Avicanna Inc.
Condensed Consolidated Interim Financial Statements
For the Three Months Ended March 31, 2019 and 2018
(expressed in Canadian dollars, except share and per share amounts)

Avicanna Inc.
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2019 and December 31, 2018
(Expressed in Canadian Dollars)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ **483,318**	$ 69,295
Amounts receivable	**198,753**	258,608
Prepaid assets	**1,576,844**	863,624
	2,258,915	1,191,527
Property and equipment (Note 5)	**16,675,615**	16,256,136
Intangible assets (Note 6)	**10,726,200**	10,733,266
Investments	**72**	72
	$ **29,660,802**	$ 28,181,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable	$ **2,485,738**	$ 1,455,565
Shareholder advance (Note 8)	**331,320**	331,320
Advance subscription (Note 13)	**831,554**	-
	3,648,612	1,786,885
Convertible debentures (Note 7)	**678,669**	-
Derivative liability (Note 7)	**97,335**	-
Term loan	**14,441**	14,441
Total Liabilities	**4,439,057**	1,801,326
Shareholders' Equity		
Share capital (Note 9)	**23,645,305**	21,492,039
Warrants (Note 9)	**4,929,994**	5,218,984
Share-based payment reserve (Note 10)	**2,410,915**	1,515,107
Accumulated other comprehensive income	**(221,309)**	(188,771)
Non-controlling interest (Note 11)	**7,894,791**	8,070,778
Deficit	**(13,437,951)**	(9,728,462)
	25,221,745	26,379,675
	$ **29,660,802**	$ 28,181,001

Subsequent events (Note 13)

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

Avicanna Inc.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Revenue	**$ 24,023**	$ 33,507
Expenses		
General and administrative	**2,585,693**	1,212,446
Selling, marketing and promotion	**101,513**	38,165
Share-based compensation (Note 10)	**1,044,639**	97,642
Depreciation and amortization (Note 5 and 6)	**56,295**	23,263
	(3,788,140)	(1,371,516)
Other income (loss)		
Foreign exchange (loss) gain	**(133,078)**	33,768
Gain on acquisition	**-**	1,129,976
Gain on revaluation of derivative liability	**4,134**	-
Loss attributed from equity accounted investee	**-**	(27,607)
Interest income	**7,585**	5,949
Net loss	**$ (3,885,476)**	$ (195,923)
Net loss attributable to non-controlling interest (Note 11)	**(175,987)**	(13,112)
Net loss attributable to shareholders of the Company	**(3,709,489)**	(182,811)
Exchange differences on translating foreign operations	**(32,538)**	(18,611)
Net comprehensive loss	**(3,918,014)**	(214,534)
Weighted average number of common shares – basic and diluted	**15,885,863**	11,268,271
Loss per share – basic and dilutive	**$ (0.25)**	$ (0.02)

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

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Share Based Reserve	Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
	#	$	$	$	$	$	$	$
Balance at December 31, 2017	**10,881,201**	**2,768,649**	**581,185**	**120,634**	**(2,629,401)**	**-**	**-**	**841,067**
Issuance of units (Note 10(ii))	2,007,508	3,412,234	602,782	-	-	-	-	4,015,016
Issuance of common shares (Note 10(iv))	116,077	232,154	-	-	-	-	-	232,154
Issuance on purchase of Sativa (Note 10 (iii))	150,000	300,000	-	-	-	-	-	300,000
Exercise of options (Note 10(i))	25,000	28,937	-	(3,937)	-	-	-	25,000
Share-based compensation expense (Note 9)	-	-	-	56,137	-	-	-	56,137
Retained deficit – Sativa	-	-	-	-	(38,579)	-	-	(39,436)
Non-controlling interest (Note 11)	-	-	-	-	-	-	1,983,739	1,983,739
Net loss	-	-	-	-	(105,296)	-	-	(105,296)
Balance at March 31, 2018	**13,179,786**	**6,741,974**	**1,183,967**	**172,834**	**(2,773,276)**	**-**	**(1,983,739)**	**7,309,238**
Issuance of units	-	-	-	-	-	-	-	-
Issuance of common shares (Note 10(iv))	209,246	2,142,704	-	-	-	-	-	2,142,704
Special warrants issued (Note 10(vii))	-	-	4,179,156	-	-	-	-	4,179,156
Issuance on acquisition (Note 10 (vi))	1,477,818	10,788,071	-	-	-	-	-	10,788,071
Exercise of options (Note 10(ix))	200,000	22,910	-	(2,910)	-	-	-	20,000
Exercise of warrants (Note 10(v)(x))	303,510	761,914	(144,139)	-	-	-	-	617,775
Shares issued for services (Note 10(viii))	276,605	1,034,466	-	-	-	-	-	1,034,466
Share-based compensation (Note 9)	-	-	-	1,345,183	-	-	-	1,345,183
Non-controlling interest (Note 11)	-	-	-	-	-	-	6,277,375	6,277,375
Foreign exchange translation	-	-	-	-	-	(188,771)	-	(188,771)
Net loss	-	-	-	-	(6,955,186)	-	(190,336)	(7,145,522)
Balance at December 31, 2018	**15,646,965**	**21,492,039**	**5,218,984**	**1,515,107**	**(9,728,462)**	**(188,771)**	**8,070,778**	**26,379,675**

