The Green Organic Dutchman Holdings Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR-END DECEMBER 31, 2017, AND FOR THE PERIOD FROM THE DATE OF INCORPORATION ON NOVEMBER 16, 2016 TO DECEMBER 31, 2016

(IN CANADIAN DOLLARS)

Deloitte.

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
The Green Organic Dutchman Holdings Ltd.

We have audited the accompanying consolidated financial statements of The Green Organic Dutchman Holdings Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year ended December 31, 2017 and for the period from the date of incorporation on November 16, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Green Organic Dutchman Holdings Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from the date of incorporation on November 16, 2016 to December 31, 2016 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
April 20, 2018

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

	Notes	As at December 31, 2017	As at December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	22	$ **63,735,857**	$ 2,808,738
Restricted cash	10	**15,999,854**	3,175,764
Harmonized sales tax receivable		**566,648**	41,836
Biological assets	4	**—**	33,301
Advances to related party	13	**446,956**	—
Prepaid expenses	19	**266,931**	49,643
Note receivable	9	**266,990**	—
Other current assets	23	**183,651**	—
		81,466,887	6,109,282
Non-current assets			
Property, plant and equipment	6	**6,964,747**	1,122,582
Deposit on property	13	—	250,000
Intangible asset	8	**5,575,099**	5,870,099
Goodwill	7	**2,006,846**	2,006,846
Other assets	23	**963,582**	—
Total assets		$ **96,977,161**	$ 15,358,809
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ **3,729,088**	$ 123,541
Deferred subscription receipts	10	**15,999,854**	3,175,764
Related party loans	13	—	250,000
		19,728,942	3,549,305
Non-current liabilities			
Deferred tax liability	14	**—**	1,555,576
Total liabilities		$ **19,728,942**	$ 5,104,881
Shareholders' equity			
Share capital	10	**72,572,103**	10,415,082
Reserve for warrants	12	**13,883,445**	—
Reserve for share based payments	11	**4,412,954**	—
Deficit		**(13,620,283)**	(161,154)
Total Shareholders' Equity		$ **77,248,219**	$ 10,253,928
Total Liabilities and Shareholders' Equity		$ **96,977,161**	$ 15,358,809
Total number of common shares outstanding		**142,594,801**	60,369,400
Commitments	17		
Subsequent events	24		

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

The Green Organic Dutchman Holdings Ltd.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(expressed in Canadian Dollars, except as indicated)

	Notes	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
Unrealized gain on changes in fair value of biological assets	4	—	(33,301)
Production costs		**153,021**	—
Gross profit (loss)		**$ (153,021)**	$ 33,301
Expenses			
Marketing expenses	15	**1,165,146**	18,171
Research and development expenses	15	**1,563,282**	59,438
Unrealized gain on changes in fair value of biological assets	4	**(452,793)**	—
General and administrative expenses	15	**12,838,566**	84,286
Total operating expenses		**$ 15,114,201**	$ 161,895
Loss from operations		**(15,267,222)**	(128,594)
Acquisition costs		—	(40,484)
Interest and other income		**252,516**	—
Loss before income taxes		**(15,014,706)**	(169,078)
Income tax recovery	14	**1,555,577**	7,924
Net loss and comprehensive loss		**$ (13,459,129)**	$ (161,154)
Basic and diluted net loss per share		**$ (0.1196)**	$ (0.0029)
Weighted average number of outstanding common shares		**112,526,107**	55,471,032

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

The Green Organic Dutchman Holdings Ltd.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR-END DECEMBER 31, 2017 AND FOR THE PERIOD FROM THE DATE OF INCORPORATION ON NOVEMBER 16, 2016 to DECEMBER 31, 2016
(expressed in Canadian Dollars, except number of shares)

	Number of shares	Share capital	Reserve for warrants	Reserve for share based compensation	Accumulated deficit	Total
	#	$	$	$	$	$
Balance at December 31, 2016	**60,389,400**	**10,415,082**	**—**	**—**	**(161,154)**	**10,253,928**
Private placement of common shares	**21,194,172**	**10,618,286**	**—**	**—**	**—**	**10,618,286**
Issuance of agent compensation shares	**1,404,288**	**702,144**	**—**	**—**	**—**	**702,144**
Private placement of units	**46,269,907**	**50,792,103**	**12,975,195**	**—**	**—**	**63,767,298**
Broker compensation - Units	**526,599**	**454,715**	**207,110**	**—**	**—**	**661,825**
Settlement for services - common shares	**11,860,400**	**980,200**	**—**	**—**	**—**	**980,200**
Cancellation of settlement for services - common shares	**(500,000)**	**—**	**—**	**—**	**—**	**—**
Finders compensation - common shares	**669,372**	**334,686**	**—**	**—**	**—**	**334,686**
Issuance of agent compensation units	**780,663**	**585,779**	**320,072**	**—**	**—**	**905,851**
Issuance of agent compensation options	**—**	**—**	**381,068**	**—**	**—**	**381,068**
Share based compensation	**—**	**—**	**—**	**4,412,954**	**—**	**4,412,954**
Share issue costs	**—**	**(2,310,892)**	**—**	**—**	**—**	**(2,310,892)**
Net loss and comprehensive loss	**—**	**—**	**—**	**—**	**(13,459,129)**	**(13,459,129)**
Balance at December 31, 2017	**142,594,801**	**72,572,103**	**13,883,445**	**4,412,954**	**(13,620,283)**	**77,248,219**

