# BELEAVE INC.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# THREE AND NINE MONTHS ENDED DECEMBER 31, 2018 AND 2017

# (EXPRESSED IN CANADIAN DOLLARS)

# (UNAUDITED)

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Beleave Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2018 have not been reviewed by the Company's auditors.

## BELEAVE INC.
**Condensed Interim Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | As at December 31, 2018 | As at March 31, 2018 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (Note 3) | **$ 1,764,939** | $ 12,002,025 |
| Accounts receivable | **384,703** | - |
| Sales tax receivable | **1,007,205** | 181,171 |
| Prepaid expenses | **2,439,950** | 2,270,530 |
| Inventory (note 5) | **3,096,159** | - |
| Biological assets (note 4) | **513,305** | - |
| **Total current assets** | **9,206,261** | 14,453,726 |
| **Non-current assets** | | |
| Property, plant and equipment (Note 6) | **11,925,974** | 4,223,944 |
| Intangible assets (note 7) | **10,034,465** | - |
| Other assets (note 8) | **25,000** | - |
| Goodwill (notes 10 and 11) | **2,965,857** | - |
| **Total non-current assets** | **24,951,296** | 4,223,944 |
| **Total Assets** | **$ 34,157,557** | $ 18,677,670 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$ 1,433,968** | $ 2,483,322 |
| Notes payable (Note 9) | **5,390,873** | 4,311,000 |
| **Total current liabilities** | **6,824,841** | 6,794,322 |
| Notes payable (Note 9) | **2,274,113** | 2,490,378 |
| **Total Liabilities** | **9,098,954** | 9,284,700 |
| **Shareholders' Equity** | | |
| Share capital (Note 12) | **59,276,837** | 25,058,199 |
| Shares to be issued (Note 10) | **1,325,000** | - |
| Minority interest (Note 11) | **2,242,355** | - |
| Reserve for share-based payments (Note 14) | **6,540,363** | 5,873,577 |
| Reserve for warrants (Note 13) | **6,436,922** | 3,788,730 |
| Accumulated other comprehensive loss | **(627,541)** | **-** |
| Deficit | **(50,135,333)** | (25,327,536) |
| **Total Shareholders' Equity** | **25,058,603** | 9,392,970 |
| **Total Liabilities and Shareholders' Equity** | **$ 34,157,557** | $ 18,677,670 |

**Nature of operations and going concern** (Note 1)
**Related party transactions** (Note 16)
**Commitments** (Note 18)
**Subsequent event** (Note 19)
Approved on behalf of the Board:

"Kevin Keagan", Director
Kevin Keagan

"Vasilios Panagiotakopoulos", Director
Vasilios Panagiotakopoulos

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

## BELEAVE INC.
**Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Three Months Ended December 31, 2018 | Three Months Ended December 31, 2017 | Nine Months Ended December 31, 2018 | Nine Months Ended December 31, 2017 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue | **$ 806,765** | $ - | **$ 1,331,033** | $ - |
| Cost of goods sold | **(685)** | - | **12,320** | - |
| **Gross profit before fair value adjustment** | **$ 807,450** | $ - | **1,318,713** | $ - |
| Fair value adjustment on growth of biological assets | **(1,180,663)** | - | **(3,495,032)** | - |
| **Gross profit** | **$ 1,988,113** | $ - | **4,813,745** | $ - |
| **Expenses** | | | | |
| Marketing and promotion | **$ 327,686** | $ 373,651 | **779,998** | $ 609,149 |
| Professional services | **(94,991)** | 1,850 | **1,178,528** | 336,563 |
| Office expenses | **(1,042,889)** | 314,026 | **1,053,173** | 645,384 |
| Production costs | **867,796** | - | **867,796** | - |
| Research and development | **4,308** | - | **16,958** | 75,848 |
| Share-based compensation (Notes 12(b)(v), 14 and 16) | **727,774** | 341,632 | **12,965,008** | 3,297,193 |
| Rent and facilities (Note 16) | **210,351** | 66,920 | **441,741** | 151,033 |
| Salaries and benefits | **885,398** | - | **2,844,533** | - |
| Transfer agent and shareholder information | **243,241** | - | **243,241** | - |
| Loss (gain) on debt settlement (Notes 12(b)(i)) | **-** | 19 | **-** | (9,825) |
| Management and consulting fees (Note 16) | **682,481** | 619,891 | **8,845,329** | 916,930 |
| Depreciation | **30,018** | 136,979 | **209,593** | 282,522 |
| Change in fair value of note payable (Note 9) | **1,406,955** | 10,411 | **239,171** | 10,411 |
| **Net loss for the period** | **$ (2,260,015)** | $ (1,865,379) | **$(24,871,324)** | $ (6,315,208) |
| **Other comprehensive loss** | | | | |
| Foreign exchange translation adjustment | **(427,541)** | - | **(627,541)** | - |
| **Net loss and comprehensive loss for the period** | **$ (2,687,556)** | $ (1,865,379) | **$(25,498,865)** | $ (6,315,208) |
| **Total loss attributable to** | | | | |
| Parent company | **$ (2,196,488)** | $ (1,865,379) | **$ (24,807,797)** | $ (6,315,208) |
| Non-controlling interest | **$ (63,527)** | $ - | **$ (63,527)** | $ - |
| **Total loss and comprehensive loss attributable to** | | | | |
| Parent company | **$ (2,624,029)** | $ (1,865,379) | **$ (25,435,338)** | $ (6,315,208) |
| Non-controlling interest | **$ (63,527)** | $ - | **$ (63,527)** | $ - |
| **Loss per share - basic and diluted** (Note 15) | **$ (0.01)** | $ (0.01) | **$ (0.06)** | $ (0.03) |
| **Weighted average number of shares outstanding - basic and diluted** (Note 15) | **446,138,510** | 241,399,396 | **387,587,114** | 223,412,252 |