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

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity (continued)
For the Three Months Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Common Shares		Warrants	Share Based Reserve	Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
	#	$	$	$	$	$	$	$
Balance at December 31, 2018	**15,646,965**	**21,492,039**	**5,218,984**	**1,515,107**	**(9,728,462)**	**(188,771)**	**8,070,778**	**26,379,675**
Exercise of options	440,000	108,607	-	(18,607)	-	-	-	90,000
Exercise of warrants	1,437,014	1,788,035	(295,521)	-	-	-	-	1,492,514
Shares issued for services	32,078	256,624	-	-	-	-	-	256,624
Share-based compensation	-	-	-	914,415	-	-	-	914,415
Warrants issued with convertible debentures	-	-	6,531	-	-	-	-	52,932
Non-controlling interest	-	-	-	-	-	-	(175,987)	(175,987)
Foreign exchange translation	-	-	-	-	-	(32,538)	-	(32,538)
Net loss	-	-	-	-	(3,709,489)	-	-	(3,709,489
Balance at March 31, 2019	**17,556,057**	**23,645,305**	**4,929,994**	**2,410,915**	**(13,437,951)**	**(221,309)**	**7,894,791**	**25,221,745**

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

Avicanna Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31, 2019 and March 31, 2018
(Expressed in Canadian Dollars)

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net loss	$ (3,709,489)	$ (182,811)
Amortization	56,295	23,263
Share-based compensation	914,415	97,642
Non-controlling interest	(175,987)	(13,112)
Impact of foreign exchange losses	(32,538)	-
Issuance of common shares for services	256,624	-
Loss attributed to equity accounted investee	-	27,607
Gain in fair value of equity accounted investees	-	(1,126,976)
Changes in non-cash operating elements of working capital	376,808	(468,695)
Cash used in operating activities	**(2,313,872)**	**(1,643,082)**
Cash flows from investing activities:		
Purchase of capital assets	(468,708)	(168,045)
Purchase of intangible asset	-	(2,475,000)
Acquisition of Sativa Nativa S.A.S.	-	161,478
Cash used in investing activities	**(468,708)**	**(2,481,567)**
Cash flows from financing activities:		
Issuance of convertible debentures	782,535	-
Warrants granted for services	-	654,656
Change in funds due from (to) related parties	-	(120,700)
Proceeds from exercise of warrants	1,492,514	25,000
Proceeds from exercise of options	90,000	-
Cash obtained for advance subscription of equity offering	831,554	-
Proceeds from issuance of common shares and units	-	3,127,640
Cash provided by financing activities	**3,196,603**	**3,686,596**
Net increase (decrease) in cash	**414,023**	**(438,053)**
Cash, beginning of period	**69,295**	**1,176,546**
Cash, end of period	**$ 483,318**	**$ 738,493**

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

1. NATURE OF OPERATIONS

Avicanna Inc. ("Avicanna" or the "Company") was incorporated in Ontario. The Company is focused on innovative product development and research in the medical cannabis industry. To date, the Company has not generated significant revenues from its operations and is considered to be in development stage.

During the year ended December 31, 2018, Avicanna obtained control of Sativa Nativa S.A.S. ("Sativa Nativa") by acquiring an additional 35% of the issued and outstanding shares, bringing the Company's total ownership up to 70%. As such, the results for Sativa Nativa for the year ending December 31, 2018 have been consolidated with the Company's. In addition, during the year ended December 31, 2018, Avicanna obtained control of Santa Marta Golden Hemp S.A.S. ("SMGH") by acquiring 60% of the issued and outstanding shares. As such, the results for SMGH for the year ending December 31, 2018 have been consolidated with the Company's.

