Avicanna Inc.
Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended June 30, 2019 and 2018
(expressed in Canadian dollars, except share and per share amounts)

Avicanna Inc.
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2019 and December 31, 2018
(Expressed in Canadian Dollars)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	$ **2,054,918**	$ 69,295
Short term investment	**10,923,613**	-
Amounts receivable	**397,076**	258,608
Prepaid assets (Note 14)	**3,276,907**	863,624
Biological assets (Note 4)	**259,495**	-
Inventory (Note 5)	**875,026**	-
	17,787,035	1,191,527
Right to use asset (Note 16)	**637,839**	-
Property and equipment (Note 6)	**18,418,835**	16,256,136
Intangible assets (Note 7)	**10,675,476**	10,733,266
Investments	**72**	72
	$ **47,519,257**	$ 28,181,001
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable	$ **2,548,373**	$ 1,455,565
Lease liability – current portion (Note 15)	**224,950**	-
Due to related party (Note 9)	**1,353,931**	331,320
	4,127,254	1,786,885
Convertible debentures (Note 8)	**690,211**	-
Derivative liability (Note 8)	**91,835**	-
Lease liability (Note 15)	**417,448**	-
Term loan	**-**	14,441
Total Liabilities	**5,326,748**	1,801,326
Shareholders' Equity		
Share capital (Note 10)	**30,698,158**	21,492,039
Warrants (Note 10)	**18,223,166**	5,218,984
Share-based payment reserve (Note 11)	**3,167,804**	1,515,107
Accumulated other comprehensive income	**(893,626)**	(188,771)
Non-controlling interest (Note 12)	**9,013,046**	8,070,778
Deficit	**(18,016,039)**	(9,728,462)
	42,192,509	26,379,675
	$ **47,519,257**	$ 28,181,001

Subsequent events (Note 18)

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 and Six Months Ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenue	$ **16,571**	$ 25,156	$ **40,594**	$ 58,663
Operating expenses				
General and administrative (Note 17)	**4,243,276**	1,331,940	**6,930,482**	2,582,751
Share-based compensation	**674,929**	114,707	**1,719,568**	170,844
Depreciation and amortization	**128,822**	28,380	**185,117**	51,643
Total expenses	**(5,047,027)**	(1,475,027)	**(8,835,167)**	(2,805,238)
Other income (expense)				
Foreign exchange gain (loss)	**71,938**	(95,574)	**(61,140)**	(67,305)
Gain on acquisition	**-**	-	**-**	1,129,976
Gain on fair value of biological assets	**457,503**	-	**457,503**	-
Gain on revaluation of derivative liability	**9,169**	-	**13,303**	-
Loss attributed from equity accounted investee	**-**	-	**-**	(27,607)
Interest expense	**(64,740)**	-	**(64,740)**	-
Interest income	**48,387**	3,853	**55,972**	9,802
Net loss	$ **(4,508,199)**	$ (1,541,592)	$ **(8,393,675)**	$ (1,701,709)
Net income (loss) attributable to non-controlling interest	**69,889**	(72,236)	**(106,098)**	(90,847)
Net loss attributable to shareholders of the Company	**(4,578,088)**	(1,469,356)	**(8,287,577)**	(1,610,862)
Foreign currency translation adjustment	**(672,317)**	(117,012)	**(704,855)**	(130,124)
Net comprehensive loss	**(5,180,516)**	(1,658,604)	**(9,098,530)**	(1,831,833)
Weighted average number of common shares – basic and dilutive	**18,139,300**	13,221,068	**16,825,405**	11,834,633
Net loss per share – basic and dilutive	$ **(0.25)**	$ (0.12)	$ **(0.49)**	$ (0.14)