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

## BELEAVE INC.
### Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
### (Expressed in Canadian Dollars)
### (Unaudited)

| | | Share Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares to be issued | Number of common shares | Amount | Reserve for Warrants | Reserve for share-based payments | Minority interest | Other comprehensive income | Deficit | Total |
| **Balance, March 31, 2017** | **$ 647,500** | **200,798,654** | **$ 10,783,834** | **$ 1,122,314** | **$ 3,148,494** | **$ -** | **$ -** | **$(12,685,341)** | **$ 3,016,801** |
| Shares and warrants issued in private placement (Note 12(b)(iii)) | - | 46,385,360 | 6,480,100 | 3,459,620 | - | - | - | - | 9,939,720 |
| Transaction costs (Note 12(b)(iii)) | - | - | (83,252) | - | - | - | - | - | (83,252) |
| Shares issued for exercise of warrants | - | 14,536,963 | 1,102,905 | - | - | - | - | - | 1,102,905 |
| Shares issued for debt settlement (Note 12(b)(i)) | - | 1,567,195 | 419,000 | - | - | - | - | - | 419,000 |
| Bonus shares (Note 12(b)(ii)) | (647,500) | 14,374,080 | 3,436,882 | - | - | - | - | - | 2,789,382 |
| Reclassification of fair valuec of warrants exercised | - | - | 573,388 | (573,388) | - | - | - | - | - |
| Expiry of warrants | - | - | - | (125,113) | - | - | - | 125,113 | (125,113) |
| Share-based compensation | - | - | - | - | 43,826 | - | - | - | 43,826 |
| Net loss and comprehensive loss for the period | - | - | - | - | - | - | - | (6,315,208) | (6,315,208) |
| **Balance, December 31, 2017** | **$ -** | **277,662,252** | **$ 22,712,857** | **$ 3,883,433** | **$ 3,192,320** | **$ -** | **$ -** | **$(18,875,436)** | **$ 10,913,174** |
| | | | | | | | | | |
| **Balance, March 31, 2018** | **$ -** | **291,242,889** | **$ 25,058,199** | **$ 3,788,730** | **$ 5,873,577** | **$ -** | **$ -** | **$(25,327,536)** | **$ 9,392,970** |
| Shares and warrants issued in private placement (Note 12(b)(iv)(v)(vii)) | - | 56,590,926 | 10,039,908 | 2,957,239 | - | - | - | - | 12,997,147 |
| Shares issued and to be issued for acquisition of Medi-Green (Note 10) | 1,325,000 | 8,837,510 | 1,675,000 | - | - | - | - | - | 3,000,000 |
| Shares issued for acquisition of Procannmed (Note 11) | - | 6,562,500 | 1,500,000 | - | - | 2,305,882 | - | - | 3,805,882 |
| Shares issued for acquisition of Seven Oaks (Note 7(ii)) | - | 5,467,819 | 929,530 | - | - | - | - | - | 929,530 |
| Shares issued for acquisition of intangible asset | - | 31,818,178 | 5,000,000 | - | - | - | - | - | 5,000,000 |
| Bonus shares (Note 12(b)(vi)) | - | 49,300,962 | 11,923,202 | - | - | - | - | - | 11,923,202 |
| Shares issued for debt settlement | - | 1,408,337 | 257,881 | - | - | - | - | - | 257,881 |
| Shares issued for property, plant and equipment | - | 5,095,650 | 1,172,000 | - | - | - | - | - | 1,172,000 |
| Shares issued and shares to be issued for exercise of warrants | - | 15,948,331 | 1,147,465 | - | - | - | - | - | 1,147,465 |
| Reclassification of fair value of warrants exercised | - | - | 309,047 | (309,047) | - | - | - | - | - |
| Shares issued for exercise of options | - | 2,065,000 | 147,466 | - | - | - | - | - | 147,466 |
| Reclassification of fair value of options exercised | - | - | 117,139 | - | (117,139) | - | - | - | - |
| Share-based compensation (Note 14(i))) | - | - | - | - | 783,925 | - | - | - | 783,925 |
| Net loss and comprehensive loss for the period | - | - | - | - | - | (63,527) | (627,541) | (24,807,797) | (25,498,865) |
| **Balance, December 31, 2018** | **$ 1,325,000** | **474,338,102** | **$ 59,276,837** | **$ 6,436,922** | **$ 6,540,363** | **$ 2,242,355** | **$ (627,541)** | **$ (50,135,333)** | **$ 25,058,603** |

