International Cannabrands
ADVANCING WELLNESS AROUND THE GLOBE

**Financial Statements of:**
**(Expressed in United States Dollars)**

**INTERNATIONAL CANNABRANDS INC.**

**For the three months ended**
**March 31, 2019 and March 31, 2018**

**(Unaudited)**

**INTERNATIONAL CANNABRANDS INC.**
**Financial Statements for the three months ended March 31, 2019 and March 31, 2018 (Unaudited-Expressed in United States Dollars)**

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**Financial Statements**



## MANAGEMENT'S RESPONSIBILITY

The management of **International Cannabrands Inc.** is responsible for the preparation of the accompanying financial statements and the preparation of information in the Annual Listing Statement. The financial statements have been prepared in accordance with International Financial Reporting Standards, and are considered by management to present fairly the financial position and operating results of the Company.

Under National Instrument 51-102, Continuous Disclosure Obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

The Company maintains various systems of internal control to provide reasonable assurance that transactions are properly authorized and recorded, that assets are safeguarded, and that financial reports are properly maintained to provide accurate reliable financial statements.

The board of directors of International Cannabrands Inc., have approved the financial statements.

| | |
|---|---|
| Steve Gormley | Neal Pomroy |
| President & CEO, Director | Executive Chairman, Director |
| May 30, 2019 | May 30, 2019 |

**INTERNATIONAL CANNABRANDS INC.**

**Statements of Financial Position**
**(Expressed in United States Dollars)**

| | | | | |
|---|---|---|---|---|
| | | As at | | |
| | | Maech 31, 2019 | | December 31, 2018 |
| **ASSETS** | | (Unaudited) | | (Audited) |
| Current Assets | | | | |
| Cash and cash equivalents (Note 7) | $ | 1,499,687 | $ | 670,894 |
| Trade and other receivables (Note 8) | | 750,710 | | 4,882 |
| Inventories (Note 9) | | 1,652,601 | | 235,398 |
| Prepaid expenses and deposits (Note 10) | | 66,280 | | 91,168 |
| Current portion of right of use asset (Note 6) | | 55,728 | | - |
| Total current assets | | 4,025,006 | | 1,002,342 |
| Non-current assets | | | | |
| Investment in Riotus SODO LLC (Note 11) | | 500,000 | | 500,000 |
| Investment in La Vida Verde, Inc.(Note 11) | | - | | 1,600,000 |
| Note receivable (Note 16) | | 33,310 | | 33,152 |
| Property, plant and equipment (Note 12) | | 164,400 | | 6,376 |
| Intangible asset- Juju license (Note 11) | | 170,500 | | 173,250 |
| Intangible asset- La Vida Verde, Inc.(Note 11) | | 7,992,083 | | - |
| Non-current portion of right of use asset (Note 6) | | 116,856 | | - |
| Total non-current assets | | 8,977,149 | | 2,312,778 |
| Total assets | $ | 13,002,155 | $ | 3,315,120 |
| **LIABILITIES AND MEMBERS' EQUITY (DEFICIT)** | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities (Note 14) | $ | 1,218,756 | $ | 314,823 |
| Income taxes payable (Note 21) | | 37,677 | | - |
| Current portion of note payable (Note 16) | | 2,338,596 | | 460,000 |
| Current portion of right of use liability (Note 6) | | 55,728 | | - |
| Total current liabilities | | 3,650,757 | | 774,823 |
| Non-current liabilities | | | | |
| Note payable (Note 16) | | 280,779 | | 469,551 |
| Non-current portion of right of use liability (Note 6) | | 116,856 | | - |
| Total non-current liabilities | | 397,635 | | 469,551 |
| Total liabilities | | 4,048,392 | | 1,244,374 |
| Share capital (Note 18) | | 9,696,032 | | 5,759,474 |
| Additonal paid in capital (Note 18) | | 4,369,872 | | 3,307,567 |
| Deficit | | (10,563,615) | | (6,996,295) |
| Total stockholders' equity | | 3,502,289 | | 2,070,746 |
| Non controlling interest in La Vida Verde, Inc. | | 5,451,474 | | - |
| Total liabilities and stockholders' equity (deficit) | $ | 13,002,155 | $ | 3,315,120 |

Approved on behalf of the Board:

"*Steve Gormley*" Director, President & CEO

"*Neal Pomroy*" Executive Chairman and Director

**INTERNATIONAL CANNABRANDS INC.**
**Statements of Changes in Stockholders' Equity (Deficit)**
**(Expressed in United States Dollars)**

| | Member Contributions | | Common Stock | | Preferred Stock | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Total | No. of | | No. of | | Additional | | Stockholders' |
| | No. of Units | Amount | Shares | $ | Shares | $ | Paid in Capital | Deficit | Equity (Deficit) |
| Balance- December 31, 2016 | 9,940,000 | $ 355,895 | - | $ - | - | $ - | $ - | $ (1,155,277) | $ (799,382) |
| | | | | | | | | | |
| Net loss for the year ended December 31, 2017 | - | - | - | - | - | - | - | (1,397,859) | (1,397,859) |
| Issuance of units (Note 18) | 1,786,693 | 1,569,120 | - | - | - | - | - | - | 1,569,120 |
| Cancellation of units (Note 18) | (2,071,250) | (219,040) | - | - | - | - | - | - | (219,040) |
| Effect of reverse merger (Note 18) | (9,655,443) | (1,705,975) | 39,234,295 | - | 1,836,628 | - | 1,705,975 | - | - |
| Shares issued for acquisition for finder's and other fees (Note 18) | - | - | 10,541,400 | 495,533 | - | - | (495,533) | - | - |
| Shares issued in a private placement (Note 18) | - | - | 1,114,614 | 107,422 | - | - | - | - | 107,422 |
| Shares issued from the conversion of preferred shares (Note 18) | - | - | 20,168,880 | - | (201,689) | - | - | - | - |
| Shares issued for the exercise of stock options (Note 18) | - | - | 253,333 | 10,282 | - | - | - | - | 10,282 |
| Shares issued for services (Note 18) | - | - | 167,857 | 32,537 | - | - | - | - | 32,537 |
| Stock based compensation | - | - | - | - | - | - | 5,738 | - | 5,738 |
| | | | | | | | | | |
| Balance- December 31, 2017 | - | - | 71,480,379 | 645,774 | 1,634,939 | - | 1,216,180 | (2,553,136) | (691,182) |
| | | | | | | | | | |
| Net loss for the year ended December 31, 2018 | - | - | - | - | - | - | - | (4,443,159) | (4,443,159) |
| Shares issued in a private placement (Note 18) | - | - | 71,160,804 | 4,196,319 | - | - | - | - | 4,196,319 |
| Shares issued from the conversion of preferred shares (Note 18) | - | - | 72,266,817 | - | (317,465) | - | - | - | - |
| Shares issued for the exercise of stock options (Note 18) | - | - | 120,001 | 11,907 | - | - | - | - | 11,907 |
| Shares issued for services (Note 18) | - | - | 5,156,000 | - | - | - | 498,995 | - | 498,995 |
| Stock based compensation | - | - | - | - | - | - | 1,716,142 | - | 1,716,142 |
| Warrant exercises | - | - | 10,178,708 | 781,724 | - | - | - | - | 781,724 |
| Cancellation of shares | - | - | (24,630,405) | 123,750 | (1,317,474) | - | (123,750) | - | - |
| Balance- December 31, 2018 | - | - | 205,732,304 | $ 5,759,474 | - | $ - | 3,307,567 | $ (6,996,295) | $ 2,070,746 |
| | | | | | | | | | |
| Net loss for the three months ended March 31, 2019 | - | - | - | - | - | - | - | (3,730,803) | (3,730,803) |
| Shares issued in a private placement (Note 18) | - | - | 31,280,000 | 2,344,327 | - | - | - | - | 2,344,327 |
| Shares issued for the exercise of stock options (Note 18) | - | - | 425,000 | - | - | - | - | - | - |
| Shares issued for services (Note 18) | - | - | 7,564,000 | - | - | - | 568,255 | - | 568,255 |
| Stock based compensation | - | - | - | - | - | - | 494,050 | - | 494,050 |
| Issuance of shares for acquisition of La Vida Verde, Inc. | - | - | 25,225,161 | 1,590,336 | - | - | - | 163,483 | 1,753,819 |
| Warrant exercises | - | - | 50,000 | 1,895 | - | - | - | - | 1,895 |
| Balance- March 31, 2019 | - | - | 270,276,465 | $ 9,696,032 | - | $ - | 4,369,872 | $ (10,563,615) | $ 3,502,289 |