	Number of shares	Share capital	Accumulated deficit	Total
	#	$	$	$
Balance at November 16, 2016	—	—	—	—
Issuance of shares for TGOD acquisition	11,550,000	2,656,500	—	2,656,500
Issuance of shares to fund TGOD acquisition	34,851,009	4,408,781	—	4,408,781
Issuance of shares to settle debt	8,598,991	665,101	—	665,101
Issuance of agent compensation shares	22,400	11,200	—	11,200
Private placement of common shares	5,367,000	2,673,500	—	2,673,500
Net loss and comprehensive loss	—	—	(161,154)	(161,154)
Balance at December 31, 2016	60,389,400	10,415,082	(161,154)	10,253,928

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

The Green Organic Dutchman Holdings Ltd.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR-END DECEMBER 31, 2017 AND FOR THE PERIOD FROM THE DATE OF INCORPORATION ON NOVEMBER 16, 2016 to DECEMBER 31, 2016
(expressed in Canadian dollars)

	Notes	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
OPERATING ACTIVITIES			
Net loss after income taxes		**$ (13,459,129)**	$ (161,154)
Items not affecting cash:			
Share based compensation - shares		**1,102,846**	—
Share based compensation - finders' units		**2,593,267**	11,200
Share based compensation - shares and options		**4,412,954**	—
Unrealized gain in fair value of biological assets	4	**(452,793)**	(33,301)
Write-down of biological assets	4	**121,773**	
Write-down of inventories to net realizable value	5	**364,321**	—
Impairment of fixed assets	6	**79,519**	—
Depreciation of property, plant and equipment		**159,957**	5,239
Amortization of intangible assets		**295,000**	29,904
Income tax recovery		**(1,555,576)**	(7,924)
Changes in non-cash operating working capital items	16	**2,186,286**	59,357
Net cash used in operating activities		**$ (4,151,575)**	$ (96,679)
INVESTING ACTIVITIES			
Deposit on property		**(915,018)**	(250,000)
Net cash outflow on acquisition of subsidiary		**—**	(3,937,445)
Purchases of property, plant and equipment		**(5,831,641)**	(24,318)
Net cash used in investing activities		**$ (6,746,659)**	$ (4,211,763)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares to fund acquisition		**—**	4,408,781
Proceeds from loans from related parties		**—**	250,000
Interest received		**116,889**	—
Proceeds from issuance of shares in private placement, net of share issue costs		**72,344,353**	2,673,500
Advances to related party		**(446,956)**	—
Repayment on related party loan		**(250,000)**	(215,101)
Net cash provided by financing activities		**$ 71,764,286**	$ 7,117,180
Net cash inflow		**$ 60,866,052**	$ 2,808,738
Net foreign exchange difference		**61,067**	—
Cash, beginning of year		**2,808,738**	—
Cash and cash equivalents, end of year		**$ 63,735,857**	$ 2,808,738

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

1. DESCRIPTION OF BUSINESS

The Green Organic Dutchman Holdings Ltd. was incorporated on November 16, 2016, under the *Canada Business Corporations Act* ("CBCA") with its registered office located at Brookfield Place, Suite 4400, 181 Bay Street, Toronto, Ontario M5J 2T3 and its head office located at 6205 Airport Road, Building A – Suite 301, Mississauga, ON, L4V 1E3.

The consolidated financial statements for the year ended December 31, 2017 and for the period from the date of incorporation November 16, 2016 to December 31, 2016 include The Green Organic Dutchman Holdings Ltd. and its wholly-owned subsidiaries (together referred to as "TGODH" or the "Company"). The Company's subsidiaries are The Green Organic Dutchman Ltd ("TGOD"), Médican Biologique Inc. ("Medican") and The Green Organic Hemp Ltd ("TGOH").

TGOD is a research and development focused licensed producer of medical cannabis in Canada. The principal activities of TGOD include growing and possessing medical cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The Company uses its existing facility as a research and development centre consisting of, among other things, an analytical and microbiology laboratory and an R&D kitchen for product development. TGOD obtained a wholesale license to sell cannabis from Health Canada on August 10, 2017. On September 19, 2017, TGODH formed a wholly owned subsidiary, Medican, under the Statuts de constitution of Quebec to invest in and develop a property in Valleyfield, Quebec. On November 24, 2017, the Company incorporated The Green Organic Hemp Ltd ("TGOH") under the CBCA for the purpose of exploring opportunities related to industrial hemp cultivation and associated products.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on April 20, 2018.

Basis of measurement

These consolidated financial statements have been presented in Canadian dollars on a historical cost basis. The Company's functional currency is Canadian dollars. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the statements of operations and comprehensive loss are presented by function. The Company also presents other material operating expenses separately as they were deemed to be items of dissimilar function.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries.

Business combinations

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements.) The excess of the consideration transferred to obtain control, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(a) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on a declining basis using the following rates:

Building	5%
Furniture and fixtures	20 – 33%
Production equipment	20 – 50%
Building improvements	5 – 20%
Computer equipment	33% - 56%
Automobile	30%

An asset's residual value, useful life and depreciation method are reviewed during each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land is not depreciated.

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

Assets and construction in process are transferred to building, production equipment, building improvements when available for use and depreciation of the assets commences at that point.

(b) Finite-lived and indefinite-lived intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over the following term:

Health Canada license	Useful life of Facility, 20 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Company does not currently have any intangible assets with indefinite useful lives.

(c) Biological assets

The Company measures biological assets consisting of medical cannabis plants at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value. Unrealized gains or losses arising from changes in fair value less cost to sell during the period are included in the results of operations of the related period.

(d) Inventory

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value.

