (14,091)	\$ (7,266)

[ii] Property, plant and equipment, net is domiciled as follows

	March 31, 2019	January 1, 2019	December 31, 2018
Canada	\$ 154,438	\$ 106,276	\$ 104,997
Europe	2,749	2,532	2,532
	\$ 157,187	\$ 108,808	\$ 107,529

[iii] Intangible assets and goodwill, net are domiciled as follows

	March 31, 2019	December 31, 2018
Canada	\$ 8,418	\$ 7,287
Europe	15,845	16,772
Outside Canada and Europe	170	178
	\$ 24,433	\$ 24,237

18. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders. As at March 31, 2019, total managed capital was comprised of share capital of \$403,219 (December 31, 2018 - \$392,068), contributed surplus of \$81,496 (December 31, 2018 - \$79,937), and accumulated other comprehensive loss of \$837 (December 31, 2018 – income of \$513). There were no changes in the Company's approach to capital management during the three months ended March 31, 2019.

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, a total of 702,807 of the Company's issued and outstanding warrants were exercised at a weighted average exercise price of \$2.28 per warrant, for aggregate gross proceeds of \$1,602.