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

## BELEAVE INC.
**Condensed Interim Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

| | Nine Months Ended December 31, 2018 | 2017 |
|---|---|---|
| **Cash (used in) provided by:** | | |
| **Operating Activities** | | |
| Net loss for the period | **$(24,871,324)** | $ (6,315,208) |
| Add items not affecting cash: | | |
| Change of fair value of note payable (note 9) | **239,171** | 10,411 |
| Depreciation | **209,593** | 282,522 |
| Gain on debt settlement | **-** | (9,825) |
| Fair value adjustment on growth of biological assets (note 4) | **(3,495,032)** | - |
| Share-based compensation (Notes 12(b)(v)), 14 and 16) | **12,768,367** | 3,297,193 |
| | **(15,149,225)** | (2,734,907) |
| Net changes in non-cash working capital items: | | |
| Accounts receivable | **(343,389)** | |
| Sales tax receivable | **(826,034)** | (6,135) |
| Prepaid expenses | **(169,420)** | (51,841) |
| Other assets | **(14,407)** | - |
| Accounts payable and accrued liabilities | **(955,336)** | 363,839 |
| **Net cash used in operating activities** | **(17,457,811)** | (2,429,044) |
| **Investing Activities** | | |
| Purchase of property, plant and equipment (Note 6) | **(5,612,211)** | (2,324,137) |
| Acquisition of intangible asset | **(4,935)** | - |
| Cash consideration for acquisition of Procannmed | **(900,000)** | - |
| Cash obtained upon acquisition of Medi-Green | **69,791** | - |
| Interest and preincipal repayment of Notes payable | **(602,339)** | - |
| **Net cash used in investing activities** | **(7,049,694)** | (2,324,137) |
| **Financing Activities** | | |
| Proceeds from issuance of units (Note 12) | **13,000,000** | 9,939,720 |
| Cost of issue | **(2,888)** | (3,320) |
| Proceeds from exercise of warrants | **1,147,500** | 1,102,905 |
| Proceeds from exercise of stock options | **122,483** | - |
| Proceeds from shares to be issued from exercise of stock options | **24,983** | - |
| Proceeds from note payable | **-** | 4,999,983 |
| **Net cash provided by financing activities** | **14,292,078** | 16,039,288 |
| **Net decrease in cash and cash equivalents during the period** | **(10,215,427)** | 11,286,107 |
| **Impact of foreign exchange on cash and cash equivalents during the period** | **(21,659)** | - |
| **Cash and cash equivalents, beginning of period** | **12,002,025** | 2,058,929 |
| **Cash and cash equivalents, end of period** | **$ 1,764,939** | $ 13,345,036 |

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

## 1. Nature of operations and going concern

Beleave Inc. (formerly known as Stream Ventures Inc. ("Stream")) ("Beleave" or the "Company") was incorporated under the Business Corporations Act (Ontario) on May 26, 2000, and had no operations and was seeking new business opportunities.

First Access Medical Inc. ("FAM") was incorporated on July 8, 2013 under the Canada Business Corporation Act. FAM is in the application process and has submitted its application to Health Canada (Healthy Environments and Consumer Safety Branch) on January 31, 2014 to become a "Licensed Producer" under the Marihuana for Medical Purposes Regulations (the "MMPR") and under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") as introduced by Health Canada in August 2016. With the coming into force of Cannabis Act (Canada) (the "Cannabis Act") on October 17, 2019, the licenses were migrated on November 8, 2018. BKC's license classes are now standard cultivation, standard processing and medical sales (collectively, the "License").

On December 22, 2015, the Company entered into an acquisition agreement with FAM pursuant to which the Company acquired from the FAM shareholders all of the issued and outstanding shares of FAM in exchange for an equal number of common shares in the Company (the "Transaction"). Upon completion of the Transaction FAM became a wholly-owned subsidiary of the Company and Stream changed its name to Beleave Inc. on December 16, 2015. The common shares of Beleave are listed on the Canadian Securities Exchange (the "Exchange") under the trading symbol "BE". The Company also trades on the OTCQX under the trading symbol "BLEVF". The Company registered office and its main facility in development is located at 1653 Hwy 6 North, Hamilton, Ontario. On September 6, 2017, FAM filed a certificate of amendment to change its name to Beleave Kannabis Corp.

As at the date of the preparation of the unaudited condensed interim consolidated financial statements, the main activities of the Company are conducted to comply with the Cannabis Act and preparation of facilities.

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the nine months ended December 31, 2018, the Company had not yet achieved profitable operations, incurred a net loss of $24,871,324 (nine months ended December 31, 2017 - loss of $6,315,208) and, as of that date, the Company has an accumulated deficit of $50,135,333 (March 31, 2018 - $25,327,536). The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments as they come due, all of which casts substantial doubt upon the Company's ability to continue as a going concern.

On November 5, 2018, the Company announced a seven-for-one share split of the Company's issued and outstanding common shares (the "Share Split"). Each shareholder of record of the Company as of the close of business on the record date on November 7, 2018 will receive six additional shares for each share held on such date. All references to common shares, stock options, and warrants have been fully retrospectively restated to reflec the Share Split.

Management’s view is that the success of the Company is dependent upon financing the remaining portion of its capital requirements and, obtaining approval from Health Canada in order to sell and distribute medicinal cannabis in Canada and achieving profitable operations.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments if required, could be material.

## 2. Basis of presentation

*(a) Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of March 1, 2019, the date the Board of Directors approved the statements.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited consolidated financial statements as at and for the year ended March 31, 2018.

*(b) Basis of consolidation*

Pursuant to the Reverse Take Over ("RTO") transaction, the unaudited condensed interim consolidated financial statements as at December 31, 2018 and March 31, 2018 and for the three and nine months ended December 31, 2018 and 2017, reflect the assets, liabilities, and results of operations of Beleave Kannabis Corp. prior to the RTO and the consolidated assets, liabilities, and results of operations of Beleave Kannabis Corp. (identified acquirer) and Stream Ventures Inc. ("Stream") (identified acquiree) subsequent to the RTO. The unaudited condensed interim consolidated financial statements are deemed to be a continuation of Beleave Kannabis Corp. The unaudited condensed interim consolidated financial statements include the accounts of Stream and FAM (now Beleave Kanabis Corp.). In 2018 Beleave made strategic acquisitions and partnerships to expand and strengthen its business, including the May acquisition of all the outstanding shares of 9334416 Canada Inc., o/a Medi-Green, Karmacann, and My-Grow ("Medi-Green"), a leading network of medical cannabis clinics with four locations across Ontario and Quebec. Beleave also acquired the outstanding shares of Seven Oaks Inc. in July 2018 to secure supply agreements with government wholesalers in several key provinces across Canada paving the way for Beleave to become one of the first suppliers of recreational cannabis in the Province of Ontario, BC and Manitoba. In June, Beleave expanded into South America by acquiring a 51% share in Procannmed S.A.S. ("Procannmed"), an entity that is fully licensed for the cultivation and extraction of psychoactive and non-psychoactive cannabis. On November 12, 2018, the Company purchased the shares of 161141 B.C. Ltd. said to include the full retail version of all intellectual property associated with a computer program and website to support its e-commerce platform for retail in Saskatchewan for $5,000,000 payable by issue of 31,818,178 Common Shares. Subsequently, certain principals of the vendors were named as respondents in the BCSC Matter and the Company is re-evaluating the purchase.