Avicanna Inc.
Condensed Consolidated Interim Statements of Changes in Shareholder's Equity
For the Six Months Ended June 30, 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))	196,140	1,431,822	-	-	-	-	-	1,432,822
Issuance on purchase of Sativa Nativa (Note 10 (iii))	150,000	300,000	-	-	-	-	-	300,000
Shares issued for services (Note 10 (viii))	196,821	399,912	-	-	-	-	-	399,912
Exercise of options (Note 10(i))	25,000	31,847	-	(6,847)	-	-	-	25,000
Share-based compensation expense (Note 11)	-	-	-	170,843	-	-	-	170,843
Non-controlling interest (Note 12)	-	-	-	-	-	-	1,067,948	1,067,948
Net loss	-	-	-	-	(1,740,986)	-	(90,847)	(1,831,833)
Balance at June 30, 2018	**13,456,670**	**8,344,464**	**1,183,967**	**284,630**	**(4,370,387)**	**-**	**977,101**	**6,419,775**
Issuance of common shares (Note 10(iv))	129,183	943,036	-	-	-	-	-	943,036
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	20,000	-	-	-	-	-	20,000
Exercise of warrants (Note 10(v)(x))	303,510	761,914	(144,139)	-	-	-	-	617,775
Shares issued for services (Note 10(viii))	79,784	634,554	-	-	-	-	-	634,554
Share-based compensation (Note 11)	-	-	-	1,230,477	-	-	-	1,230,477
Non-controlling interest (Note 12)	-	-	-	-	-	-	7,193,166	7,193,166
Foreign exchange translation	-	-	-	-	-	(188,771)	-	(188,771)
Net loss	-	-	-	-	(5,358,075)	-	(99,489)	(5,457,564)
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 Six Months Ended June 30, 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 (Note 10(xi))	1,060,000	281,871	-	(66,871)	-	-	-	215,000
Exercise of warrants (Note 10(xiii))	2,363,681	3,192,191	(540,510)	-	-	-	-	2,651,681
Warrants expired	-	18,103	(18,103)	-	-	-	-	-
Exercise of special warrants (Note 10(xiv))	540,484	3,599,560	(3,599,560)	-	-	-	-	-
Issuance of special warrants (Note 10(xv))	-	-	17,155,824	-	-	-	-	17,155,824
Shares issued for services (Note 10(xvi))	45,346	362,760	-	-	-	-	-	362,760
Share-based compensation (Note 11)	-	-	-	1,719,568	-	-	-	1,719,568
Warrants issued with convertible debentures (Note 10 (xii))	-	-	6,531	-	-	-	-	6,531
Partial sale of Sativa Nativa (Note 12)	-	1,751,634	-	-	-	-	1,048,366	2,800,000
Foreign exchange translation	-	-	-	-	-	(704,855)	-	(704,855)
Net loss	-	-	-	-	(8,287,577)	-	(106,098)	(8,393,675)
Balance at June 30, 2019	**19,656,476**	**30,698,158**	**18,223,166**	**3,167,804**	**(18,016,039)**	**(893,626)**	**9,013,046**	**42,192,509**

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 Six Months Ended June 30, 2019 and 2018
(Expressed in Canadian Dollars)

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net loss	$ (8,287,577)	$ (1,610,862)
Depreciation and amortization	185,117	51,643
Accretion of convertible debentures	12,349	-
Share-based compensation	1,719,568	170,844
Loss attributed to non-controlling interest	(106,098)	(90,847)
Impact of foreign exchange translation	(704,855)	(130,124)
Issuance of common shares for services (Note 10 (xvi))	362,760	399,912
Gain on fair value of derivative liability	(13,303)	-
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	(2,593,464)	(90,408)
Cash used in operating activities	**(9,425,503)**	**(2,399,211)**
Cash flows from investing activities:		
Purchase of capital assets	(2,285,467)	(466,378)
Investment in marketable securities	(10,923,613)	(177,609)
Cash from partial sale of Sativa Nativa S.A.S (Note 12)	2,800,000	-
Purchase of intangible asset	-	(2,475,000)
Acquisition of Sativa Nativa S.A.S.	-	161,478
Cash used in investing activities	**(10,409,080)**	**(2,957,509)**
Cash flows from financing activities:		
Issuance of convertible debentures	783,000	-
(Repayment)/ Proceeds of loan	(14,441)	16,272
Warrants granted for services	-	549,368
Change in funds due from related parties	1,022,611	83,955
Proceeds from exercise of warrants	2,658,212	25,000
Proceeds from exercise of options	215,000	31,847
Proceeds from issuance of special warrants	17,155,824	-
Proceeds from issuance of common shares and units	-	4,086,618
Cash provided by financing activities	**21,820,206**	**4,793,060**
Net increase (decrease) in cash	**1,985,623**	**(563,660)**
Cash, beginning of period	**69,295**	**1,176,546**
Cash, end of period	**$ 2,054,918**	**$ 612,886**

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. On April 5, 2019 Mountain Valley MD Inc. ("MVMD") subscribed to, and purchased 25% of the issued and outstanding shares of Sativa Nativa, 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 . 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 June 30, 2019 the Company has an accumulated deficit of $18,016,039 (December 31, 2018 - $9,728,462), cash of $2,054,918 (December 31, 2018 – $69,295), and a working capital surplus of $13,659,781 (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 August 14, 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

2. BASIS OF PRESENTATION (continued)

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.