As at March 31, 2019 the Company has an accumulated deficit of $13,437,951 (December 31, 2018 - $9,728,462), cash of $483,318 (December 31, 2018 – $69,295), and a working capital deficit of $1,389,697 (December 31, 2018 – deficit of $595,358). The Company will need to raise additional financing to continue operations, product development and clinical research. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on terms that are advantageous to the Company. These material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared on a going concern basis which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies set out below have been consistently applied to all periods presented unless otherwise noted. These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all information required for full annual financial statements. These condensed consolidated interim financial statements have been prepared using the same accounting policies described in Note 3 of the annual consolidated financial statements, except in relation to the adoption of new standards, as described below. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for years ended December 31, 2018 and 2017, which have been prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on July 9, 2019.

Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the accounting policies below. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services. These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. BASIS OF PRESENTATION (continued)

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned subsidiaries 2516167 Ontario Inc. ("My Cannabis") and Avicanna LATAM S.A.S. ("LATAM"), its majority owned subsidiary Sativa Nativa in which the Company owns 70% of the issued and outstanding shares, and its majority owned subsidiary SMGH in which the Company owns 60% of the issued and outstanding shares. The Company is deemed to control a subsidiary when it is exposed to, or has the right to, variable returns from its involvement with an investee and it has the ability to direct the activities of the investee that significantly affects the investee's returns through its power over the subsidiary. Where the Company's interest in a subsidiary is less than one hundred percent, the Company recognizes a non-controlling interest in the investee. The results of subsidiaries acquired during the year are consolidated from the date of acquisition. All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Subsequent to acquisition, the carrying amount of non-controlling interests is the amount recognized initially, plus the non-controlling interests' share of changes in the capital of the company in addition to changes in ownership interests. Total comprehensive income or loss is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The financial statements of controlled entities are included in these condensed consolidated interim financial statements from the date control is effective until control ceases to exist.

Foreign currency translation

The presentation currency as well as the functional currency of the Company and its subsidiaries, except for Sativa Nativa, LATAM, and SMGH is the Canadian dollar. The functional currency of Sativa Nativa, LATAM, and SMGH is the Colombian Peso. Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Leases

Effective January 1, 2019, the Company adopted IFRS 16, Leases, replacing IAS 17, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in the standard, IFRS 16 was adopted retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2019. The Company also utilized certain practical expedient elections whereby (i) there is no need to reassess whether an existing contract is a lease, or contains an embedded lease if previously determined under IAS 17, (ii) short term and low value leases are treated as operating leases, and (iii) there is no need to reassess the previous assessments in respect of onerous contracts that confirmed there were no existing onerous lease contracts. Under IFRS 16, most leases are now recognized on the balance sheet for lessees, essentially eliminating the distinction between a finance lease and an operating lease under IAS 17, where operating leases were reflected in the condensed consolidated interim statements of operations and comprehensive loss.

As at March 31, 2019, all leases were short-term in nature and therefore, the adoption of IFRS 16 has had no effect on these condensed consolidated interim financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
The following are the Company's new accounting policies for its leases under IFRS 16:

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

As a lessee, the Company recognizes a lease obligation and a right-of-use asset in the condensed consolidated interim statements of financial position on a present-value basis at the date when the leased asset is available for use. Each lease payment is apportioned between a finance charge and a reduction of the lease obligation. Finance charges are recognized in finance cost in the condensed consolidated interim statements of operations and comprehensive loss. The right of-use asset is included in property and equipment and is depreciated over the shorter of its estimated useful life and the lease term on a straight-line basis.

Lease obligations are initially measured at the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, or if this rate cannot be determined, the Company's incremental borrowing rate. Right-of-use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of the lease obligation;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- rehabilitation costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the condensed consolidated interim statements of operations and comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise primarily small equipment.

Convertible Debentures

Convertible debentures are recorded on the statement of financial position at amortized cost. The convertible debentures are separated out into their liability and equity components. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature less the value associated to derivative liability as mentioned below. The fair value of the equity component was determined as the difference between the total proceeds on issuance of the convertible note less the value assigned to the derivative liability and convertible debenture. Subsequent to initial recognition, the company will accrete the debenture over its contractual term using the effective interest rate method.