These unaudited condensed interim consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

*(c) Accounting policies adoptions and changes*

Inventory

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

**2. Basis of presentation (continued)**

*(c) Accounting policies adoptions and changes (continued)*

*Revenue*

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers.

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”)

IFRS 15 proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 1, 2018, the Company adopted IFRS 15 and has determined that the adoption of this new standard does not have a significant impact on its financial statements.

IFRS 9 Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014)) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its consolidated financial statements on January 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on January 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

**(Expressed in Canadian Dollars)**

## 2. Basis of presentation (continued)

*(c) Accounting policies adoptions and changes (continued)*

IFRS 9 Financial Instruments ("IFRS 9") (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

| Classification | IAS 39 | IFRS 9 |
|---|---|---|
| Cash and cash equivalents | Loans and receivables (amortized cost) | Amortized cost |
| Accounts receivable | Loans and receivables (amortized cost) | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities (amortized cost) | Amortized cost |
| Note payable | Other financial liabilities (amortized cost) | Amortized cost |

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

*(d) Recent accounting pronouncements*

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements that have no material impact to the Company are not included above. The Company has not early adopted these standards.

## 3. Cash and cash equivalents

| | **December 31, 2018** | **March 31, 2018** |
|---|---|---|
| Cash at bank and in trust | **$ 1,764,939** | $ 12,002,025 |

**(Expressed in Canadian Dollars)**

## 4. Biological assets and inventory

The Company commenced cultivating cannabis during the year ended March 31, 2018. At year end, as there were uncertainties in receiving the final approval of its sales license from Health Canada, the Company has recorded any biological assets and harvested cannabis at nil. During the nine months ended December 31, 2018, the Company received its sales license and commenced recognizing its biological assets at fair value.

The Company's biological assets consists of medical cannabis plants. The continuity of the biological assets for the nine months ended December 31, 2018 was as follows:

| | | December 31, 2018 |
|---|---|---|
| **Balance, beginning of the period** | **$** | **-** |
| Changes in fair value less costs to sell due to biological transformation | | 3,495,032 |
| Transferred to inventory upon harvest | | (2,981,727) |
| **Balance, end of period** | **$** | **513,305** |

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;
- Duration of the production cycle;
- Market value

As of December 31, 2018, it is expected that the Company's biological assets will yield approximately 264,892 grams (March 31, 2018 - nil) of 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 period.

## 5. Inventory

The Company's inventory consists of dry harvested cannabis. The continuity of the inventory for the nine months ended December 31, 2018 was as follows:

| | Grams | | Amount |
|---|---|---|---|
| **Balance, beginning of the period** | **-** | **$** | **-** |
| Transferred to inventory upon harvest | 594,944 | | 2,981,726 |
| Costs of goods sold | (118,182) | | - |
| Depreciation capitlized | - | | 110,923 |
| Inventory obtained upon acquisition of Medi-Green | - | | 3,510 |
| **Balance, end of period** | **476,762** | **$** | **3,096,159** |

As at December 31, 2018, the Company had 476,762 grams of dry cannabis harvested valued at $3,096,159 and during the nine months ended December 31, 2018, the Company sold 118,182 grams of cannabis valued at $nil.

The inventory balance as at December 31, 2018 in the amount of $3,510 represents supplies and consumables acquired from Medi-Green.

**(Expressed in Canadian Dollars)**

## 6. Property, plant and equipment

| | Production | IT, vehicle and related | Leasehold | Land | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **At March 31, 2018** | **$ 202,380** | **$ 790,899** | **$ 1,753,801** | **$ -** | **$ 1,803,909** | **$ 4,550,989** |
| Additions | 512,156 | 149,105 | - | 2,335,000 | 3,769,396 | 6,765,657 |
| Borrowing cost | - | - | - | - | 1,192,000 | 1,192,000 |
| Acquired from Medi-Green | - | 53,331 | 15,195 | - | - | 68,526 |
| **At December 31, 2018** | **$ 714,536** | **$ 993,335** | **$ 1,768,996** | **$ 2,335,000** | **$ 6,765,305** | **$12,577,172** |
| **Accumulated depreciation** | | | | | | |
| **At March 31, 2018** | **$ 35,065** | **$ 210,162** | **$ 81,818** | **$ -** | **$ -** | **$ 327,045** |
| Depreciation expense | 107,180 | 129,818 | 83,518 | - | - | 320,516 |
| Acquired from Medi-Green | - | 1,227 | 2,410 | - | - | 3,637 |
| **At December 31, 2018** | **$ 142,245** | **$ 341,207** | **$ 167,746** | **$ -** | $ - | **$ 651,198** |
| **Carrying value** | | | | | | |
| **At March 31, 2018** | **$ 167,315** | **$ 580,737** | **$ 1,671,983** | **$ -** | **$ 1,803,909** | **$ 4,223,944** |
| **At December 31, 2018** | **$ 572,291** | **$ 652,128** | **$ 1,601,250** | **$ 2,335,000** | **$ 6,765,305** | **$11,925,974** |

Construction in progress refers to a facility under development and not ready for use as at December 31, 2018. As such, this item has not been depreciated as at December 31, 2018.

During the nine months ended December 31, 2018, $1,192,000 of borrowing costs were capitalized (Note 9).