(e) Impairment of long-lived assets

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

(f) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the CGU or CGUs to which it relates. The Company has determined that the goodwill associated with all acquisitions belong to the medical marijuana CGU. Currently, the Company has one reportable segment and one CGU.

Goodwill is measured at historical cost and is evaluated for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment is recorded in profit or loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

(g) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(h) Income taxes

Current taxes

Current tax is based on taxable earnings for the period. Taxable earnings may differ from earnings as reported in the Statement of Operations and Comprehensive Loss because of items of income and expenses that are taxable or deductible in other years and items that will never be taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(i) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share-based payments granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot

be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

(j) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. In a period of losses, the options are excluded for the determination of dilutive net loss per share because their effect is antidilutive.

(k) Financial instruments

Financial assets

The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less anyimpairment losses.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below.

	Classification
Cash and cash equivalents and Restricted cash	Loans and receivables
Harmonized Sales Tax receivable	Loans and receivables
Note receivable	Loans and receivables
Advance to related party	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Related party loans	Other liabilities

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(l) Related party transactions

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

Related party transactions not in the normal course of business are measured at the fair value of the goods or services acquired.

(m) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Biological assets and inventory

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

Share-based compensation

In calculating the share-based compensation expense, management is required to estimate the fair value of the good or service received or the fair value of the equity instruments granted in the case where the fair value of the good or service received cannot be estimated.

Warrants

In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk-free interest rate.

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

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

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

In determining the allocation of the purchase price in a business combination, including any acquisition-related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

The Company measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements.) The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquire over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

(n) Comparative figures

Depreciation and amortization of $35,143, presented separately in the prior year, has been reclassified to general and administrative expenses in order to conform to the current period presentation of expenses by function. There was no change to the overall net loss.

(o) New and revised IFRS in issue but not yet effective

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018. The Company is assessing the potential impact of IFRS 9.

IFRS 7 Financial instruments: Disclosure

IFRS 7 Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. The Company is assessing the potential impact of IFRS 7.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company currently has no sales and is assessing the future potential impact of IFRS 15.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognized, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is assessing the potential impact of IFRS 16.

4. BIOLOGICAL ASSETS

The Company's biological assets consisted of seeds and medical cannabis plants. The continuity of biological assets is as follows:

	December 31, 2017	December 31, 2016
Balance, beginning of period	**$ 33,301**	$ —
Unrealized gain on changes in fair value of biological assets	**452,793**	33,301
Transfer to inventory upon harvest	**(364,321)**	—
Write-down of biological assets	**(121,773)**	—
Balance, end of year	**$ -**	$ 33,301

The significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- wastage of plants based on their various stages;
- yield by strain of plant;
- percentage of costs incurred to date compared to the total costs to be incurred are used to estimate the fair value of an in-process plant; and
- percentage of costs incurred for each stage of plant growth was estimated.

On average, the grow cycle is 16-19 weeks depending on the strain. All of the plants are to be harvested as agricultural produce (i.e., medical cannabis). During the third quarter of the year ended December 31, 2017, it was decided that the biological assets would be used for research and development activities, therefore the fair value is nil (December 31, 2016 - $33,301). Refer to Note 15 (b).

At the time of the write-off, the biological assets were, on average, 49.24% (December 31, 2016 – 32.07%) complete. The Company estimates the harvest yields for the plants at various stages of growth. It was expected that the Company's biological assets would yield approximately 42g per plant or 78,139g in total (35g per plant or 315g total as of December 31, 2016). The expected yield represented the most sensitive input that would impact the fair value. A 10% increase or decrease in the expected yield would have resulted in a $28,000 (December 31, 2016 - $nil) change in the fair value of the biological assets. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company's estimates are, by their nature, subject to change.

The valuation of biological assets is level 3 on the fair value hierarchy which are valuation techniques using inputs that are not based on observable market data. There have been no changes between levels during the period.

5. INVENTORY

The Company's inventory consisted of raw materials in the form of dry trim and dry bud. The continuity of inventory is as follows:

	December 31, 2017	December 31, 2016
Inventory - Beginning balance	$ —	$ —
Transfer from biological assets upon harvest	364,321	—
Write-down to net realizable value	(364,321)	—
Ending inventory	$ —	$ —

During the third quarter of the year-ended December 31, 2017, it was decided that the inventory would be used for research and development activities, therefore the net realizable value is nil (December 31, 2016 - $nil). Refer to Note 15 (b).

6. PROPERTY, PLANT AND EQUIPMENT

Cost:	**Land**	**Building**	**Furniture and fixtures**	**Growing equipment**	**Building improvements**	**Computer equipment**	**Automobiles**	**Construction in Progress**	**Total**
Balance, January 1, 2017	$ 790,000	$ -	$ 5,455	$ 29,299	$ 404,054	$ 3,145	$ —	$ —	$1,231,953
Additions	1,830,724	619,692	1,420	431,785	66,914	104,821	65,975	2,960,310	6,081,641
Disposals	—	—	—	(98,156)	—	—	—	—	(98,156)
Balance, December 31, 2017	$2,620,724	$619,692	$ 6,875	$ 362,928	$ 470,968	$ 107,966	$ 65,975	$ 2,960,310	$7,215,438

Accumulated depreciation:	**Land**	**Building**	**Furniture and fixtures**	**Growing equipment**	**Building improvements**	**Computer equipment**	**Automobiles**	**Construction in Progress**	**Total**
Balance, January 1, 2017	$ —	$ —	$ 591	$ 5,070	$ 101,054	$ 2,656	$ —	$ —	$ 109,371
Depreciation	—	23,217	1,128	66,356	44,194	13,221	11,841	—	159,957
Disposals	—	—	—	(18,637)	—	—	—	—	(18,637)
Balance, December 31, 2017	$ -	$ 23,217	$ 1,719	$ 52,789	$ 145,248	$ 15,877	$ 11,841	$ -	$ 250,691
Net book value, December 31, 2017	$2,620,724	$596,475	$ 5,156	$ 310,139	$ 325,720	$ 92,089	$ 54,134	$ 2,960,310	$6,964,747

The Company recognized an impairment charge of $79,519 in research and development expense for the year-ended December 31, 2017 (2016 – nil) which related to obsolete lighting equipment that was replaced by newer equipment.