Derivative Liability

Derivatives are recorded on the statement of financial position at fair value. The conversion features of the convertible debentures, whereby the holder of the notes can convert any accrued interest payments to common shares (see note 7) is determined to be an embedded derivative liability and is separately valued and accounted for on the statement of financial position with changes in fair value recognized through profit and loss. The pricing model the Company uses for determining the fair value of the derivative liability is the Black Scholes Model. The model uses market sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income.

(expressed in Canadian dollars, except share and per share amounts)

4. BIOLOGICAL ASSETS

The Company wrote off $158,407 of biological assets for the three months ending March 31, 2019 (December 31, 2018 - $122,284). While the Company, through its subsidiaries Sativa Nativa and SMGH, has licenses to harvest, extract and sell medical cannabis, there are certain regulatory requirements that must be met in order to be allowed to sell medical cannabis in the Republic of Colombia. Part of this process requires the Company to grow and register the strains of cannabis plants that it wishes to commercially harvest for sale. As at March 31, 2019 the Company was in the process of registering these strains and had not yet gained approval to officially sell. Therefore, any biological assets that were grown for the purposes of obtaining regulatory approval have been expensed for the three months ended March 31, 2019.

		Amount
Balance as at December 31, 2018	$	-
Costs incurred for the current period		158,407
Write of off biological asset		(158,407)
Balance as at March 31, 2019	**$**	**-**

The Company values medical cannabis plants at fair market value from the date of initial clipping from the mother plants until the end of the growing cycle. As noted above, as the Company has not been approved to sell its current genetics and strains all costs related to the current harvest have been written off.

(expressed in Canadian dollars, except share and per share amounts)

5. PROPERTY AND EQUIPMENT

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2018	$ 1,077,894	$ 10,361,920	$ 5,012,228	$ 16,452,042
Additions	-	-	468,708	468,708
Disposals				
At March 31, 2019	$ 1,077,894	$ 10,361,920	$ 5,480,936	$ 16,920,750

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2018	$ 195,906	$ -	$ -	$ 195,906
Amortization	49,229	-	-	49,229
Disposals				
At March 31, 2019	$ 245,135	$ -	$ -	$ 245,135

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136
March 31, 2019	$ 832,759	$ 10,361,920	$ 5,480,936	$ 16,675,615

	Equipment	Land	Construction in Progress	Total
Cost				
Balance at December 31, 2017	$ 512,359	$ -	$ -	$ 512,359
Additions	565,535	10,361,920	5,012,228	15,939,683
Disposals	-	-	-	-
At December 31, 2018	$ 1,077,894	$ 10,361,920	$ 5,012,228	$ 16,452,042

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2017	$ 51,466	$ -	$ -	$ 51,466
Amortization	144,440	-	-	144,440
Disposals	-	-	-	-
At December 31, 2018	$ 195,906	$ -	$ -	$ 195,906

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2017	$ 460,893	$ -	$ -	$ 460,893
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136

During the period the Company incurred amortization expense on its equipment of $49,229 (March 31, 2018- $16,197).

(expressed in Canadian dollars, except share and per share amounts)

6. INTANGIBLE ASSETS

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2018	$ 141,327	$ 10,631,981	$ 10,773,308
Additions	-	-	-
Disposals	-	-	-
At March 31, 2019	$ 141,327	$ 10,631,981	$ 10,773,308

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2018	$ 40,042	$ -	$ 40,042
Additions	7,066	-	7,066
Disposals	-	-	-
At March 31, 2019	$ 47,108	$ -	$ 47,108

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266
March 31, 2019	$ 94,219	$ 10,631,981	$ 10,726,200

	Customer Relationships	Licenses and Permits	Total
Cost			
Balance at December 31, 2017	$ 141,327	$ -	$ 141,327
Additions	-	10,631,981	10,631,981
Disposals	-	-	-
At December 31, 2018	$ 141,327	$ 10,631,981	$ 10,773,308

	Customer Relationships	Licenses and Permits	Total
Accumulated amortization			
Balance at December 31, 2017	$ 11,776	$ -	$ 11,776
Additions	28,266	-	28,266
Disposals	-	-	-
At December 31, 2018	$ 40,042	$ -	$ 40,042

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2017	$ 129,551	$ -	$ 129,552
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266

During the period the company incurred amortization expense of $7,066 on its Customer Relationships (March 31, 2018- $7,066). As at March 31, 2019 the licenses and permits were not available for use as the Company did not have the ability to sell the Extracts. As such depreciation was not taken during the period.