## 7. Intangible assets

(i) The intangible assets include the license of cultivation of cannabis psychoactive plants of Procannmed of which the Company acquired 51% of the outstanding shares on June 21, 2018 (note 11). The license was granted by the Ministry of Justice and Law of Colombia through resolution 0129 of January 26, 2018 with a validity of 5 renewable years. This license allows to cultivate psychoactive cannabis genetics. The modalities authorized through this administrative act are: culture of psychoactive genetics initially authorized the 4 pre-existing strains in the national territory, production of seeds for sowing and production of sow manufactured of all types of derivatives.

(ii) On July 19, 2018, the Company announced that it purchased all the outstanding shares of Seven Oaks Inc. ("Seven Oaks").

Under the terms of the Transaction, Beleave will pay an aggregate purchase price of $3,000,000 to the Seven Oaks shareholders payable through the issuance of common shares in the capital of the Company. On August 2, 2018, the Company issued 1,422,869 common shares as part of the consideration for the acquisition which was valued at $0.17 per share for a total amount of $241,888. On October 17, 2018, the Company issued 4,044,950 common shares as part of the consideration for the acquisition which was valued at $0.17 per share for a total amount of $687,642.

As Seven Oaks does not meet the definition of a business as per IFRS 2, the acquisition was treated as an acquisition of intangible assets from Seven Oaks for its brand recognition with an infinite useful life.

## 7. Intangible assets (continued)

(iii) On November 12, 2018, the Company purchased the shares of 161141 B.C. Ltd. said to include the full retail version of all intellectual property associated with a computer program and website to support its e-commerce platform for retail in Saskatchewan for $5,000,000 payable by issue of 31,818,178 Common Shares. Subsequently, certain principals of the vendors were named as respondents in the BCSC Matter and the Company is re-evaluating the purchase.

## 8. Other assets

Other assets represents the security deposit of $25,000 acquired from Medi-Green (note 10).

## 9. Notes payable

On October 5, 2017, Cannabis Wheaton Income Corp. ("Cannabis Wheaton" or "CW") and the Company announced that they, along with Beleave's wholly-owned operating subsidiary Beleave Kannabis Corp., entered a definitive agreement whereby Cannabis Wheaton will provide Beleave with up to $10,000,000 in non-dilutive debt financing by way of an instrument evidencing a debt obligation repayable in product equivalents (the "D.O.P.E. Note"). The proceeds of the D.O.P.E Note will be used by Beleave to fund the construction of an expansion facility which will be situated adjacent to Beleave's current facility outside of Hamilton, Ontario. Under the terms of the D.O.P.E. Note, Cannabis Wheaton will advance a minimum of $5,000,000 and up to a maximum of $10,000,000 to Beleave for a period of 24 months from the closing date (the "Maturity Date"), provided that, if at any time during the term of the D.O.P.E. Note more than $5,000,000 is advanced to Beleave, the Maturity Date will be automatically extended for an additional 6 months.

Beleave will repay the D.O.P.E. Note by paying CW a portion of all gross proceeds received from the retail or wholesale sale of grams of dried, finished, saleable cannabis ("Grams") produced at any of its cultivation facilities. As a result, based on a $5,000,000 principal amount, CW would receive the proceeds from the sale of 1,924,500 Grams. Until the D.O.P.E. Note is repaid in full, the proceeds from 85% of all Grams sold by Beleave will be delivered to CW as payment against the outstanding principal of the D.O.P.E. Note. The sales of Grams are subject to certain wholesale and retail floors of $6 and $7 per Gram, respectively.

On October 17, 2017, CW provided an initial advance of $5,000,000 in debt financing by way of the D.O.P.E. Note.

The D.O.P.E. Note is subject to an interest rate of 1% per annum with minimum guaranteed interest being $100,500.

The fair value of the note payable on October 17, 2017 was estimated to be $5,000,000. Any changes in value to the note will be recorded as a gain or loss. IAS 23 requires borrowing costs to be capitalized using the effective interest method. The Company estimated the effective interest cost based on expected discounted cash flow analysis. The Company capitalized $74,000 of borrowing costs to the construction in progress asset during the year ended March 31, 2018 and $1,192,000 during the nine months ended December 31, 2018. Key assumptions include an effective interest rate used in the calculation was 22% and projected cash payments to June 2020.

As the note payable is carried at FVTPL, the Company also recorded a change in fair value of $1,727,378 during the year ended March 31, 2018.

During the three and nine months ended December 31, 2018, the Company recorded a change in fair value of $1,406,955 and $239,171, respectively and the D.O.P.E. Note was carried fair value of $7,633,113 as at December 31, 2018.

During the nine months ended December 31, 2018, the Company acquired from Medi-Green a note payable in the amount of $34,776 which matures on May 31, 2023 and is subject to no interest rate and a monthly repayment of $484. As at December 31, 2018, the outstanding balance of this note payable was $31,873.

## 10. Acquisition of Medi-Green

On April 30, 2018, the Company acquired all of the outstanding shares of 9334416 Canada Inc., o/a Medi-Green, Karmacann, and My-Grow ("Medi-Green").

Under the terms of the Transaction, Beleave shall pay an aggregate purchase price of $3,000,000 to the Medi-Green shareholders payable through the issuance of common shares in the capital of the Company (the "Beleave Shares") with price determined based on the Company's 10-day VWAP leading up to closing. The Medi-Green shareholders will also be entitled to receive up to $2,000,000 of additional Beleave Shares if certain operational milestones are attained following the first twelve months of the Closing Date.