**INTERNATIONAL CANNABRANDS INC.**

**Statements of Comprehensive Loss**
**(Expressed in United States Dollars)**

| | | Three Months Ended, | | |
|---|---|---|---|---|
| | | March 31, 2019 | | March 31, 2018 |
| | | (Unaudited) | | (Unaudited) |
| **REVENUE** | $ | 1,223,277 | $ | 45,117 |
| **COST OF SALES** | | 1,860,837 | | 30,984 |
| **GROSS MARGIN** | | (637,560) | | 14,133 |
| **OPERATING EXPENSES:** | | 1,180,050 | | 334,629 |
| **LOSS FROM OPERATIONS** | | (1,817,610) | | (320,496) |
| **OTHER INCOME (EXPENSE):** | | | | |
| Interest expense | | (45,432) | | (4,241) |
| Amortization expense | | (2,021,982) | | (196,065) |
| Total other income (expense) | | (2,067,414) | | (200,306) |
| **NET (LOSS) BEFORE TAXES** | | (3,885,024) | | (520,802) |
| **INCOME TAXES** | | | | |
| Current income tax expense (Note 19) | | - | | - |
| **NET LOSS** | | (3,885,024) | | (520,802) |
| Noncontrolling interest in La Vida Verde, Inc. | | 163,483 | | - |
| Loss on foreign translation | | (9,262) | | - |
| **NET COMPREHENSIVE (LOSS) FOR THE YEAR** | $ | (3,730,803) | $ | (520,802) |
| **LOSS PER UNIT** (Note 20) | | | | |
| Basic and diluted | $ | (0.02) | $ | (0.01) |
| **WEIGHTED AVRAGE UNITS ISSUED AND OUTSTANDING (Note 2)** | | | | |
| Basic and diluted | | 257,341,328 | | 80,400,455 |

**INTERNATIONAL CANNABRANDS INC.**

**Statements of Cash Flows**
**(Expressed in United States Dollars)**

| | | | | |
|---|---|---|---|---|
| INTERNATIONAL CANNABRANDS INC. | | | | |
| CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS | | | | |
| | | Three Months Ended, | | |
| | | March 31, 2019 | | March 31, 2018 |
| | | (Unaudited) | | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net loss | $ | (3,567,320) | $ | (520,802) |
| Adjustments to reconcile net income to net cash provided by | | | | |
| (used in) operating activities: | | | | |
| Depreciation and amortization expense | | 949,852 | | 2,819 |
| Stock based compensation | | - | | 87,877 |
| Issuance of shares for service | | 194,867 | | 105,369 |
| Accrued interest on notes payable | | - | | 4,242 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in trade and other receivables | | (459,041) | | 1,872 |
| Increase in inventories | | (83,470) | | (51,495) |
| Increase in prepaid expenses and deposits | | (24,888) | | - |
| Increase (decrease) in accounts payable and accrued liabilities | | 155,023 | | (85,665) |
| Decrease in deferred revenue | | - | | (1,042) |
| Cash provided by non-controlling interest | | 163,483 | | - |
| Net cash used in operating activities | | (2,671,494) | | (456,825) |
| CASH FLOWS USED IN INVESTING ACTIVITIES: | | | | |
| Acquisition of intangible assets, La Vida Verde, Inc. | | (498,410) | | - |
| Cash acquired in acquisition of La Vida Verde, Inc. | | 925,704 | | - |
| Net cash provided by investing activities | | 427,294 | | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Repayments to related parties | | (138,772) | | - |
| Equity issuances | | 3,211,765 | | 546,437 |
| Warrant exercises | | - | | 113,848 |
| Net cash provided by financing activities | | 3,072,993 | | 660,285 |
| Net increase in cash and cash equivalents | | 828,793 | | 203,460 |
| Cash and cash equivalents | | | | |
| Beginning of period, January 1 | | 670,894 | | 107,899 |
| End of period, March 31 | $ | 1,499,687 | $ | 311,359 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid during the year for: | | | | |
| Interest expense | $ | - | $ | - |
| Taxes | $ | 335,823 | | - |
| Supplemental schedule of non-cash financing activities | | | | |
| Issuance of shares for acquisition of La Vida Verde, Inc. | $ | 1,590,336 | $ | - |

**(expressed in United States Dollars)**

## 1. NATURE OF BUSINESS

International Cannabrands Inc. (the "Company") (formerly GEA Technologies Ltd. ("GEA"), by way of a name change) was incorporated under the provisions of the *Business Corporations Act* in the Province of Alberta on May 3, 2011. The common shares of the Company are listed and posted for trading on the Canadian Securities Exchange and currently trade under the symbol JUJU. The Company's head office is located at Suite #106, 1045 Lincoln Street, Denver, Colorado 80203.

On September 21, 2017, GEA completed a reverse acquisition to acquire DropLeaf LLC, a Nevada limited liability company (the "Transaction"). As part of the Transaction, DropLeaf underwent a merger and conversion to become International Cannabrands Ltd. ("International Cannabrands"). While the Company was initially formed for the purpose of licensing the Julian Marley JuJu Royal™ cannabis brand to producers and processors to develop branded strains of cannabis, infused and edible cannabis consumables, as well as ancillary products such as clothing, paraphernalia, posters in the US and internationally, in mid-2018, the Company adopted a strategy of aggregating emerging brands, identifying and acquiring regional distribution companies and select, highly profitable value chain investments.

Although the Transaction resulted in International Cannabrands becoming a wholly-owned subsidiary of the Company, the Transaction constituted a reverse acquisition of the Company by International Cannabrands. For accounting purposes, International Cannabrands is considered the acquirer and the Company the acquiree. Accordingly, the financial statements are a continuation of the financial statements of International Cannabrands and references to the "Company" will mean the consolidated entity subsequent to the date of the Transaction and to DropLeaf LLC prior to that date. The financial statements include the financial position and results of International Cannabrands and the Company.