(expressed in Canadian dollars, except share and per share amounts)

7. CONVERTIBLE DEBENTURES

On March 1, 2019 ("Closing Date"), the Company completed a convertible debenture offering and raised gross proceeds of $783,000. The debentures incur interest at 8.0% per annum and have a maturity date of March 1, 2021. Each debenture is convertible at any time at the option of the holder thereof into fully paid and non-assessable Common Shares at any time before the maturity date at the conversion price (the "Conversion Price"), representing a conversion rate of 125 Common Shares per $1,000 principal amount of debentures, subject to adjustment in accordance with the debenture certificates. Additionally, each debenture entitles the holder to acquire one common share in the capital share of the Company (a "Warrant Share") at a price of $10.00 per Warrant Share for a period of 12 months following the Closing Date. Upon conversion of any Debentures, the holder thereof will also receive all accrued and unpaid interest thereon in Common Shares issued at the Conversion Price.

8. RELATED PARTY TRANSACTIONS

The following outlines amounts that were paid to officers of the Company.

		For the Three Months ended March 31, 2019		December 31, 2018
Salaries	$	162,500	$	671,433
Share-based compensation		-		34,000
	$	**162,500**	**$**	**705,433**

Additionally, at the end of March 31, 2019 a minority shareholder of the of SMGH, Inmobiliaria Bondue S.A.S ("Bondue") advanced funds in the amount of $331,320. Bondue is owned by Mr. Char who is also a director of the Company. The purpose of the advance was to fund the Company's working capital requirements.

9. SHARE CAPITAL

Authorized and outstanding share capital:

The authorized share capital of the Company consists of an unlimited number of common shares and unlimited number of preferred shares. As at March 31, 2019, the Company had 15,646,965 common shares issued and outstanding (2017 – 10,881,201).

Transactions:

[i] On January 29, 2018, common shares were issued on the exercise of 25,000 stock options. The options were exercised at a price of $1 per common share for gross proceeds of $25,000. These stock options had a fair value of $6,847.

[ii] On January 29, 2018, the Company issued 2,007,508 units for gross proceeds of $4,015,016. Each unit was issued at $2 per unit and included one common share and one-half common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.50 per common share for a period expiring on the earlier of: (i) 24 months from the date of issuance; and (ii) 12 months subsequent to the IPO date. Fair value of the common share purchase warrants was determined using the Black-Scholes option pricing model with a market price per common share of $2, a risk-free interest rate of 1.77%, an expected annualized volatility of 90% and expected dividend yield of 0%. Gross proceeds of $4,015,016 were allocated to common shares and common share purchase warrants in the amount of $3,412,234 and $602,782, respectively. As at December 31, 2017, proceeds of $728,500 related to this share issuance were received in advance.

[iii] On February 28, 2018, the Company issued 150,000 common shares to acquire 10% of the issued and outstanding common shares of Sativa Nativa S.A.S. The common shares of the Company were valued at $300,000 and were issued at a price of $2 per common share (Note 9).

[iv] On July 31, 2018, the company issued 325,323 common shares for gross proceeds of $2,374,858. Each common share was issued at a price of $7.30 per share.

9. SHARE CAPITAL (continued)

Transactions (continued):

[v] On September 21, 2018, 94,000 common shares were issued on the exercise of 94,000 common share purchase warrants. The warrants were exercised at a price of $1 per common share for gross proceeds of $94,000. These warrants had a fair value of $18,322.

[vi] On October 22, 2018, the Company issued 1,477,818 common shares to acquire 60% of the issued and outstanding common shares of Santa Marta Golden Hemp S.A.S. The common shares issued by the Company were issued at a price of $7.30 per share and had a total fair value of $10,788,071 (Note 9).

[vii] On December 13, 2018 ("First Tranche Closing Date") the Company issued 540,484 Special Warrants at $8 each for gross proceeds of $4,323,872 which was the first tranche ("First Tranche") of the Company's Special Warrants offering. As part of this transaction the company incurred issuance cost of $144,716, resulting in net proceeds of $4,179,156. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "Unit") of the corporation with each Unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "Whole Warrant" and together with the Common Shares, "Underlying Securities") with each Warrant entitling the holder thereof to purchase one Common Share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Company's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the First Tranche Closing Date. Additionally, 18,090 compensation warrants were issued to finders related to this sale of Special Warrants. The compensation warrants are exercisable into a Unit for a period of 2 years and an exercise price of $8 per compensation warrant. Fair value of the compensation warrants was determined using the Black-Scholes option pricing model with a market price per common share of $8, a risk-free interest rate of 1.89%, an expected annualized volatility of 90% and expected dividend yield of 0%. A fair value of $70,281 has been allocated to the compensation warrants.