Cost:	**Land**	**Furniture and fixtures**	**Growing equipment**	**Building and improvements**	**Computer equipment**	**Total**
Balance, November 16, 2016	$ —	$ —	$ —	$ —	$ —	$ —
Additions from acquisition	790,000	5,455	29,299	379,736	3,145	1,207,635
Additions	—	—	—	24,318	—	24,318
Balance, December 31, 2016	$ 790,000	$ 5,455	$ 29,299	$ 404,054	$ 3,145	$ 1,231,953

Accumulated depreciation:	**Land**	**Furniture and fixtures**	**Growing equipment**	**Building and improvements**	**Computer equipment**	**Total**
Balance, November 16, 2016	$ —	$ —	$ —	$ —	$ —	$ -
Depreciation	—	591	5,070	101,054	2,656	109,371
Disposals	—	—	—	—	—	-
Balance, December 31, 2016	$ -	$ 591	$ 5,070	$ 101,054	$ 2,656	$ 109,371
Net book value, December 31, 2016	$ 790,000	$ 4,864	$ 24,229	$ 303,000	$ 489	$ 1,122,582

7. ACQUISITION

On November 24, 2016 the Company purchased 100% of the issued and outstanding shares of TGOD, a licensed producer of medical cannabis and TGOD purchased land and building from an original shareholder. The transaction was accounted for as a business combination. The consideration for the transaction consisted of cash payment of $3,970,263 and 11,550,000 shares issued at a deemed price of $0.23 per share which totaled $2,656,500 less cash acquired of $32,818.

The finalized purchase price allocation is as follows:

	$
Net liabilities acquired	(1,280,083)
Health Canada license	5,900,000
Goodwill	2,006,846
Total purchase price	6,626,763
The net assets acquired included the following:	
Cash	32,818
Harmonized Sales Tax receivable	32,796
Property, plant and equipment	1,103,503
Total assets	1,169,117
Accounts payable and accrued liabilities	5,498
Purchaser loan	665,101
Shareholder loan	215,101
Deferred tax liability	1,563,500
Total liabilities	2,449,200
Net liabilities acquired	(1,280,083)

Net cash outflow on acquisition of TGOD is as follows:

	$
Consideration paid in cash	**3,970,263**
Less: cash acquired	**32,818**
Net cash outflow	**3,937,445**

Goodwill arose because the consideration paid to acquire TGOD reflected the strategic value of an agreement to acquire adjacent land to allow for expansion of the licensed property.

Acquisition costs of $40,484 were recognized as an expense in the period November 24, 2016 to December 31, 2016.

Before the end of the measurement period, the Company finalized and made an adjustment to the total purchase price. The fair value of the land and building has been adjusted from $633,333 to $790,000 based on the final appraisal of the assets and goodwill was adjusted from $2,163,512 to $2,006,846. These adjustments have been updated in the comparative figures.

8. INTANGIBLE ASSET

A continuity of the intangible asset is as follows:

Cost:		**Health Canada License**
Balance, January 1, 2017	**$**	**5,870,099**
Additions		**—**
Balance, December 31, 2017	**$**	**5,870,099**
Accumulated amortization:		**Health Canada License**
Balance, January 1, 2017	**$**	**—**
Amortization		**(295,000)**
Balance, December 31, 2017	**$**	**(295,000)**
Net book value, December 31, 2017	**$**	**5,575,099**

Cost:		**Health Canada License**
Balance, November 16, 2016	$	—
Additions from acquisition		5,900,003
Balance, December 31, 2016	$	5,900,003
Accumulated amortization:		**Health Canada License**
Balance, November 16, 2016	$	—
Amortization		(29,904)
Balance, December 31, 2016	$	(29,904)
Net book value, December 31, 2016	$	5,870,099

9. NOTE RECEIVABLE

On December 22, 2017, the Company advanced US$200,000 to an arm's length party (the "Debtor") in the form of a convertible note (the "Note") which matures on June 22, 2018. The Note is unsecured and bears an annual interest of 10%. The principal amount of the Note will automatically convert into shares of the Debtor in the event of a successful business arrangement. As at December 31, 2017, the US dollar amount was revalued in Canadian dollars to $266,990.

10. SHARE CAPITAL

Authorized

An unlimited number of common shares.

As at December 31, 2017, cash received for shares that were not issued amounted to $15,999,854 (2016 - $3,175,764) and was recorded as restricted cash and deferred subscription receipts as it is payable to the subscribers until the shares are issued.