Purchase price will be set at $5,000,000 and payable as follows:

- at Closing, Beleave Common Shares representing $350,000, (the "**Closing Payment**") which shall be freely trading (issued);

- at the date that is three (3) months subsequent to the Closing Date, Beleave Common Shares representing $662,500 (issued);

- at the date that is six (6) months subsequent to the Closing Date, Beleave Common Shares representing $662,500 (issued) ;

- at the date that is nine (9) months subsequent to the Closing Date, Beleave Common Shares representing $662,500 (issued subsequent to December 31, 2018);

- at the date that is twelve (12) months subsequent to the Closing Date, Beleave Common Shares representing $662,500; and

    (A) Beleave Common Shares representing $1,000,000, if Medi-Green has 5,500 Patients (as calculated in accordance with Section 2.3) at such date; or

    (B) Beleave Common Shares representing $2,000,000, if Medi-Green has 7,000 or more Patients (as calculated in accordance with Section 2.3).

As at December 31, 2018, the Company had issued 8,837,510 shares in the amount for $1675,000 for the consideration of the acquisition and accrued the remaining $1,325,000 consideration as shares to be issued.

As at December 31, 2018, the Company believe the milestones are unlikely to be attained therefore the $2,000,000 of additional shares was not included as part of the consideration.

**(Expressed in Canadian Dollars)**

## 10. Acquisition of Medi-Green (continued)

Details of the fair value of identifiable assets and liablities acquired, purchase consideration and goodwill are as follows:

| | | |
|---|---|---|
| **Purchase consideration:** | $ | 3,000,000 |
| | | |
| **Identifiable net assets acquired:** | | |
| Cash | $ | 69,791 |
| Accounts receivable | | 41,314 |
| Inventory | | 3,510 |
| Property, plant and equipment | | 46,335 |
| Accounts payable and accrued liabilities | | (92,031) |
| Note payable | | (34,776) |
| | | 34,143 |
| | | |
| **Excess initially allocated to goodwill** | $ | 2,965,857 |

## 11. Acquisition of Procannmed

On June 21, 2018, the Company announced that it purchased 51% the outstanding shares of Procannmed S.A.S. ("Procannmed"), a privately held company that is fully licensed for the cultivation, production, extraction and distribution of medical cannabis in Colombia (the "Transaction").

Under the terms of the Transaction, Beleave will pay an aggregate purchase price of $2,400,000 to the Procannmed shareholders payable through the issuance of common shares in the capital of the Company valued at $1,500,000 and $900,000 in cash.

As Procannmed does not meet the definition of a business as per IFRS 2, the acquisition was treated as an acquisition of intangible assets from Procannmed for the license of cultivation of cannabis psychoactive.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and are as follows:

| | | |
|---|---|---|
| **Purchase consideration:** | $ | 2,400,000 |
| | | |
| **Identifiable net assets acquired:** | | |
| Intangible assets | $ | 2,400,000 |
| Other assets | | 5,403 |
| Accounts payable and accrued liabilities | | (5,403) |
| | | 2,400,000 |

**(Expressed in Canadian Dollars)**

## 12. Share capital

### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares with no par value.

### (b) Issued common shares:

| | Number of shares | Amount |
|---|---|---|
| **Balance, March 31, 2017** | **200,798,654** | **$ 10,783,834** |
| Shares issued on private placement, net of issue costs | 46,385,360 | 6,396,848 |
| Shares issued for exercise of warrants | 14,536,963 | 1,102,905 |
| Shares issued for debt settlement (i) | 1,567,195 | 419,000 |
| Bonus shares issued (ii) | 14,374,080 | 3,436,882 |
| Reclassification of fair value of warrants exercised | - | 573,388 |
| **Balance, December 31, 2017** | **231,276,892** | **$ 22,712,857** |
| | | |
| **Balance, March 31, 2018** | **291,242,889** | **$ 25,058,199** |
| Shares issued on private placement, net of issue costs (iii)(iv)(vi) | 56,590,926 | 10,039,908 |
| Shares issued for acquisition of Medi-Green (note 10) | 8,837,510 | 1,675,000 |
| Shares issued for acquisition of Procannmed (note 11) | 6,562,500 | 1,500,000 |
| Shares issued for acquisition of Seven Oaks (note 7(ii)) | 5,467,819 | 929,530 |
| Shares issued for acquisition of intangible asset | 31,818,178 | 5,000,000 |
| Bonus shares issued (v) | 49,300,962 | 11,923,202 |
| Shares issued for debt settlement | 1,408,337 | 257,881 |
| Shares issued for property, plant and equipment | 5,095,650 | 1,172,000 |
| Shares issued for exercise of warrants | 15,948,331 | 1,147,465 |
| Reclassification of fair value of warrants exercised | - | 309,047 |
| Shares issued for exercise of stock options | 2,065,000 | 147,466 |
| Reclassification of fair value of stock options exercised | - | 117,139 |
| **Balance, December 31, 2018** | **474,338,102** | **$ 59,276,837** |

**12. Share capital (continued)**

**(b) Issued common shares (continued):**

(i) The Company completed shares-for-debt transactions during the three and nine months ended December 31, 2017 with related parties and other parties of the Company whereby the Company issued common shares for the settlement of the amounts owing to such creditors. Pursuant to the debt settlement, the Company settled $179,671 and $370,345, respectively, of existing debt through the issuance of 851,970 and 1,567,195 shares to its officers in lieu of cash for consulting fees, resulting in a loss of $19 and $12,675, respectively for the three and nine months ended December 31, 2017.

(ii) The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. During the three and nine months ended December 31, 2017, the Company issued 724,080 and 14,374,080 shares, respectively valued at $176,882 and $3,436,882, respectively including issuance of 1,750,000 shares valued at $625,000 in settlement of shares to be issued as at March 31, 2017 of $647,500, resulting a gain of debt settlement of $22,500 for the nine months ended December 31, 2017.