[viii] During the year ended December 31, 2018, the Company issued 276,605 common shares for consulting services with a value of $1,034,466. Of these common shares, 195,638 common shares were issued at $2 per common share, 6,494 common shares were issued at $7.30 per common share and 74,473 common shares were issued at $8 per common share.

[ix] During the year ended December 31, 2018, 200,000 common shares were issued on the exercise of 200,000 stock options. The options were exercised at a price of $0.10 per common share for gross proceeds of $20,000.

[x] During the year ended December 31, 2018, 209,510 common shares were issued on the exercise of 209,510 common share purchase warrants. The warrants were exercised at a price of $2.50 per common share for gross proceeds of $523,775. The warrants had a fair value of $125,817.

[xi] During the three months ended March 31, 2019, 440,000 common shares were issued on the exercise of 440,000 stock options. Of the total options exercised, 400,000 were exercised at a price of $0.10 per common share, 30,000 were exercised at a price of $1.00 per common share and 10,000 were exercised at a price of $2.00 per common share for gross proceeds of $90,000. The options exercised were held at a fair value of $18,607.

[xii] During the three months ended March 31, 2019 as part of the convertible debenture issuance (Note 7), each debenture entitles the holder to acquire one common share in the capital share of the Company (a "Warrant Share") at a price of $10.00 per Warrant Share for a period of 12 months following the Closing Date. At the time of issuance the Warrant Share's had a fair value of $6,531.

(expressed in Canadian dollars, except share and per share amounts)

9. SHARE CAPITAL (continued)

[xiii] During the three months ended March 31, 2019, 1,437,014 common shares were issued on the exercise of 1,437,014 common share purchase warrants. Of the total warrants exercised, 1,40,014 were exercised at a price of $1.00 per common share and 37,000 were exercised at a price of $2.50 per common share for gross proceeds of $1,492,514. The common share purchase warrants exercised were held at a fair value of $295,521.

Warrant Reserve

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

	Warrants Issued / Exercised #	Weighted average exercise price $
Outstanding as at December 31, 2017	**2,564,160**	**$0.99**
Warrants issued	1,003,754	2.50
Special warrants issued	540,484	10.00
Compensation warrants issued	18,090	8.00
Warrants exercised	(303,510)	(1.69)
Outstanding as at December 31, 2018	**3,822,977**	**$2.15**
Warrants issued	783	0.01
Warrants exercised	(1,437,014)	(1.04)
Outstanding as at March 31, 2019	**2,386,746**	**2.30**

The following table is a summary of the Company's warrants outstanding as at March 31, 2019:

Warrants Outstanding			Warrants Exercisable	
Exercise price range $	**Number outstanding** #	**Weighted average remaining life** (years)	**Weighted average exercise price** $	**Number exercisable** #
1.00	890,145	0.16	0.24	890,145
2.50	937,244	0.22	0.61	937,244
8.00	18,090	0.01	0.04	18,090
10.00	541,267	0.44	1.41	541,267
Balance March 31, 2019	**2,386,746**	**0.84**	**2.30**	**2,386,746**

(expressed in Canadian dollars, except share and per share amounts)

10. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS

Share-based compensation is comprised of:

	Three Months Ended			
		March 31, 2019		March 31, 2018
Options to consultants	$	28,240	$	56,137
Options issued to employees				
	$	28,240	$	56,137

The Company has established a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither the right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the number of common shares outstanding. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired, or cancelled shall again be available under the Option Plan

[i] Measurement of fair values

The fair value of share options granted during the periods ended March 31, 2019 and December 31, 2018 was estimated at the date of grant using the Black Scholes option pricing model using the following inputs:

	2019	2018
Grant date share price	$8.00	$3.75
Exercise price	$8.00	$3.86
Expected dividend yield	0%	0%
Risk-free interest rate	2.06%	2.06%
Expected option life	7 years	7 years
Expected volatility	90%	90%

Employee and non-employee options

Expected volatility was estimated by using the historical volatility of other actively traded public companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(expressed in Canadian dollars, except share and per share amounts)