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 63% 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.

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 8) 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)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short Term Investments

Short term investments consist of GIC's with remaining maturities of one year or less. The Company carries all short term investments at amortized cost.

4. BIOLOGICAL ASSETS

Biological assets consist of cannabis on plants and active pharmaceutical ingredients. The changes in the carrying value of biological assets are as follows:

		June 30, 2019
Balance at the beginning of the period	$	-
Production costs capitalized		340,859
Changes in fair value less costs to sell due to biological transformation		457,503
Transferred to inventory upon harvest		(538,867)
Balance at end of the period	**$**	**259,495**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price less costs to sell per gram.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input would have on the fair value of biological assets. No comparative information is presented as the Company did not recognize biological assets at June 30, 2018.

		As at June 30, 2019	
Assumptions		Input	Change in Value
Weighted average of expected loss of plants until harvest [a]	[i]	6.5%	441
Expected yields for cannabis plants	[ii]	143g	16,562
Weighted average number of growing weeks completed as a percentage of total growing weeks as at period end	[iii]	42%	16,562
Estimated fair value less costs to complete and sell (per gram) [b]	[iv]	$0.39	71,399
After harvest cost to complete and sell (per gram)	[v]	$0.10	6,029

a. Weighted average of expected loss of plants until harvest represents loss via plants that do not survive to the point of harvest. It does not include any financial loss on a surviving plant.

b. The estimated fair value less costs to complete and sell (per gram) represents the expected sales price for the Company's bulk dried flower less the remaining costs to complete and sell that product as finished product which is inclusive of all production activities.

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

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

4. BIOLOGICAL ASSETS (continued)

The Company estimates the harvest yields for cannabis at various stages of growth. As of June 30, 2019, it is expected that the Company's cannabis plants biological assets will yield approximately 1,505,075 grams of dry cannabis when harvested.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

5. INVENTORY

	Capitalized Cost	Biological assets fair value adjustment	Carrying value
Harvested Cannabis			
Raw materials	$ 226,647	$ 322,162	$ 548,809
Finished goods	-	-	-
	226,647	322,162	548.809
Oils and Capsules			
Work in process	36,483	25,448	61,931
Finished goods	-	-	-
	36,483	25,448	61,931
Supplies and consumables	264,286	-	264,286
At June 30, 2019	$ 527,416	$ 347,610	$ 875,026

During the six months ended June 30, 2019, the Company successfully registered two of its genetics which provided the Company with the ability to sell its inventory, accordingly there was no impairment of inventory.

6. 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	201,240	-	2,084,228	2,285,468
Disposals	-	-	-	-
At June 30, 2019	$ 1,279,134	$ 10,361,920	$ 7,096,456	$ 18,737,510

	Equipment	Land	Construction in Progress	Total
Accumulated Amortization				
Balance at, December 31, 2018	$ 195,906	$ -	$ -	$ 195,906
Amortization	122,769	-	-	122,769
Disposals	-	-	-	-
At June 30, 2019	$ 318,675	$ -	$ -	$ 318,675

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

6. PROPERTY AND EQUIPMENT (continued)

	Equipment	Land	Construction in Progress	Total
Net Book Value				
December 31, 2018	$ 881,988	$ 10,361,920	$ 5,012,228	$ 16,256,136
June 30, 2019	$ 960,459	$ 10,361,920	$ 7,096,456	$ 18,418,835

	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 $122,769 (June 30, 2018- $51,643).

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

7. 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 June 30, 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	13,490	44,300	57,790
Disposals	-	-	-
At June 30, 2019	$ 53,532	$ 44,300	$ 97,832

	Customer Relationships	Licenses and Permits	Total
Net Book Value			
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266
June 30, 2019	$ 87,795	$ 10,587,681	$ 10,675,476

	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	$ -	$ 129,551
December 31, 2018	$ 101,285	$ 10,631,981	$ 10,733,266

During the period the company incurred amortization expense of $13,490 on its Customer Relationships (June 30, 2018- $13,490) and $44,300 on its Licenses and Permits (June 30, 2018- nil).

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

8. 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.