GEA acquired its interest of the issued and outstanding shares of DropLeaf as detailed above. The fair value of net identifiable assets of DropLeaf as at September 26, 2017, prior to the transaction was:

| Assets and Liabilities of DropLeaf | Amount (In CN $) |
|---|---|
| Current assets | $434,965 |
| Non-current assets | 226,222 |
| Liabilities | (1,244,344) |
| Equity | $(583,157) |

Control of the Company passed to the former shareholders of DropLeaf upon the closing of the transaction. This type of share exchange is referred to as a "reverse merger." A reverse merger transaction involving a non-public enterprise and a non-operating public company is a capital transaction in substance, rather than a business combination. That is, the transaction is equivalent to the issue of shares by the non-public operating enterprise for the net monetary assets of the non-operating public company, accompanied by a recapitalization of the non-public operating enterprise.

The purchase price was allocated as follows:

| | Amount |
|---|---|
| Cash | $16,817 |
| Net other assets and liabilities | (22,363) |
| Fair value of shares exchanged | 528,070 |
| Fair value of finder's fee shares | (528,070) |
| Loss on acquisition | $(5,546) |

The Company issued 16,623,788 common shares and 1,836,630 preferred shares to DropLeaf for the value of the $528,070. In connection with the Transaction, pursuant to a Finder's Fee Agreement, the Company issued 10,541,400 GEA Common Shares (issuable at a deemed price of $0.05 per share) or $528,070 on Closing to a party at arm's length to GEA and DropLeaf, as a finder's fee.

Acquisition entries reverse the share capital of DropLeaf and the reserves and deficit of GEA as of September 21, 2017.

On March 22, 2018, the Company incorporated Rasta Puppy LLC in the state of Nevada. This company is not currently operating.

On September 19, 2018, the Company incorporated LVV Holding Company Ltd. in the state of Nevada in connection with its acquisition of La Vida Verde, Inc.

## 2. GOING CONCERN

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has attained a net loss of $3,730,803 for the three months ended March 31, 2019 (December 31, 2018 - $4,443,159) and has an accumulated deficit of $10,563,615 as at March 31, 2019 (December 31, 2018 - $6,996,295). The Company expects such losses to lessen moving forward into the foreseeable future as it continues to develop and commercialize its products. The Company has funded its current cash needs primarily through private placements of equity to investors. The Company anticipates addressing future financial requirements through the additional issuance of equity and/or debt from public capital markets.

The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon the Company's ability to obtain the ongoing support of its lenders, investors, obtain profitable operations, and raise additional capital. These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that would necessary should the Company not be able to continue as a going concern, and such adjustments could be material.

## 3. BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

**Statement of compliance**

Management of the Company prepared the consolidated financial statements of the Company during the period of January 1, 2018 to December 31, 2018, and the Board of Directors approved them on April 29, 2019.

The consolidated financial statements of the Company are drawn up in United States dollars. Amounts are stated in and recorded to the nearest thousands of United States dollars except where otherwise indicated. The consolidated financial statements are prepared at the year ended date of the Company's financial statements. The Company's functional currency is US.

In the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, and consolidated statement of changes in equity, certain items are combined for the sake of clarity. These are explained within the notes. The consolidated statement of comprehensive income is prepared using the cost-of-sales method. Assets and liabilities are classified by maturity. They are regarded as current if they mature within one year or within the normal business cycle of the Company. The normal business cycle is defined for this purpose as beginning with the procurement of the resources necessary for the production process and ending with the receipt of cash or cash equivalents as consideration for the sale of the goods produced in that process. Trade and other receivables and payable, claims for tax refunds, tax liabilities and inventories are always presented as current items; deferred tax assets and liabilities, if any, are presented as non-current items. Provisions, debt and other liabilities are shown between current and non-current.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Inter-Company items and transactions have been eliminated in consolidation.

### (b) Revenue Recognition

The Company derives revenue from product sales in accordance with distribution agreements. The distribution agreement also gives the customer the right to use the trademark in conjunction with the use, marketing, selling and distribution of the branded products.

Revenue for product sales is recognized when there is evidence of arrangement, the amount is fixed or determinable, products are shipped to the customer, and collection is reasonably assured and is recorded net of discounts or sales incentives. Amounts received prior to the shipment of products are recognized as deferred revenue in the year received and recorded as revenue when the products are shipped and the above criteria is met.

Revenue for sub-licensing is recognized over the term of the agreement as it is earned. It is recognized over a straight-line basis and the unearned portion is classified as deferred revenue.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all its revenue arrangements.

The reserve for doubtful accounts was $55,000 and $5,000 at March 31, 2019 and December 31, 2018, respectively.

### (c) Cash and Cash Equivalents and Cash Flows

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above. The Company uses the indirect method of reporting cash flow from operating activities.

**(d) Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost includes direct component costs as well as applicable normal manufacturing overhead. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The reserve for obsolete inventories was $236,547 and $5,100 at March 31, 2019 and December 31, 2018, respectively.

**(e) Property, Plant and Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income (expenses) in statement of comprehensive income.

Depreciation is calculated based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognized in statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term in which case it is depreciated over the useful life. Depreciation is provided for using the following methods and annual rates:

Machinery and equipment- 3 years and straight-line
Furniture and fixtures- 3 years straight-line

The Company assesses at each year end the useful lives and residual values of all property, plant and equipment and changes its estimates if required.

**(f) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Certain internally generated intangible assets are capitalized, as they meet the criterion under IAS 38.

**(g) Impairment of Non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset or a group of assets (CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less disposal costs and its value in use. Where the carrying amount of an asset (CGU) exceeds its recoverable amount, the asset (CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. In determining fair value less costs of disposal, an appropriate valuation model is used. The Company has cash-generating units which impairment could be tested against. The Company had no goodwill or indefinite life intangible assets for the three motns ended March 31, 2019 and the years ended December 31, 2018 and 2017.

Impairment losses, if any, of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function and nature of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the non-financial asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the non-financial asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the non-financial asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the non-financial asset in prior periods. Such reversal is recognized in the statement of comprehensive income.

**(h) Contributions**

Contributions were classified as equity. Incremental costs directly attributable to the issue of units and unit-based payments are recognized as a deduction from equity, net of any tax effects.

**(i) Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

**Current income tax**

Current income tax assets and liabilities for the respective and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in the subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in the subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income (loss) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax relate to the same taxable entity and the same taxation authority.

**Sales tax**

Revenues, expenses, liabilities and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included.

- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**(j) Earnings (Loss) Per Share**

The Company presents basic and diluted earnings (loss) per unit data for its shares. Basic earnings (loss) per unit are calculated by dividing the income (loss) for the period by the weighted average number of shares that are outstanding during the period. Diluted earnings (loss) per unit are calculated using the weighted average number of common and potential shares outstanding during the period. Potential units consist of the incremental units issuable upon the exercise of stock options and warrants using the treasury method. The treasury method assumes that the proceeds from the issuance of potential shares are used to purchase shares at the average market price during the period.

**(k) Financial Instruments – initial recognition and subsequent measurement**

Financial assets and financial liabilities are recognized when the Corporation becomes party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as amortized costs or FVTOCI are included with the carrying amount of such instruments. Transaction costs that are directly attributable to the acquisition or issue of financial instruments classified as fair value through profit or loss (FVTPL) are recognized immediately in the profit or loss within the consolidated statements of comprehensive income.