10. SHARE BASED PAYEMENT RESERVE AND STOCK OPTIONS (continued)

[iii] Reconciliation of outstanding equity-settled share options

	Options Issued	Weighted average
	#	$
Outstanding as at December 31, 2017	**1,960,000**	**0.36**
Options issued	877,500	5.10
Options expired	(150,000)	0.10
Options exercised	(225,000)	1.00
Outstanding as at December 31, 2018	**2,462,500**	**1.82**
Options issued	52,000	6.38
Options expired	-	-
Options exercised	(440,000)	.16
Outstanding as at March 31, 2019	**2,074,500**	**2.63**

The following table is a summary of the Company's share options outstanding as at March 31, 2019:

	Options Outstanding		Options Exercisable	
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
$0.10	640,000	4.70	$0.03	640,000
$1.00	505,000	5.37	$0.24	505,000
$2.00	424,500	5.99	$0.41	387,125
$7.30	72,000	6.30	$0.25	134,917
$8.00	408,000	6.61	$1.57	43,833
$10.00	25,000	6.28	$0.12	16,667
Balance March 31, 2019	**2,074,500**	**5.58**	**$2.63**	**1,737,542**

11. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. This information represents amounts before intercompany eliminations as at March 31, 2019.

The net change in non-controlling interest is as follows:

As at December 31, 2018	$	8,070,778
Net loss attributed to non-controlling interest		(175,987)
As at March 31, 2019	**$**	**7,894,791**

(expressed in Canadian dollars, except share and per share amounts)

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

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's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

In addition to the commitments disclosed, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year 1	Year 2	Year 3
Amounts payable	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -
	$ 2,485,738	$ 2,485,738	$ 2,485,738	$ -	$ -

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian and US dollars. The Company receives many of its share issuance proceeds in USD and therefore any foreign currency translation risk is minimized.

Interest risk

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

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2018 and 2017.

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Fair values

The carrying values of cash, marketable securities, amounts receivable, prepaid assets, investments and amounts payable approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy as disclosed in Note 3. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety.

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.

Cash and marketable securities are classified as Level 1 financial instruments. Amounts receivable, amounts payable and fund held for investment are classified as Level 2 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2.

13. SUBSEQUENT EVENTS

[i] On April 15, 2019 (the "Second Tranche Closing Date") the Company completed the second tranche of a special warrant offering whereby the Company issued 2,228,328 Special Warrants at $8 each for gross proceeds of $17,826,624. As part of this transaction the company incurred issuance cost of $670,800. Each Special Warrant holder is entitled to receive upon conversion one unit (each, a "unit") of the corporation with each unit consisting of one common share ("Common Share") in the capital of the corporation and one half of one Common Share purchase warrant (each whole warrant, "whole warrant" and together with the common shares, "underlying securities") with each Warrant entitling the holder thereof to purchase one common share in the capital of the corporation at a price of $10 for a period of two years after the closing date; subject to the Corporation's right to accelerate the expiry date of the Warrants upon thirty (30) days' notice in the event that the Common Shares become listed on a recognized stock exchange in Canada and the volume weighted average trading price of the Common Shares is equal to or exceeds $12.50 for a period of ten (10) consecutive trading days on such exchange. The Special Warrants issued will be automatically exercised into Underlying Securities, without any action, including additional payment, on the part of the Special Warrant holder, upon the earlier to occur of: (i) the date that is three business days following the date on which the Corporation obtains a receipt, from the applicable securities regulatory authorities, for the Prospectus, and (ii) the date that is 120 days following the Second Tranche Closing Date. Additionally, pursuant to the Agency agreement, the Company issued to the Agents 129,290 Compensation Units. Each Compensation Unit entitles the holder to acquire one Common Share and one half of one common share purchase warrant on the same terms as the units issuable on the automatic exercise of the Special Warrants. The Company received funds in advance of the Second Tranche Closing Date which give rise to an advance subscription in the amount of $831,554.

[ii] On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to, and purchased 25% of the issued and outstanding shares of Sativa Nativa. As part of the transaction, MVMD directly subscribed for 17,892,248 shares of Sativa Nativa for an aggregate purchase price of $2.8 million. The remaining 15% interest was purchased from existing shareholders of Sativa Nativa, the Company not being one. Following the close of the transaction, the Company's interest in Sativa Nativa was diluted to 63% of the then total issued and outstanding shares.