As at December 31, 2017, the Company had 142,594,801 common shares issued and outstanding (December 31, 2016 – 60,369,400).

a) In May 2017, the Company issued 10,400 common shares as compensation for financial services in connection with raising capital

b) On April 5, 2017, the Company issued 11,500,000 common shares to Technical Administration Overseas S.A. ("TAO") pursuant to a financing services agreement with TAO as compensation for performance of certain financial and advisory services in connection with obtaining financing. Of the 11,500,000 shares, 500,000 shares were issued in error and were cancelled during the year-ended December 31, 2017.

c) On March 24 and April 4, 2017, the Company completed a private placement financing and issued 25,087,496 units, consisting of 23,934,671 private placement units and 1,152,825 finder's units, at $1.15 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $2.15 per share for a period of 2 years expiring March 24, 2019 and April 4, 2019.

d) On August 18, 2017, the Company issued 508,927 units for debt settlement, with each unit consisting of one common share and one full warrant at a price of $1.15 per unit. Each warrant is exercisable to acquire one common share at a price of $2.15 per share for a period expiring August 18, 2019.

e) On November 3, 2017, the Company began a brokered and non-brokered private placement financing pursuant to which it issued an Offering Memorandum (the "November Offering"). The offering was completed on January 16, 2018 whereby the Company issued 34,778,126 units at $1.65 per unit for total gross proceeds of $57,383,908. Each unit consists of 1 (one) common share and ½ (one half) of a common share purchase warrant of the Company. The Company issued 21,197,579 shares at $34,976,066 pursuant to the November 3, 2017 Offering Memorandum during the year-ended December 31, 2017; refer to subsequent event Note 24 (f).

f) On December 22, 2016, the Company completed a brokered private placement of 26,581,172 common shares at $0.50 per share for gross proceeds of $13,290,586. Pursuant to the private placement, the Company also issued 2,096,060 agent compensation shares for a total of 28,677,232 shares of which 5,389,400 shares were issued as at December 31, 2016 and 23,287,832 shares were issued in 2017.

g) On November 24, 2016, the Company entered into an employment agreement with the President of TGOD for total compensation of $150,000 plus a 50% contingent bonus provided certain milestones were achieved. On May 26, 2017, the full amount of the annual compensation and $25,000 bonus was paid by way of issuance of 350,000 shares.

11. SHARE BASED COMPENSATION

The Company has an Employee Stock Option Plan ("ESOP") on February 2, 2017 that is administered by the Board of Directors of the Company which establishes exercise prices, at not less than the market price at the date of grant, and expiry dates, which have been set at three years from issuance. Options under the Plan remain exercisable in increments with 1/3 being exercisable on each of the first, second and third anniversaries from the date of the grant, except as otherwise approved by the Board of Directors. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the common shares outstanding, which amounts to 14,259,480 at December 31, 2017.

The following is a summary of the changes in the Company's ESOP options during the year ended December 31, 2017:

Grant date	Options Granted #	Options Exercisable #	Exercise Price $	Weighted Average remaining contractual life of outstanding options in years	Expiry Date
February 7, 2017	6,000,000	2,213,200	0.50	2.10	February 7, 2020
June 1, 2017	1,435,000	229,600	1.15	2.42	June 1, 2020
October 2, 2017	2,335,000	—	1.15	2.76	October 2, 2020
Balance, December 31, 2017	9,770,000	2,442,800		2.31	

	Weighted Average Exercise Price	Number of Options
Outstanding - beginning of year	$ —	—
Transactions during the period:		
Granted	0.75	9,770,000
Cancelled	0.50	(334,000)
Outstanding, end of period	$ 0.82	9,436,000
Exercisable, end of period	$ 0.56	2,442,800

For the year-ended December 31, 2017, the Company recorded $8,109,067 in non-cash share-based compensation expense pursuant to the grant of stock options (2016 – nil).

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the year-ended December 31, 2017 by applying the following assumptions:

	February 7, 2017	June 1, 2017	October 2, 2017
Risk-free interest rate	0.89%	0.75%	1.59%
Expected life of options (years)	3	3	3
Expected annualized volatility	149%	122%	93%
Expected dividend yield	Nil	Nil	Nil
Black-Scholes value of each option	$ 0.40	$ 0.82	$ 0.68

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

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

There have been no modifications to the Plan during the year-end December 31, 2017. A new option plan was approved by Shareholders on January 31, 2018, see Subsequent events Note 24 (g).

12. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants for the year-ended December 31, 2017:

	Number of warrants	Amount
Balance, December 31, 2016	—	$ —
Private placement units	34,423,391	12,527,892
Finder's units	1,774,304	654,413
Issuance of agent compensation units	780,663	320,072
Issuance of agent compensation options	631,484	381,068
Balance, December 31, 2017	37,609,842	$ 13,883,445

As at December 31, 2017, the following warrants were outstanding:

Expiry Date		Exercise Price	Number of Warrants
March 24, 2019	$	2.15	19,890,173
April 4, 2019		2.15	5,980,490
August 18, 2019		2.15	508,927
February 28, 2021		3.00	11,230,252
Balance, December 31, 2017	$	2.40	37,609,842

The estimated fair value of warrants granted during the year-ended December 31, 2017 was determined using the Black-Scholes option pricing model with the following assumptions:

	March 24, 2017	April 4, 2017	August 18, 2017	November 3, 2017
Risk-free interest rate	0.74%	0.74%	1.24%	1.49%
Expected life of warrants (years)	2	2	2	3.3
Expected annualized volatility	97.49%	97.49%	94.20%	93.22%
Expected dividend yield	Nil	Nil	Nil	Nil
Black-Scholes value of each warrant	$ 0.26	$ 0.41	$ 0.25	$ 0.61

13. RELATED PARTIES

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, who control approximately 14% of the outstanding shares of the Company (14% fully diluted).

Total key management personnel compensation for the year-ended December 31, 2017 was $4,219,679 (for the period from the date of incorporation on November 16 to December 31, 2016 – nil) for services provided. Refer to Note 10 (b) and (g) for shares issued to related parties and Note 24 (b) for shares payable to related parties.