**Financial Assets**

From January 1, 2017, the Corporation classifies its financial assets in the following measurement categories: those to be measured at amortized cost and those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)). The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

**Financial Assets at Amortized Cost**

Financial assets that meet the following conditions are measured at amortized cost less impairment losses: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash-flows; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and the financial asset was not acquired principally for the purpose of selling in the near term or for short-term profit taking (held-for-trading).

**Financial Assets at Fair Value Through Profit or Loss (FVTPL)**

All other financial assets, except equity and debt instruments as described below, are remeasured at fair value and classified as fair value through profit or loss. The gains or losses, if any, arising on re-measurement of FVTPL are recognized in profit or loss within the consolidated statements of comprehensive income.

The method of measurement of instruments in debt instruments will depend on the business model in which the instrument is held. For instruments in equity instruments, it will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity instrument at fair value through other comprehensive income (FVTOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Financial Liabilities**

Financial liabilities are classified as FVTPL when the financial liability is either held-for-trading or is designated at FVTPL. Financial liabilities at FVTPL are remeasured in subsequent reporting periods at fair value. Any gains or losses arising on re-measurement of held-for-trading financial liabilities are recognized in profit or loss within the consolidated statements of comprehensive income. Such gains or losses recognized in profit or loss includes any interest paid on the financial liabilities. Financial liabilities that are not held-for-trading and are not designated as FVTPL are measured at amortized cost. The carrying amounts of financial liabilities that are measured at amortized cost are determined based on the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability (or financial asset) and of allocating interest expense (or income) over the expected life of the financial liability (or financial asset). All financial assets and financial liabilities held by the Corporation are measured at amortized cost except for the investment in Riotus SODO LLC.

**Impairment**

The Corporation assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Corporation has applied IFRS 9 retrospectively but has elected not to restate comparative information as there is no impact on the financial statements of the Corporation from adopting IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the Corporation’s previous accounting policy which reflects the same measurement of IFRS 9.

The accounting policies were changed to comply with the full requirements of IFRS 9 as issued by the IASB. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*. The total impact on retained earnings due to classification and measurement of financial instruments as at January 1, 2016 and the date of these financial statements was NIL.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**(l) Derivative financial instruments and hedge accounting**

The Company has not entered any derivative financial instruments and has not applied hedge accounting for the three months ended March 31, 2019 and year ended December 31, 2018.

**(m) Leases**

Finance leases, which transfer to the Corporation substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

**(n) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial year of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the year they occur. Borrowing costs consist of interest and other costs that the Company incurs relating to the borrowing of funds. For the years ended December 31, 2018 and December 31, 2017, the Company did not capitalize any borrowing costs.

## 5. SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at the end of the reporting years. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

In the process of applying the Company's accounting policies, management has made the following judgment, which has the most significant effect on the amounts recognized in the consolidated financial statements.

**Impairment of non-financial assets**

Impairment exists when the carrying value of a non-financial asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to dispose and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the Company's budget and do not include restructuring activities, if any, that the Company is not yet committed to or significant future investments that will enhance the non-financial asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the cash-generating units may include a sensitivity analysis.

**Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the range of business relationships and the long-term nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets, if any, are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

**Fair value of financial instruments**

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## 6. RECENT ACCOUNTING STANDARDS

**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 adopted the amendments to IFRS 7 on January 1, 2018.

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company adopted IFRS 9 on January 1, 2018.

The Company has completed its assessment of the impact from this new standard. IFRS 9 introduces new requirements to determine the measurement basis of financial assets, involving the cash flow characteristics of assets and the business models under which they are managed. Accordingly, the basis of measurement for the Company's financial assets may change. IFRS 9 affects the accounting for available-for-sale equity securities, requiring a designation, on an instrument by instrument basis, between recording both unrealized and realized gains and losses either through (i) other comprehensive income ("OCI") with no recycling to profit and loss or (ii) profit and loss. The Company will be electing to classify its available-for-sale equity investments at Fair Value through OCI ("FVOCI") as these equity investments would be for strategic purposes. The FVOCI election will be made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized or sold are recorded in equity and are not subsequently reclassified to the consolidated statement of comprehensive income (loss).

For other financial instruments, there are no significant changes in the classification and measurement of the Company's financial assets.

**IFRS 15 Revenue from Contracts with Customers**

The IASB replaced IAS 18 Revenue, in its entirety with IFRS 15 Revenue from Contracts with Customers. 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. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

The Company adopted IFRS 15 on January 1, 2018 using the modified retrospective approach where the accumulative impact of adoption will be recognized in retained earnings as of January 1, 2018 and comparatives will not be restated.

The Company has completed its assessment of the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at a point in time when control over the goods have been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's revenue recognition policy under IAS 18.

**IFRS 16 Leases**

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company adopted IFRS 16 on January 1, 2019 and recorded right of use asset and liability as of March 31, 2019.

## 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand in the amount of $1,499,687 as at March 31, 2019 (December 31, 2018 - $670,894).

## 8. TRADE AND OTHER RECEIVABLES

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Trade receivables | $ | 805,710 | $ | 9,882 |
| Less: Impairment | | (55,000) | | (5,000) |
| **Total trade and other receivables** | $ | 750,710 | $ | 4,882 |

Trade receivables are non-interest bearing and are generally on 60 day terms. The aging analysis of trade receivables is as follows:

| | Total | | Neither past due nor impaired | | Past due but not impaired | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | <30 days | | 30-60 days | | >60 days | |
| March 31, 2019 | $ | 805,710 | $ | 440,011 | $ | 204,740 | $ | 105,704 | $ | 55,255 |
| December 31, 2018 | $ | 9,882 | $ | 1,254 | $ | - | $ | 3,763 | $ | 4,865 |

Provision for uncollectable accounts is provided by using the allowance method based on management estimates and past experience. The reserve for uncollectable accounts was $55,000 and $5,000 at March 31, 2019 and December 31, 2018, respectively.

## 9. INVENTORIES

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Raw materials (at cost) | $ | 760,751 | $ | - |
| Packaging materials (at cost) | | 249,041 | | 33,197 |
| Finished goods (at cost) | | 879,356 | | 167,802 |
| Inventory in production (at cost) | | - | | 39,499 |
| Less: Impairment | | (236,547) | | (5,100) |
| **Total inventories (lower of cost and NRV)** | $ | 1,652,601 | $ | 235,398 |

## 10. PREPAID EXPENSES

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Prepaid insurance | $ | 59,430 | $ | 86,818 |
| Security deposits | | 4,350 | | 4,350 |
| Prepaid legal expense | | 2,500 | | - |
| **Total prepaid expenses** | $ | 66,280 | $ | 91,168 |

The Company's insurance is being amortized over the life of the policy.

## 11. INVESTMENTS

### Investment in Riotus SODO LLC

Effective August 29, 2018, the Company purchased 500,000 Class A units of Riotus SODO LLC. Each unit was purchased at $1.00 for $500,000 in total. This represents a 20.6% ownership position but ICI does not have a position of significant influence. Riotus SODO provides its investors with an opportunity to earn profits on facilities and operations expansion in the cannabis industry. Riotus SODO is focused on the expansion/development of an 8,000 ft2 (350+ light) cultivation facility in Seattle, WA. The operator of the facility is Solstice Holdings Inc. ("Solstice"), a leading brand and distribution company in Washington State. Riotus SODO is partnered with Solstice Holdings LLC, a leading branding and distribution company in the State of Washington. If Solstice is able to realize the expected benefits from the Expansion Project and the Company's investment in Riotus SODO performs to plan, the Company should receive cash distributions of approximately $25,000 a month starting in the second quarter of 2019 for 21 months, and then approximately $10,000 a month thereafter for approximately 4 years. There are no costs associated with the distributions or offsetting amounts expected to be deducted. In accordance with IFRS 11 the Company has accounted for its investment in Riotus SODO at cost.