9. RELATED PARTY TRANSACTIONS

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

		June 30, 2019		**December 31, 2018**
Salaries	$	699,541	$	671,433
Share-based compensation		-		34,000
	$	**699,541**	**$**	**705,433**

Salaries and shared based compensation include compensation paid to key management personnel. The Company defines key management personnel as the Chief Executive Officer, President, Chief Financial Officer, Chief Agricultural Officer, Chief Technical Officer and Chief Medical Officer.

Additionally, as at June 30, 2019 the Company received advances from certain related parties who represent the minority shareholders of SMGH and Sativa Nativa in the amount of $1,353,931 (December 31, 2018- $331,320).

10. 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 June 30, 2019, the Company had 19,656,476 common shares issued and outstanding (December 31, 2018 – 15,646,965).

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.

10. SHARE CAPITAL (continued)

Transactions (continued):

[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.

[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.

[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 six months ended June 30, 2019, 1,060,000 common shares were issued on the exercise of 1,060,000 stock options. Of the total options exercised, 950,000 were exercised at a price of $0.10 per common share, 100,000 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 $215,000. The options exercised were held at a fair value of $66,871.

[xii] During the six months ended June 30, 2019 as part of the convertible debenture issuance (Note 7), each debenture entitles the holder to acquire one common 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 Company issued 48,937 Warrant Shares that had a fair value of $6,531.

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

10. SHARE CAPITAL (continued)

[xiii] During the six months ended June 30, 2019, 2,363,681 common shares were issued on the exercise of 2,363,681 common share purchase warrants. Of the total warrants exercised, 2,171,681 were exercised at a price of $1.00 per common share and 192,000 were exercised at a price of $2.50 per common share for gross proceeds of $2,651,681. The common share purchase warrants exercised were held at a fair value of $540,510.

[xiv] During the six months ended June 30, 2019, 540,484 common shares were issued on the exercise of 540,484 common share special purchase warrants. All warrants were exercised at a price of $8 per common share for gross proceeds of $4,108,875. The common share purchase warrants exercised were held at a fair value of $4,108,875. As noted above in note 9 (vii), upon the conversion of each Unit, each unitholder received one half of one common share purchase warrant which provides the right 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. As such 270,242 common share purchase warrants were issued at the time of conversion. Fair value of the 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 $509,315 has been allocated to the compensation warrants.

[xv] On April 15, 2019 ("Second Tranche Closing Date") the Company issued 2,228,328 Special Warrants at $8 each for gross proceeds of $17,826,624 which was the second tranche ("Second Tranche") of the Company's Special Warrants offering. As part of this transaction the company incurred issuance cost of $670,800, resulting in net proceeds of $17,155,824. 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. Additionally, 129,290 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 $517,782 has been allocated to the compensation warrants.

[xvi] During the six months ended June 30, 2019, the Company issued 45,346 common shares for consulting services with a value of $362,760. All common shares were issued at a value of $8 per common share.

Warrant Reserve

As at June 30, 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	1,116,910	2.45
Special warrants issued	540,484	8.00
Compensation warrants issued	18,090	8.00
Warrants exercised	(303,510)	(1.69)
Outstanding as at December 31, 2018	**3,936,134**	**$2.15**
Warrants issued	2,676,797	8.24
Special warrants exercised	(540,484)	8.00
Warrants expired	(92,885)	1.00
Warrants exercised	(2,363,681)	(1.12)
Outstanding as at June 30, 2019	**3,615,881**	**$6.75**

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

10. SHARE CAPITAL (continued)

The following table is a summary of the Company's warrants outstanding as at June 30, 2019:

Warrants Outstanding			Warrants Exercisable	
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
1.00	25,000	2.83	0.01	25,000
2.00	110,000	0.59	0.06	110,000
2.50	785,994	0.08	0.54	785,994
8.00	2,375,708	0.14	5.26	2,375,708
10.00	319,179	1.76	0.88	319,179
Balance June 30, 2019	**3,615,881**	**1.08**	**6.75**	**3,615,881**

11. SHARE BASED PAYMENT RESERVE AND STOCK OPTIONS

Share-based compensation is comprised of:

	Six Months Ended	
	June 30, 2019	June 30, 2018
Options to consultants	$ 1,484,690	$ 334,244
Options issued to employees	354,794	88,174
	$ 1,839,484	$ 422,418

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 June 30, 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	1.7% - 2.06%	2.06%
Expected option life	7 – 10 years	7 years
Expected volatility	90%	90%

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

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

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.