On August 18, 2017, the Company settled amount of $158,333 due to two officers of the Company by issuing 137,681 units at $1.15 per unit (Note 10(d)).

Advances to related party

The Company advanced the following amounts to a related party entity year-ended December 31, 2017:

a. $125,000 on March 31, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of June 30, 2017. This note payable was settled on June 30, 2017 with a replacement note payable in the same amount and interest rate with a maturity date of June 30, 2018.

b. $127,715 ($100,004 USD) on June 26, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of September 26, 2017. This advance was replaced by a note payable dated September 26, 2017 for the same amount, at an interest rate of 0% and a maturity date of September 26, 2018.

c. $194,241 ($150,000 USD) on September 15, 2017 in exchange for a promissory note for the same amount with interest at 0% and maturity date of March 26, 2018. The amount was fully repaid on March 22, 2018, see subsequent events Note 24 (h).

Loans from related parties

On November 24, 2016, two former directors provided a bridge loan totaling $250,000 to the Company for the deposit on a property. The bridge loan bore interest at 6% annually and was repaid in full on February 9, 2017.

14. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to loss on operations before income taxes, shown as follows:

	For the year ended December 31, 2017	**For the period from the date of incorporation on November 16, 2016 to December 31, 2016**
Expected tax rate	**26.50%**	26.50%
	$	$
Expected tax benefit resulting from loss	**(3,978,897)**	(44,806)
Permanent difference	**1,436,108**	-
Change in unrecognized tax losses and other tax assets	**973,304**	44,806
Other	**13,908**	-
Income tax (recovery) expense	**(1,555,577)**	-

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

The following deferred tax assets and liabilities have been recognized for accounting purposes:

	December 31, 2017	**December 31, 2016**
	$	$
Deferred tax asset	**1,477,402**	—
Deferred tax liability	**1,477,402**	1,555,576
Net deferred tax liability	**—**	(1,555,576)

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year as follows:

	Opening Balance	**Recognized in Profit and Loss**	**Closing Balance**
Deferred tax assets	$	$	$
Non-capital losses	-	1,477,402	1,477,402
Deferred tax liability			
Intangible assets	(1,555,576)	78,174	(1,477,402)
Net deferred tax liability	**(1,555,576)**	**1,555,576**	**-**

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized are approximately as follows:

	December 31, 2017	December 31, 2016
	$	$
Non-capital losses	**2,215,729**	641,131
Share issuance costs	**3,923,328**	-
Excess of tax basis over NBV	**1,727,406**	1,529,929

15. OPERATING EXPENSES

[a] Marketing expenses

Marketing expenses include the following items:

	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
	$	$
Conference fee expenses	**398,437**	-
Travel and promotion expenses	**417,191**	18,171
Consulting fee expenses	**349,518**	-
Total	**1,165,146**	18,171

[b] Research and development expenses

Research and development expenses include the following items:

	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
	$	$
Personnel costs	**230,066**	-
Non-cash stock-based compensation	**129,377**	-
Product development	**262,788**	59,438
Depreciation and amortization	**454,957**	-
Non-cash write-down of biological assets	**121,773**	
Non-cash write-down of inventory	**364,321**	-
Total	**1,563,282**	59,438

[c] General and administrative expenses

General and administrative expenses include the following items:

	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
	$	$
Personnel costs	**2,082,547**	15,205
Non-cash stock-based compensation	**7,979,690**	-
Consulting fees	**551,298**	3,857
Professional fees	**705,030**	4,301
Occupancy costs	**299,363**	-
Depreciation and amortization	**-**	35,143
Other administrative expenses	**1,220,638**	25,780
Total	**12,838,566**	84,286

16. SUPPLEMENTARY CASH FLOW INFORMATION

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

	For the year ended December 31, 2017	For the period from the date of incorporation on November 16, 2016 to December 31, 2016
Prepaid expenses	**$ (217,288)**	$ (49,643)
Harmonized sales tax receivable	**(524,812)**	(9,039)
Note receivable	**(266,990)**	-
Other current assets	**(183,651)**	-
Other assets	**(165,453)**	-
Accounts payable and accrued liabilities	**3,544,480**	118,039
Total	**$ 2,186,286**	$ 59,357

17. COMMITMENTS

Lease commitment

The Company has entered into commitments for office premises located in Mississauga, Ontario. The total future minimum annual lease payments are as follows:

	$
Within one year	123,303
After one year but not more than five years	504,237
More than five years	707,935
	1,335,476

Construction management agreement

On February 3, 2017, the Company entered into a construction management contract with Ledcor Construction Limited ("Ledcor") which engaged Ledcor to manage the construction of the facility in Hamilton with work commencing on March 1, 2017. The services and work to be provided by Ledcor are guaranteed not to exceed $22,148,200.

Greenhouse construction agreement

Included in other assets is a deposit paid to Kubo Group ("Kubo") of $915,018 which represents approximately 25% of the contract value to supply the materials, labour, and structural components for the greenhouses expected to be built on the Company's properties. On March 22, 2018, the contract was finalized, see subsequent events (Note 24 (i)).