### Acquisition of La Vida Verde, Inc.

On September 19, 2018, the Company signed a definitive agreement for the acquisition of 51% of La Vida Verde, Inc. LVV is a highly respected branded cannabis product manufacturer and distributor based in Santa Cruz, CA. The business has powerful growth prospects due to its family of brands including Skunk Feather concentrates, organic LVV edibles and other cannabis products. La Vida Verde was founded and is run by Bryce Berryessa and Eric Hara, two of the most respected veterans of the cannabis industry in California. The Company acquired its equity interest in LVV for $6 million (comprised of $3.0 million in common shares of the Company and $3 million in cash) and investing an additional $2 million of working capital into the business.

The transaction was at arm's length.

The acquisition was completed through two significant closing events - the first on November 1, 2018, where the Company paid $1 million to acquire an 8.5% equity interest and invested $600,000 into the business and a second closing on January 3, 2019, where the Company acquired an additional 43% of LVV in exchange for the issuance of 25,225,161 Common Shares of the Company and schedule principal seller's notes for an aggregate of $2,000,000 due as to 50% on March 31, 2019 and October 31, 2019. The notes bear interest at a rate of 5% per annum and are secured by a pledge of the securities purchased. An additional working capital investment in the business of $700,000 is expected be made in Q2 2019.

As of December 31, 2018, the Company had invested $1,600,000 in LVV through the acquisition of shares and capital investment. The Company accounted for its investment in LVV at cost for the year ended December 31, 2018.

As of March 31, 2019, the Company had invested $2,550,000 in LVV through the acquisition of shares and capital investment. The Company has consolidated LVV as of January 3, 2019.

The capital investments in LVV supported an expansion of sales and operations staff, inventory required by rapid growth and to expand manufacturing capacity.

Intangible assets as of March 31, 2019 and December 31, 2018 consisted of the following:

| | Estimated useful lifes | | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| Customer list | 3 years | $ | 5,363,204 | $ - |
| Trademarks | 3 years | | 3,575,470 | - |
| Less: accumulate amortization | | | (946,591) | - |
| Intangible assets, net | | $ | 7,992,083 | $ - |

Total amortization expense was $946,591 and $0 for the three months ended March 31, 2019 and 2018, respectively. The fair value of the intellectual property associated with the assets acquired was estimated by using a discounted cash flow approach based on future economic benefits. In summary, the estimate was based on a projected income approach and related discounted cash flows over three years, with applicable risk factors assigned to assumptions in the forecasted results.

The cost to acquire these assets has been preliminarily allocated to the assets acquired according to estimated fair values and is subject to adjustment when additional information concerning asset valuations is finalized, but no later than January 3, 2020. The preliminary allocation is as follows:

| | | | Purchase Price Allocatio |
|---|---|---|---|
| Fair value of cash | | $ | 1,600,000 |
| Fair value of common stock | | | 1,590,336 |
| Fair value of notes | | | 2,000,000 |
| Non-controlling interest | | | 5,614,957 |
| Fair Value of consideration | | $ | 10,805,293 |
| | | | |
| Customer list | | $ | 5,363,204 |
| Trademarks | | | 3,575,470 |
| Acquired assets | | | 1,866,619 |
| | | $ | 10,805,293 |

The results of operations of LVV were included in the Condensed Consolidated Statements of Operations for the three months ended March 31, 2019.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | | Fixed Assets Total | | Total |
|---|---|---|---|---|
| **Cost:** | | | | |
| At December 31, 2016 | $ | 827 | $ | 827 |
| Additions | | 1,495 | | 1,495 |
| Disposals | | (1,495) | | (1,495) |
| At December 31, 2017 | | 827 | | 827 |
| Additions | | 6,466 | | 6,466 |
| Disposals | | - | | - |
| At December 31, 2018 | $ | 7,293 | $ | 7,293 |
| Additions | | 6,536 | | 6,536 |
| Assets acquired in acquisition | | 161,814 | | 161,814 |
| Disposals | | - | | - |
| At March 31, 2019 | $ | 175,643 | $ | 175,643 |
| | | | | |
| | | | | |
| **Depreciation and impairment:** | | | | |
| At December 31, 2016 | $ | 253 | $ | 253 |
| Depreciation for the year | | 587 | | 587 |
| Impairment | | (312) | | (312) |
| At December 31, 2017 | $ | 528 | $ | 528 |
| Depreciation for the year | | 389 | | 389 |
| Impairment | | - | | - |
| At December 31, 2018 | $ | 917 | $ | 917 |
| Depreciation for the year | | 10,326 | | 10,326 |
| Impairment | | - | | - |
| At March 31, 2019 | $ | 11,243 | $ | 11,243 |
| | | | | |
| **Net Book Value:** | | | | |
| At March 31, 2019 | $ | 164,400 | $ | 164,400 |
| At December 31, 2018 | $ | 6,376 | $ | 6,376 |
| At December 31, 2017 | $ | 299 | $ | 299 |

## 13. INTANGIBLE ASSETS- JUJU LICENSE

| | | License Agreement |
|---|---|---|
| **Cost:** | | |
| At December 31, 2016 | $ | 220,000 |
| Additions | | - |
| Disposals | | - |
| At December 31, 2017 | $ | 220,000 |
| Additions | | - |
| Disposals | | - |
| At December 31, 2018 | $ | 220,000 |
| Additions | | - |
| Disposals | | - |
| At March 31, 2019 | $ | 220,000 |
| | | |
| **Amortization and impairment:** | | |
| At January 1, 2016 | $ | 13,750 |
| Amortization charge for the year | | 11,000 |
| Impairment | | - |
| At December 31, 2016 | | - |
| Amortization charge for the year | | 11,000 |
| Impairment | | - |
| At December 31, 2017 | $ | 35,750 |
| Amortization charge for the year | | 11,000 |
| Impairment | | - |
| At December 31, 2018 | $ | 46,750 |
| Amortization charge for the year | | 2,750 |
| Impairment | | - |
| At March 31, 2019 | $ | 49,500 |
| | | |
| **Net Book Value:** | | |
| At March 31, 2019 | $ | 170,500 |
| At December 31, 2018 | $ | 173,250 |
| At December 31, 2017 | $ | 184,250 |

## 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Trade payables | $ | 974,245 | $ | 201,954 |
| Accrued liabilities | | 154,011 | | 1,991 |
| Credit cards | | 90,500 | | 110,878 |
| Total accounts payable and accrued liabilities | $ | 1,218,756 | $ | 314,823 |

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing
- Accrued liabilities are non-interest bearing
- Commodity and business taxes payable are non-interest bearing

## 15. DEFERRED REVENUE

The Company has sub-license agreements with licensees to market, sell and distribute certain licensed products. The Company has sub-license agreements that range from one to three years with renewal if both parties approve. The amount is recognized equally over the term of the sub-license agreement.

| | | Total |
|---|---|---|
| At December 31, 2016 | $ | 43,219 |
| Arising during the year | | 5,694 |
| Utilized | | (47,871) |
| At December 31, 2017 | $ | 1,042 |
| Arising during the year | | - |
| Utilized | | (1,042) |
| At December 31, 2018 | $ | - |
| | | |
| Current - December 31, 2018 | $ | - |
| Non-current - December 31, 2018 | | - |
| **Total deferred revenue** | $ | - |

## 16. RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS

**Due from former officer and director**

On March 16, 2017, a former officer and director was issued 536,522 shares in exchange for a $32,000 note receivable. The note is due on March 15, 2020 with accrued interest of $1,310 at March 31, 2019.