[ii] 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	165,000	8.00
Options expired	(20,000)	2.00
Options exercised	(1,060,000)	.20
Outstanding as at June 30, 2019	**1,547,500**	**3.90**

The following table is a summary of the Company's share options outstanding as at June 30, 2019:

	Options Outstanding		Options Exercisable	
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
$0.10	100,000	4.45	$0.01	100,000
$1.00	435,000	5.12	$0.28	435,000
$2.00	419,500	5.75	$0.54	419,500
$7.30	72,000	6.05	$0.34	72,000
$8.00	496,000	7.29	$2.56	316,250
$10.00	25,000	6.03	$0.16	25,000
Balance June 30, 2019	**1,547,500**	**5.81**	**$3.90**	**1,367,750**

12. 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 June 30, 2019.

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

As at December 31, 2018	$	8,070,778
Increase in NCI from MVMD transaction		1,048,366
Net loss attributed to non-controlling interest		(106,098)
As at June 30, 2019	**$**	**9,013,046**

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

12. NON-CONTROLLING INTEREST (continued)

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 reduced to 63% of the then total issued and outstanding shares.

13. 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	$ 2,548,373	$ 2,548,373	$ 2,548,373	$ -	$ -
	$ 2,548,373	$ 2,548,373	$ 2,548,373	$ -	$ -

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.

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

13. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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 June 30, 2018 and 2019.

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 of the audited financial statements as at December 31, 2018. 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.

14. PREPAID ASSETS

Prepaid assets include prepayments to external contractors and deposits on machinery and equipment in relation to the Company's cultivation and commercialization efforts. Below is a breakdown of the various components that make up the prepaid asset balance:

		June 30, 2019		December 31, 2018
Deposits on machinery, equipment and to external contractors	$	1,884,718	$	465,189
Deposits for research agreements and future services		932,364		212,954
Other		459,825		185,481
	$	**3,276,907**	**$**	**863,624**

15. LEASE LIABILITY

As of June 30, 2019, our lease liability consisted of the following:

		June 30, 2019
Balance at the beginning of the period	$	-
Additions		670,549
Lease payments and interest		(28,151)
Balance at end of period	**$**	**642,398**
Lease liability – current portion		224,950
Lease liability – non current portion		417,448

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

15. LEASE LIABILITY (continued)

The Company has lease liabilities for leases related to its corporate offices. The weighted average discount rate for the three months ended June 30, 2019 was 8% percent.

16. RIGHT TO USE ASSET

As of June 30, 2019, our right to use asset consisted of the following:

		June 30, 2019
Balance at the beginning of the period	$	-
Additions		670,549
Amortization		(32,710)
Balance at end of period	**$**	**637,839**

The Company recognized a right to use asset as part of its transition to IFRS 16. The right to use asset is amortized on a straight line basis over the term of its leases related to its corporate offices.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2019	**2018**	**2019**	**2018**
General and administrative	1,252,276	305,819	2,135,286	767,073
Selling marketing and promotion	124,161	47,468	225,674	85,815
Consulting fees	812,174	229,423	1,058,268	695,213
Professional fees	479,105	278,352	880,227	324,269
Salaries and wages	1,363,437	258,537	2,294,139	422,018
Research and development	193,239	183,063	311,305	232,716
Board fees	18,884	29,278	25,583	55,647
	$ 4,243,276	**$ 1,331,940**	**$ 6,930,482**	**$ 2,582,751**

18. SUBSEQUENT EVENTS

i. On July 8, 2019, the Company's final long-form prospectus was receipted by the Ontario Securities Commission which resulted in the Company becoming a reporting issuer under securities legislation.

ii. On July 15, 2019, pursuant to the Company's Second Tranche financing (note 10 (xv)) 2,228,328 Special Warrants were exercised into common shares and 1,114,162 Warrants. Each Warrant entitles 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. Subsequent to the conversion of Special Warrants, the Company successfully listed on the Toronto Stock Exchange on July 18, 2019.

iii. On August 8, 2019 the Company entered into an agreement with Sigma Analytical Services Inc. ("Sigma Analytical") to establish a joint venture for the testing of cannabis and cannabis-based products in Colombia. The joint venture is to be established through the creation of an Ontario based corporation, Sigma Analytical Magdalena Canada Inc. ("HoldCo"). The Company will own 61% of the HoldCo and the remaining 39% will be owned by a subsidiary of Sigma Analytical.