Revolver loan

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

Set out below is a comparison by type of the carrying amounts and fair values of the Company's recognized financial instruments that are recorded in the consolidated statements of financial position:

	December 31, 2017		December 31, 2016	
	Carrying Amount ($)	Fair Value ($)	Carrying Amount ($)	Fair Value ($)
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**63,735,857**	**63,735,857**	2,808,738	2,808,738
Restricted Cash	**15,999,854**	**15,999,854**	3,175,764	3,175,764
Harmonized sales tax receivable	**566,648**	**566,648**	41,836	41,836
Notes receivable	**266,990**	**266,990**	—	—
Advance to related party	**446,956**	**446,956**	—	—
	81,016,305	**81,016,305**	6,026,338	6,026,338
Financial Liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	**3,729,088**	**3,729,088**	123,541	123,541
Deferred subscription receipts	**15,999,854**	**15,999,854**	3,175,764	3,175,764
Related party loans	**—**	**—**	250,000	250,000
	19,728,942	**19,728,942**	3,549,305	3,549,305

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

[b] Fair value hierarchy

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 fair value hierarchy has the following levels:

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

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

During the year-ended December 31, 2017, cash and cash equivalents and restricted cash were measured at Level 1 on the hierarchy. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the year-ended December 31, 2017, there were no transfers of amounts between levels.

[c] Management of risks arising from financial instruments

[i] Market risk

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at December 31, 2017, the Company had no financial assets and liabilities for which cash flows were denominated in foreign currencies other than cash, note receivable and advances to related parties. The Company was holding $360,588 (USD 282,349) of cash denominated in U.S. dollars as at December 31, 2017 (December 31, 2016 - $39,986); $266,900 (USD 200,000) in a note receivable (December 31, 2016 - $nil) and $321,956 (USD 250,004) of an advance to a related party in U.S dollars as at December 31, 2017 (December 31, 2016 - $nil). The Company has very limited currency risk.

Interest rate risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at December 31, 2017, the Company had term deposits of $15,000,000 and $5,050,000 bearing interest at 1.25% and 1.95%, respectively.

[ii] Credit risk

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

The carrying amount of cash and cash equivalents, prepaid expenses, Harmonized Sales Tax receivable and advance to related party represents the maximum exposure to credit risk and at December 31, 2017. Since the inception of the Company, no losses have been suffered in relation to cash held by the bank, prepaid expenses, amounts receivable or advances to related party.

At December 31, 2017, the Harmonized Sales Tax receivable and Note receivable accounted for 100% of accounts receivable.

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements.

The Company's total contractual maturities are represented by its accounts payable and accrued liabilities balances which totaled $3,729,088 as at December 31, 2017 all due to be paid within one year. The Company has sufficient cash in bank to meet this obligation.

19. PREPAID EXPENSES

As at December 31, 2017, the Company had prepaid expenses that consisted mainly of prepaid materials $72,559 (December 31, 2016 - $30,976), prepaid office furniture of $63,040 (December 31, 2016 - $nil), prepaid marketing services of $45,478 (December 31, 2016 - $9,167), prepaid rent of $21,929 (December 31, 2016 - $nil), prepaid insurance of $21,232 (December 31, 2016 - $9,500) and other prepaid items of $42,693 (December 31, 2016 - $nil).

20. SEGMENTED INFORMATION

The Company operates in one segment, the production of medical cannabis. All property, plant and equipment and intangible assets are located in Canada. No revenues were generated during the year-ended December 31, 2017 (for the period from the date of incorporation on November 16, 2016 to December 31, 2016 - $nil).

21. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders.

As at December 31, 2017, total managed capital was comprised of share capital of $72,666,470 (December 31, 2016 - $10,415,082), reserve for warrants of $13,885,445 (December 31, 2016 – Nil), reserve for share-based payments of $2,387,954 (December 31, 2016 – Nil).

There were no changes in the Company's approach to capital management during the year-ended December 31, 2017.

22. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents include cashable guaranteed investment certificates that amount to $20,050,000 as at December 31, 2017 (December 31, 2016 - $nil).

23. OTHER ASSETS

The Company's other assets are summarized as follows:

	December 31, 2017	December 31, 2016
	$	$
Accrued interest receivable	**135,627**	—
Professional fee retainers	**50,000**	—
Deposit on greenhouse	**915,018**	—
Other miscellaneous deposits	**46,588**	—
	1,147,233	—
Less: Current portion	**(183,651)**	—
	963,582	—

24. SUBSEQUENT EVENTS

a) On January 2, 2018, the Company authorized 267,500 bonus units to be issued to a director, an advisor and an officer to be vested over 3 years. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at $3.00 per share.

b) Also on January 2, 2018, the Board of Directors approved bonus shares of 1,500,000 to an officer. The conditions to earn these bonus shares had been satisfied at as December 31, 2017 and $2,025,000 has been recognized in the reserve for share based compensation and general and administrative expenses, accordingly.

c) On January 4, 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with Aurora Cannabis Inc. ("Aurora"), pursuant to which Aurora has acquired subscription receipts totaling 33,333,334 units at $1.65 per unit, for gross proceeds of $55 million. The subscription receipts will automatically convert into units upon the Company completing an initial public offering of its common shares and when the common shares are listed on a national Canadian stock exchange (the "Listing Date"). Each unit consists of 1 (one) common share and ½ (one half)

of a common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase 1 (one) common share at the exercise of price $3.00. If the Listing Date does not occur on or before July 31, 2018, the subscription receipts shall be automatically canceled, and the Company shall be required to repay to Aurora the proceeds from the subscription receipts plus an additional amount equal to 7.5% of the subscription proceeds. Pursuant to the Subscription Agreement, the Company also entered into:

(i) a cannabis supply agreement with Aurora's wholly-owned subsidiary Aurora Cannabis Enterprises Inc. providing Aurora with the right to purchase up to 20% of the Company's annual production of organic cannabis;

(ii) a consulting and maintenance services agreement with Aurora's wholly-owned subsidiary Aurora Larssen Projects Inc. to provide services to the Company on the completion and commissioning of the Company's facilities in Ancaster, Ontario and Valleyfield, Quebec; and

(iii) an investor rights agreement with Aurora (the "Investor Rights Agreement") whereby Aurora has the option to incrementally increase its ownership in the Company to 51% upon TGODH achieving certain operational milestones. The Investor Rights Agreement also provides Aurora with the right to participate in any new equity offerings of TGODH to maintain its pro rata ownership.

d) On January 8, 2018, the Board of Directors approved the following options and bonus shares:

(i) Bonus shares of 162,000 to be issued to an employee.