(iii) On December 5, 2017, the Company completed a non-brokered private placement (the "Non-Brokered Offering") of 46,385,360 units of the Company at a price of $0.21 per unit for aggregate gross proceeds of $9,939,720. Each unit issued is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of $0.29 for a period of 24 months from the date of issuance of the Warrant, subject to accelerated expiry in the event that the ten-day volume weighted average price of the Common Shares on the Canadian Securities Exchange (the "CSE"), or other exchange or quotation system where the Company's shares are listed and where a majority of the trading volume of the Common Share occurs, equals or exceeds $0.43. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $3,459,620 (Assumptions used were as follows: expected volatility – 95.98%, risk-free interest rate – 1.52%, expected dividend yield – 0% and expected life of 2 years). The Company incurred a total cost of issue of $83,252. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

(iv) On April 26, 2018, the Company closed a non-brokered private placement (Offering) for gross proceeds of approximately $5,000,000. Pursuant to the Offering, the Company issued an aggregate of 20,000,015 units of the Company at a price of $0.25 per unit. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.32 for a period of 24 months from the date of issuance of the Warrant, subject to accelerated expiry in the event that the ten-day volume weighted average price of the common shares on the Canadian Securities Exchange (the "CSE") or other exchange or quotation system where the Company's shares are listed and where a majority of the trading volume of the common shares occurs, equals or exceeds $0.43. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $875,515 (Assumptions used were as follows: expected volatility – 102.49%, risk-free interest rate – 1.86%, expected dividend yield – 0% and expected life of 2 years).

## 12. Share capital (continued)

### (b) Issued common shares (continued):

(v) On June 11, 2018, the Company closed the first tranche of a non-brokered private placement (the "Non-Brokered Offering") In conjunction with this first closing, 17,500,000 units of the Company were issued at a price of $0.29 per unit for gross proceeds of $5,000,000.

Each unit ("Unit") is comprised of one common share of the Company (a "Common Share") and one-half common share purchase warrant of the Company (a "Warrant"), at a price of $0.29 per Unit. Each Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of $0.39 for a period of 24 months from the date of issuance of the Warrant, subject to accelerated expiry in the event that the ten-day volume weighted average price of the Common Shares on the Canadian Securities Exchange (the "CSE"), or other exchange or quotation system where the Company's shares are listed and where a majority of the trading volume of the Common Shares occurs, equals or exceeds $0.43. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $832,500 (Assumptions used were as follows: expected volatility – 101.77%, risk-free interest rate – 1.90%, expected dividend yield – 0% and expected life of 2 years).

(vi) During the nine months ended December 31, 2018, the Company issued 28,185,714 common shares to certain directors of the Company as bonus compensation valued at $5,914,000 based on the market price of the common shares on the date of issuance.

(vii) On November 6, 2018, the Company closed a non-brokered private placement in which 19,090,911 units of the Company were issued at a price of $0.16 per unit for gross proceeds of $3,000,000.

Each unit ("Unit") is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant of the Company (a "Warrant"), at a price of $0.16 per Unit. Each Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of $0.24 for a period of 60 months from the date of issuance of the Warrant, Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $1,249,224 (Assumptions used were as follows: expected volatility – 94.26%, risk-free interest rate – 2.45%, expected dividend yield – 0% and expected life of 5 years).

**(Expressed in Canadian Dollars)**

## 13. Warrants

As of December 31, 2018 and 2017, the Company has the following warrants outstanding with the corresponding average exercise prices:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance at March 31, 2017** | **37,552,375** | **$ 0.07** |
| Warrants exercised | (18,942,553) | 0.08 |
| Warrants expired | (1,295,000) | 0.07 |
| Warrants granted (Note 12(b)(iii)) | 46,385,360 | 2.00 |
| **Balance at December 31, 2017** | **63,700,182** | **$ 0.22** |

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance at March 31, 2018** | **60,875,367** | **$ 0.23** |
| Warrants granted (Note 12(b)(iv)(v)(vii)) | 37,840,922 | 0.30 |
| Warrants exercised | (15,948,331) | 0.07 |
| Warrants expired | (1,108,331) | 0.07 |
| **Balance at December 31, 2018** | **81,659,627** | **$ 0.29** |

The following table reflects the actual warrants issued and outstanding as of December 31, 2018:

| Expiry date | Exercise price ($) | Number of warrants |
|---|---|---|
| December 2019 | 0.29 | 43,818,705 |
| April 2020 | 0.32 | 10,000,011 |
| June 2020 | 0.39 | 8,750,000 |
| November 2023 | 0.24 | 19,090,911 |
| | | **81,659,627** |

**(Expressed in Canadian Dollars)**

## 14. Share-based compensation and stock options

The Company has a stock option plan (the "Plan") which allows, at the discretion of the Board of Directors, eligible directors, employees, consultants or affiliates to be granted incentive stock options exercisable to purchase common shares.

The plan was amended at the Annual General meeting held on September 28, 2017, which increased the maximum number authorised for issuance to 44,342,459 shares can be granted for a maximum term of ten years.

The Board shall establish a vesting period or periods at the time each option is granted to eligible persons, provided that options granted to eligible persons providing investor relations services are required to vest in stages over 12 months with no more than one quarter of the options vesting in any three-month period.

The following table shows the continuity of options:

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Balance, March 31, 2017 and December 31, 2017** | **29,960,000** | **$ 0.13** |
| | | |
| **Balance, March 31, 2018** | **33,740,000** | **$ 0.24** |
| Exercised | (2,065,000) | 0.50 |
| Granted (i)(ii)(iii)(iv) | 7,000,000 | 0.21 |
| **Balance, December 31, 2018** | **38,675,000** | **$ 0.24** |

(i) On April 12, 2018, the Company approved the grant of 1,400,000 options to directors of the Company to purchase common shares. These options expire five years from the date of grant. Based on the Black-Scholes pricing model, these options had an estimated fair value of $264,390 which vested immediately. During the three and nine months ended December 31, 2018, the Company recorded a stock-based compensation of $nil and $264,390, respectively.