**Due to former officer and director**

At March 31, 2019, the total loans from a former officer and director were as follows:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Note payable | $ | 761,600 | $ | 911,600 |
| Accrued interest- note payable | | 29,179 | | 17,951 |
| Total note payable | $ | 790,779 | $ | 929,551 |

The loan represents advances from a former officer and director with no repayment terms. The advances accrue simple interest at a rate of 2% per annum starting January 1, 2015. On September 4, 2018, the Company entered into a Promissory Note with the former officer and director for $941,600. The Note is due September 20, 2020 and provides for monthly payments of $26,155 plus interest. Interest accrues at 6% from September 4, 2018.

**Due to LVV Stockholders**

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Note payable | $ | 1,750,000 | $ | - |
| Accrued interest- note payable | | 23,596 | | - |
| Total note payable | $ | 1,773,596 | $ | - |

On January 3, 2019, the Company issued Promissory Notes and Pledge Agreements to the stockholders off LVV totalling $2,000,000. The Notes are due on October 31, 2019 and provide for interest at 5%. The payments are collateralized by shares of LVV common stock. The Company paid $250,000 under the Notes during the three months ended March 31, 2019. The Company accrued $23,596 as at March 31, 2019.

## Due to Other

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Note payable | $ | 55,000 | $ | - |
| Accrued interest- note payable | | - | | - |
| Total note payable | $ | 55,000 | $ | - |

On January 1, 2018, LVV was advanced $110,000. On December 11, 2018, LVV repaid $55,000. The remaining $55,000 is unsecured and due on demand. The holder has not made a demand for payment.

**Certain Relationships**

On July 16, 2018, the Company entered into agreements with Messrs. Gormley and Pomroy regarding the services to be provided by them. The parties were granted 12,292,969 options and 4,917,188 options, respectively, under the Company's stock option plan and 31,961,720 and 39,337,502 performance warrants, respectively. The options are exercisable into common shares at a strike price of $0.07 per share for 5 years. The performance warrants are exercisable into common shares at a strike price of $0.07 for a period of five years with 50% of the warrants being immediately vested and 50% of the warrants vested over a one year period or immediately upon closing of a Significant Acquisition, as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. The acquisition of of LVV on January 3, 2019 triggered the vesting of the second 50% of the warrants issued.

The Company entered into a non-binding agreement dated August 8, 2018, for a draw-down equity facility of up to CDN$10,000,000 over a term of 24 months. The agreement provided for equity private placement offerings (the "**Offerings**"), to be conducted between the Company and Alumina Partners (Ontario) Ltd. ("**Alumina Partners**"), a subsidiary of Alumina Partners LLC, a New York based private equity firm. The draw-downs are at the sole discretion of the Company and may be for up to $1,000,000 per draw down and would consist of the issuance by the Company of units, whereby each unit consists of one common share (a "**Common Share**") and up to one common share purchase warrant (each whole warrant, a "**Warrant**"), and each unit being purchased at a discount ranging from 15% to 25% of the then current market price of the Common Shares on the Canadian Securities Exchange (the "**CSE**"). Alumina Partners will only receive a full warrant when an Offering is priced at or above $0.30. The exercise price of the Warrants will be at a 25% premium over the then current market price of the Common Shares and will provide for an accelerated expiry should the Company's Common Shares trade on the CSE, for a period of 10 consecutive trading days, at a premium of at least 100% above the warrant exercise price. The Company utilized this facility in August 2018, issuing an aggregate of 23,454,886 common shares and 11,727,442 warrants for gross proceeds of Cdn$1,450,000.

**Investment in Riotus SODO LLC**

Effective August 29, 2018, the Company purchased 500,000 Class A units of Riotus SODO LLC. Each unit was purchased at $1.00 US of $500,000 in total. This represents a 20.6% ownership position but ICI does not have a position of significant influence. Riotus SODO provides its investors with an opportunity to earn profits on facilities and operations expansion in the cannabis industry. Riotus SODO is focused on the expansion/development of an 8,000 ft2 (350+ light) cultivation facility in Seattle, WA. The operator of the facility is Solstice Holdings Inc. ("Solstice"), a leading brand and distribution company in Washington State. Riotus SODO is partnered with Solstice Holdings LLC, a leading branding and distribution company in the State of Washington. If Solstice is able to realize the expected benefits from the Expansion Project and the Company's investment in Riotus SODO performs to plan, the Company should receive cash distributions of approximately $25,000 a month starting in the second quarter of 2019 for 21 months, and then approximately $10,000 a month thereafter for approximately 4 years. There are no costs associated with the distributions or offsetting amounts expected to be deducted. In accordance with IFRS 11 the Company has accounted for its investment in Riotus SODO at cost.

## 17. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### Fair Values

Set out below is a comparison by class of the carrying amount and fair value of the Company's financial instruments that are carried in the financial statements.

| | | Carrying Amount | | | | Fair Value | | |
|---|---|---|---|---|---|---|---|---|
| | | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | $ | 1,499,687 | $ | 670,894 | $ | 1,499,687 | $ | 670,894 |
| Trade and accounts receivables | | 750,710 | | 4,882 | | 750,710 | | 4,882 |
| Investment in Riotus LLC (Note 11) | | 500,000 | | 500,000 | | 500,000 | | 500,000 |
| **Total financial assets** | $ | 2,750,397 | $ | 1,175,776 | $ | 2,750,397 | $ | 1,175,776 |
| | | | | | | | | |
| | | Carrying Amount | | | | Fair Value | | |
| | | March 31, 2019 | | December 31, 2018 | | March 31, 2019 | | December 31, 2018 |
| **Financial Liabilities** | | | | | | | | |
| Accounts payable and accrued liabilities | $ | 1,218,756 | $ | 314,823 | $ | 1,218,756 | $ | 314,823 |
| **Total financial liabilities** | $ | 1,218,756 | $ | 314,823 | $ | 1,218,756 | $ | 314,823 |

The fair value of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Trade and other receivables, accounts payable and accrued liabilities, other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair values of quoted instruments are based on price quotations at the reporting date. The fair value of unquoted instruments and other financial liabilities (loans payable) are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk, and remaining maturities.

### Fair value hierarchy

As at March 31, 2019, the Company held the following financial instruments measured at fair value: cash and cash equivalents (level 1) and investment in Riotus SOS LLC (level 3).