(ii) 400,000 options to be granted to a director and to an advisor exercisable at $1.65 and vested over three years expiring on January 8, 2021.

e) On January 12, 2018, the Company completed the purchase of 2,001,134 Class A shares for $2,001,134, representing 49.99995%, of 9371-8633 Quebec Inc. ("QuebecCo") which holds a property located in the City of Salaberry-de-Valleyfield, Quebec ("Purchase Agreement"). Concurrently with the entering into the Purchase Agreement, the Company also:

(i) entered into a shareholders' agreement with the other shareholders of QuebecCo whereby the Company obtained the option to purchase the remaining shares of QuebecCo, being 1,000,569 Class A shares and 1,000,569 Class B shares, the whole subject to the occurrence of certain events such as the obtaining of an approval from the CPTAQ. The Company also granted an option to the other shareholders of QuebecCo to sell their shares of QuebecCo to the Company upon the same events. Under each such options the purchase price is equal to $1 per share plus any dividend cumulated or declared but remaining unpaid. The Class B shares bear dividends at a cumulative and preferential rate of 9% of the fair market value of the consideration received by QuebecCo at the time of the issuance of such Class B shares while the dividends on Class A shares are left at the discretion of the directors of Quebec Co.

(ii) granted a loan in the amount of $1,000,569 (the "Loan") to the vendor of the Class A shares ("Vendor"). The Loan bears no interest and is secured by the Vendor's shares in QuebecCo. Upon the exercise of either the Company or the Vendor's option under the shareholders' agreement, the Loan will be set-off against the purchase price of the 1,000,569 Class A shares still held by the Vendor in QuebecCo

(iii) entered into a long-term lease agreement with two shareholders of 9371-8633 Quebec Inc., for $25,000 per year with an option to buy 100% of the property should the CPTAQ grant the exemption to the Company.

(iv) granted the Vendor 30,000 stock options to purchase common shares of the Company exercisable at $1.65 per common share for a period over three years.

f) On January 16, 2018, the Company completed a brokered and non-brokered private placement financing pursuant to which it issued an Offering Memorandum (the "Offering"). The Company issued 34,778,126 units at $1.65 per unit for total gross proceeds of $57,383,908. Each unit consists of 1 (one) common share and ½ (one half) of a common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase 1 (one) common share at the exercise of price $3.00 until the earlier of 36 months from the date the Company's common shares are traded on a recognized exchange or February 28, 2021. Pursuant to the Offering, the Company also issued 630,484 broker warrants ("compensation options"), 83,770 finders' units and 70,000 commission units. The finder's units and the commission units have the same terms as the units issued under the Offering.

g) On January 31, 2018, the Board of Directors established a "rolling" shares options plan in accordance with provisions of the Toronto Stock Exchange ("TSX") (the "New Option Plan") which fixes a maximum number of shares issuable

thereunder as a percentage of the issued and outstanding securities of an issuer. The New Option Plan has been established to provide incentives to increase individual performance and shareholder value, and to assist with the retention of employees.

h) On March 22, 2018, the $150,000 USD advance to a related party on September 15, 2017 that was due March 26, 2018 was fully repaid.

i) On March 22, 2018, an agreement with Kubo was finalized with a total contract value of approximately $2,984,002 to supply the materials, labour, and assemble the major structural components for the greenhouses expected to be built on the Company's property. The value committed in foreign currencies amounted to $277,922 (U.S. $221,540) and $2,605,283 (EUR 1,703,855).

j) On March 23, 2018, the Company destroyed its remaining biological assets and is updating the existing facility.

k) On March 28, 2018, the Company granted 5,171,000 options to directors, officers, employees and consultants exercisable at $3.65 which vest over a period of three years. The options will vest 33.3% every twelve months from the date of grant.

l) On March 29, 2018, the Company filed its Prospectus with the Ontario Securities Commission ("OSC") to qualify the distribution of 28,000,000 units of the Company such units being the "units", at a price of $3.65 per unit pursuant to the terms of an agency agreement on the TSX. The Company has received its receipt from the OSC however, the offering has not yet been completed as at the date of these consolidated financial statements.

m) On April 9, 2018, the Company finalized and executed a Project Advisory Services agreement for the building of the Quebec Facility where the fee will consist of a predetermined percentage of the work attributable to the greenhouse build phase of the project, a predetermined percentage of the cost of the work attributable to the innovation centre build phase of the project and a predetermined percentage of the cost of the work attributable to all other phases of the build project, in addition to any hourly-based rates for consulting services.

n) On April 11, 2018, the Company committed to purchasing high voltage distribution transformers for an estimated $1,125,415.

o) On April 13, 2018, the Company committed to excavation contracts for an estimated $12,316,756 at for the build of the Quebec facility.

p) On April 19, 2018, the Company executed an agreement worth an estimated $5,899,200 with a supplier to design, supply, assemble and commission a greenhouse cogeneration plant at its facility near Hamilton, Ontario.