(ii) On September 23, 2018, the Company approved the grant of 2,800,000 options to directors of the Company to purchase common shares. These options expire five years from the date of grant. Based on the Black-Scholes pricing model, these options had an estimated fair value of $388,039 which vested immediately. During the three and nine months ended December 31, 2018, the Company recorded a stock-based compensation of $388,039.

(iii) On October 15, 2018, the Company approved the grant of 400,000 options to a vendor of the Company to purchase common shares. These options expire one year from the date of grant. Based on the Black-Scholes pricing model, these options had an estimated fair value of $38,569 which vested immediately. During the three and nine months ended December 31, 2018, the Company recorded a stock-based compensation of $38,569.

(iv) On November 1, 2018, the Company approved the grant of 2,100,000 options to an officer of the Company to purchase common shares. These options expire one year from the date of grant. Based on the Black-Scholes pricing model, these options had an estimated fair value of $92,927 which vested immediately. During the three and nine months ended December 31, 2018, the Company recorded a stock-based compensation of $92,927.

**(Expressed in Canadian Dollars)**

## 14. Share-based compensation and stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2018:

| Expiry date | Exercise price ($) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) |
|---|---|---|---|---|
| March 28, 2020 | 0.07 | 1.24 | 3,605,000 | 3,605,000 |
| December 22, 2020 | 0.07 | 1.98 | 7,210,000 | 7,210,000 |
| September 17, 2021 | 0.07 | 2.72 | 630,000 | 630,000 |
| June 27, 2021 | 0.07 | 2.49 | 2,240,000 | 2,240,000 |
| January 11, 2022 | 0.25 | 3.03 | 8,540,000 | 8,540,000 |
| January 3, 2023 | 0.43 | 4.01 | 9,450,000 | 9,450,000 |
| April 12, 2023 | 0.43 | 4.28 | 1,400,000 | 1,400,000 |
| September 25, 2023 | 0.25 | 4.74 | 2,800,000 | 2,800,000 |
| January 3, 2023 | 0.43 | 0.79 | 700,000 | 700,000 |
| April 12, 2023 | 0.43 | 1.84 | 2,100,000 | 2,100,000 |
| | | **2.93** | **38,675,000** | **38,675,000** |

## 15. Net loss per common share

The calculation of basic and diluted loss per share for the three and nine months ended December 31, 2018 was based on the loss attributable to common shareholders of $2,260,015 and $24,871,324, respectively (three and nine months ended December 31, 2017 - loss of $1,865,379 and $6,315,208, respectively) and the weighted average number of common shares outstanding of 446,138,510 and 387,587,114, respectively (three and nine months ended December 31, 2017 - 241,399,396 and 223,412,252, respectively).

## 16. Related party transactions

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and equipment which are included in the financial statements as follows:

| | Three months ended December 31, 2018 | Three months ended December 31, 2017 | Nine months ended December 31, 2018 | Nine months ended December 31, 2017 |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Rent | **$ 18,000** | $ 18,000 | **$ 54,000** | $ 54,000 |

See note 12(b)(i)) for shares-for-debt transaction with officers and note 12(b)(ii)(vi) for bonus shares issued to directors.

As at December 31, 2018, there was $6,000 (March 31, 2018 - $21,316) outstanding payables to related parties.

**(Expressed in Canadian Dollars)**

## 16. Related party transactions (continued)

Key management compensation is comprised of the following:

| | Three months ended December 31, 2018 | Three months ended December 31, 2017 | Nine months ended December 31, 2018 | Nine months ended December 31, 2017 |
|---|---|---|---|---|
| Short term benefits | **$ 320,388** | $ 103,500 | **$ 902,826** | $ 283,500 |
| Share-based compensation | **5,029,966** | 100,265 | **6,734,356** | 2,975,826 |

## 17. Segmented information

The Company operates in only one business segment, namely as a licensed producer of marihuana for medical purposes. The Company's geographic segment information is summarized in the following table:

| | Canada | Colombia | Total |
|---|---|---|---|
| **As at December 31, 2018** | | | |
| Current assets | $ 9,146,323 | $ 59,938 | $ 9,206,261 |
| Property, plant and equipment | 11,740,420 | 185,554 | 11,925,974 |
| Intangible assets | 5,929,530 | 4,104,935 | 10,034,465 |
| Other assets | 25,000 | - | 25,000 |
| Goodwill | 2,965,857 | - | 2,965,857 |
| Accounts payable and accrued liabilities | 1,323,243 | 110,725 | 1,433,968 |
| Notes payable | 7,664,986 | - | 7,664,986 |
| **For the nine months ended December 31, 2018** | | | |
| Net loss for the period | $ (25,000,971) | $ 129,647 | $ (24,871,324) |

As at March 31, 2018 and for the year ended March 31, 2018, the Company had only one geographic segment in Canada.

## 18. Commitments

On July 1, 2015 the Company signed a long term net lease agreement with a related party for a term of 8.5 years and the option to extend the lease for 5 years, twice. For the first 3.5 years, the net rent payable is $14,875 monthly until December 2018, with 5% annual increase from January 1st, 2019 and each subsequent year.

The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the ACMPR licensing process.

The Company has entered into an exclusive brand license agreement where by the Company will be required to pay 7.5% of gross revenue from branded product relating to artist content and artist marks to the licensor. The Company is required to pay to the licensor a minimum guaranteed royalty of $60,000 USD on account of the artist marks royalty and $60,000 USD on account of the artist content royalty for each annual period. The Company is also committed to issuing shares to the licensor with a value of $323,118 over two successive annual periods after the branded product is approved by the licensor.

## 19. Subsequent event

Subsequent to December 31, 2018, the Company issued 4,044,963 common shares as part of the consideration for the acquisition of Seven Oaks.