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

***Level 1***: quoted (unadjusted) prices in active markets for identical assets or liabilities.

***Level 2***: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

***Level 3***: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the three months ended March 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements and the investment in Riotus SODO LLC was recorded as a Level 3 fair value measurement.

| | December 31, 2018 | | Level 1 | | Level 2 | | Level 3 |
|---|---|---|---|---|---|---|---|
| **Assets measured at fair value** | | | | | | | |
| Cash and cash equivalents | $ | 1,499,687 | $ | 1,499,687 | $ | - | $ 500,000 |
| **Total assets measured at fair value** | $ | 1,499,687 | $ | 1,499,687 | $ | - | $ 500,000 |
| | | | | | | | |
| **No liabilities were measured at fair value** | $ | - | $ | - | $ | - | $ - |

## 18. EQUITY INSTRUMENTS

### 2017 Reverse Merger

On September 21, 2017, the Company elected to be treated as a corporation for tax purposes and prepared and filed Articles of Merger in accordance with the Plan of Merger and Plan of Conversion contained in the Share Exchange Agreement, whereby International Cannabrands Ltd., a wholly owned subsidiary of GEA merged into the Company. The Company then prepared and filed Articles of Conversion whereby the Company converted from a limited liability company into a corporation concurrent with the merger).

As a result, the three-cornered amalgamation with GEA was completed on September 21, 2017, which resulted in the reverse take-over of GEA. The Company issued 16,623,790 Common Shares and 1,836,628 Preferred Shares to the holders of DropLeaf and continued to operate the business through its subsidiary International Cannabrands Ltd. The Preferred Shares are limited to 1,837,000 Preferred Shares and each have a restricted right to convert into one hundred (100) Common Shares. Conversion is subject to a restriction that no more than 40% of the total number of Common Shares and Preferred Shares may be held by residents of the United States. The Preferred Shares will be automatically converted into Common Shares in certain circumstances, including upon the registration of the Common Shares under the *United States Securities Act of 1933*, as amended. The holders of Preferred Shares were entitled to vote on an as-converted basis (one hundred (100) Common Shares per one Preferred Share, are entitled to receive such dividends as declared by the Board of Directors, on an as-converted basis (100:1) and to share in the remaining property and assets of the Company in the event of a liquidation, dissolution or winding-up of the Company, together with the holders of Common Shares, on an as-converted basis.

Immediately prior to and in connection with the closing, the Company issued an aggregate of 11,902,439 Common Shares at a price of $0.05 per common share to raise gross proceeds of Cdn$595,122. In addition, 10,541,400 Common Shares were issued following Closing at a deemed price of Cdn$0.06 per share to a party at arm's length, as a finder's fee in connection with the transaction. The Company was listed for trading on the Canadian Securities Exchange on September 25, 2017 and was delisted from the NEX board of the TSX Venture Exchange.

### Shares Outstanding

The Company had 270,276,465 common shares outstanding at March 31, 2019. Each common shareholder is entitled to one vote for each common share held.

| | Number of Shares | | Per Price | | Total Amount |
|---|---|---|---|---|---|
| Balance - December 31, 2018 | 205,732,304 | $ | | $ | - |
| Issued in private placements | 31,280,000 | | 0.075 | | 2,344,327 |
| Stock option exercise | 425,000 | | | | - |
| Service issuances | 7,564,000 | | 0.026 | | 192,972 |
| Warrant exercises | 50,000 | | 0.038 | | 1,895 |
| Issuance for La Vida Verde Inc. acquisition | 25,225,161 | | 0.063 | | 1,590,336 |
| | 270,276,465 | $ | 0.064 | $ | 4,129,530 |

During the three months ended March 31, 2019, the Company closed non-brokered private placement and issued an aggregate of 31,280,000 common shares for gross proceeds of $2,344,327. The common shares bear a four-month hold period from the date of issuance.

During the three months ended March 31, 2019, the Company issued 425,000 common shares for related to stock option exercises.

During the three months ended March 31, 2019, the Company issued 7,564,000 common shares and expensed $192,972 related to service agreements.

During the three months ended March 31, 2019, the Company issued 50,000 common shares and expensed $1,895 related to the warrant exercises.

During the three months ended March 31, 2019, the Company issued 25,225,161 common shares valued at $1,590,336 related to the acquisition of LVV.

**Stock Option Incentive Plan**

The options granted by the Company are governed by the terms of a stock option incentive plan. The Company had the following stock options outstanding as of March 31, 2019:

| Optionee | No. of common shares under option | | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Officers/ directors | 440,000 | $ | 0.050 | 4/12/2022 |
| Officers/ directors | 2,355,415 | | 0.050 | 6/1/2022 |
| Officers/ directors | 3,250,000 | | 0.330 | 1/5/2023 |
| Officers/ directors | 250,000 | | 0.460 | 1/5/2023 |
| Officers/ directors | 250,000 | | 0.330 | 1/31/2023 |
| Officers/ directors | 17,210,155 | | 0.040 | 7/23/2023 |
| Officers/ directors | 750,000 | | 0.046 | 8/17/2019 |
| Total | 24,505,570 | $ | 0.110 | 8/17/2019 |

During the three months ended March 31, 2019, the Company cancelled 1,050,000 common shares at valued at $0.254 per share related to stock option grants.

The following stock options are outstanding at March 31, 2019:

| | Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Life In Years | | US $ Weighted Average Exercise Price Exerciseable | Number Exerciseable | | Weighted Average Exercise Price Exerciseable |
|---|---|---|---|---|---|---|---|---|
| $ | 0.040 | 17,210,155 | 4.33 | $ | 0.040 | 17,210,155 | $ | 0.040 |
| | 0.046 | 750,000 | 4.33 | | 0.046 | - | | - |
| | 0.047 | 2,795,415 | 3.06 | | 0.047 | 1,813,992 | | 0.047 |
| | 0.257 | 3,500,000 | 3.76 | | 0.257 | 1,250,000 | | 0.257 |
| | 0.359 | 250,000 | 3.75 | | 0.359 | - | | - |
| | | 24,505,570 | 4.10 | $ | 0.110 | 20,274,147 | $ | 0.054 |

The Company has stock option grants to purchase 24,505,570 common shares at an average exercise price of $0.118 per share The Company expensed $221,477 and $81,477 during the three month period ended March 31, 2018 and 2017, respectively, or $0.00 and $0.00 per share, respectively. The Company has $476,869 of remaining costs to be expensed and the remaining life of the stock option grants is approximately 4.10 years.

**Warrants**

The following warrants are outstanding at March 31, 2019:

| **Date Issued** | Number | CA $ Exercise Price | | Term |
|---|---|---|---|---|
| Private Placements | | | | |
| Monday, August 20, 2018 | 1,000,000 | | $0.0800 | 2 yrs |
| Wednesday, August 22, 2018 | 2,232,142 | | 0.0940 | 2 yrs |
| Tuesday, August 28, 2018 | 2,631,578 | | 0.1187 | 2 yrs |
| Tuesday, September 11, 2018 | 4,007,400 | | 0.1500 | 2 yrs |
| Wednesday, September 26, 2018 | 1,887,118 | | 0.3000 | 1 yr |
| Friday, December 7, 2018 | 7,896,000 | | 0.1500 | 3 yrs |
| Friday, December 14, 2018 | 5,775,000 | | 0.1500 | 3 yrs |
| Friday, December 21, 2018 | 4,200,000 | | 0.1500 | 3 yrs |
| Thursday, January 24, 2019 | 32,844,000 | | 0.1500 | 3yrs |
| Total | 62,473,238 | | 0.1501 | |
| | | | | |
| Broker Warrants | | | | |
| Monday, July 30, 2018 | 240,000 | | 0.0500 | 2 yrs |
| Thursday, August 30, 2018 | 760,800 | | 0.0500 | 2 yrs |
| Friday, December 7, 2018 | 526,400 | | 0.1000 | 3 yrs |
| Friday, December 14, 2018 | 385,000 | | 0.1000 | 3yrs |
| Friday, December 21, 2018 | 280,000 | | 0.1000 | 3 yrs |
| Thursday, January 24, 2019 | 2,189,600 | | 0.1000 | 3 yrs |
| Wednesday, January 30, 2019 | 966,000 | | 0.1000 | 3 yrs |
| Total broker warrants | 5,347,800 | | 0.0906 | |
| | | | | |
| Performance Warrants | | | | |
| Date Issued | Number | Exercise Price | | Term |
| July 16, 2018 | 71,299,222 | | 0.0700 | 5 yrs |
| September 14, 2018 | 10,350,000 | | 0.2750 | 5 yrs |
| Total performance warrants | 81,649,222 | | 0.0960 | |
| | | | | |
| Total | 149,470,260 | $ | 0.118 | |

The Company expensed $272,573 and $0 during the three months ended March 31, 2019 and 2018. The price is in CA $.

## 19. INCOME TAXES

The following is a reconciliation of income taxes, calculated at the combined federal and provincial statutory income tax rates, to the income tax provision recorded in the consolidated financial statements:

| | | **March 31, 2019** | | **March 31, 2018** |
|---|---|---|---|---|
| Loss from operations before income taxes | | (3,730,803) | $ | (520,802) |

## 20. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Net loss (numerator) | $ | (3,730,803) | $ | (520,802) |
| Weighted average units outstanding (denominator) | | 257,341,328 | | 80,400,455 |
| Loss per unit (basic and diluted) | $ | (0.01) | $ | (0.01) |

## 21. COMMITMENTS AND CONTINGENCIES

### Lease Commitments

On March 21, 2019, the Company renewed a lease agreement for office space in Denver, Colorado with 1045 Lincoln, LLC. The monthly payment is $1,200 per month. The lease expires March 31, 2020.

On October 22, 2018, the Company executed a lease agreement for office space in Los Angeles, CA with WeWork 12655 Jefferson Blvd Tenant LLC that expires on October 31, 2019. The monthly payment is $3,600 per month.

On May 20, 2019, the Company cancelled its lease agreement with WeWork and executed a lease agreement for office space in Los Angeles, CA with WeWork 12655 Jefferson Blvd Tenant LLC that expires on May 20, 2020. The monthly payment is $5,950 per month.

### Royalty Commitment under License Agreement

International Cannabrands holds an exclusive license, effective October 1, 2014, as amended and restated December 4, 2018, for the "JuJu Royal" trademark as well as the name, image, and personality rights of Julian "JuJu" Marley for products associated with the cannabis industry. The license agreement has an initial term of five years and is extended for an additional 10 years up to a maximum initial term of 20 years. Thereafter there is a continuing right of first refusal for up to 40 years to match any offers being contemplated by the licensor. A onetime fee in the amount of $220,000 was paid to the Licensor upon execution of the License Agreement. Annual royalty fees are paid on a percentage of the net sales of licensed products and services subject to certain minimums. The royalty and sublicensing fees constitute the base royalty fees for the first 4 years of the agreement. In the fifth year of the agreement the base royalty agreement becomes a fixed fee. For each year after the fifth contract year, the base royalty fees to be paid by the Licensee to the Licensor shall be determined by qualified intellectual property business evaluation appraiser. On December 4, 2018, the Company agreed to pay base royalty payments of $50,000 in 2018 (paid), $75,000 on June 30, 2019, $75,000 on December 30, 2019 and $50,000 on June 30, 2020.

### LVV Payments

This represents amounts due to LVV related to acquisition.

**Note Repayments**

This note repayment relates to the note with a former director and officer, LVV stockholders and other.

**Legal Proceedings**

Occasionally, the Company may be a party to legal claims or proceedings of which the outcomes are ssubject to significant uncertainty. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Company will assess the likelihood of an adverse judgment for any outstanding claim; as well as ranges of probable losses..

Commitments and contingencies at March 31, 2019 and for the next year were as follows:

| | | March 31, 2019 |
|---|---|---|
| Lease commitments | $ | 59,650 |
| Royalty commitment | $ | 150,000 |
| La Vida Verde, Inc. payments | $ | 700,000 |
| Currrent portion of note payable | $ | 2,338,596 |

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s primary risk management objective is to protect the Company’s financial position and cash flow. The Company is exposed to market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk.

The Company’s senior management oversees the management of these risks and advises on financial risks and the appropriate financial risk governance framework for the Company. The Company’s senior management provides assurance that the Company’s financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Company’s policies and group risk appetite. All derivative activities, if any, for risk management purposes are carried out by a team that has the appropriate skills, experience, and supervision. It is the Company’s policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

**(a) Credit Risk**

The maximum exposure to credit risk at the balance sheet date is best represented by the carrying amount of the Company's cash and accounts receivables.

The Company is exposed to a $1,018,930 credit risk with respect to cash from the potential default by counterparties that carry the Company's cash, and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All the financial institutions that the Company deals with meet these qualifications. The Company is exposed to normal credit risk with respect to the Company’s accounts receivables. To mitigate this credit risk, the Company evaluates the creditworthiness of its customers and establishes credit limits accordingly. The Company may require deposits or collateral (letters of credit or liens) from customers prior to shipping. The Company provides for anticipated credit losses based on incurred losses.

The aging of accounts receivables are as follows:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **(a) Credit Risk (accounts receivable aging):** | | | | |
| Current | $ | 440,011 | $ | 1,254 |
| 1-30 days | | 204,740 | | - |
| 31-60 days | | 105,704 | | 3,763 |
| 61-90 days | | 55,255 | | 4,865 |
| More than 90 days | | - | | - |
| | | 805,710 | | 9,882 |
| Less:Impairment | | (55,000) | | (5,000) |
| **Total credit risk** | $ | 750,710 | $ | 4,882 |

### (b) Liquidity Risk

The Company manages risk by forecasting cash flows from operations and anticipated investing and financing activities. To maintain an optimum level of cash flow, the Company actively pursues the collection of its accounts receivables by closely monitoring and controlling the operation and capital expenditures. The future minimum operating lease commitments and contractual repayments on bank loans and other obligations are as follows:

| | | 2019 | | 2020 | | 2021 |
|---|---|---|---|---|---|---|
| **(b) Liquidity Risk:** | | | | | | |
| Accounts payable and accrued liabilites | $ | 1,218,756 | $ | - | $ | - |
| Operating lease and commitment | | 59,650 | | 33,350 | | - |
| Royalty commitment | | 150,000 | | 50,000 | | - |
| La Vida Verde, Inc. payment | | 700,000 | | - | | - |
| Currrent portion of note payable | | 2,338,596 | | 330,779 | | - |
| **Total liquidity risk** | $ | 4,467,002 | $ | 414,129 | $ | - |

In addition, the Company may have financials obligations on its investments, including the proposed acquisition of LVV.

### (c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise several types of risk: interest rate risk, currency risk, commodity price risk, and other price risk, such as equity risk.

### (i) Interest Rate Risk

Debt and obligations under operating lease are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate because of the changing prime interest rate. The interest rates on debentures are fixed. The Company did not arrange any interest rate swap or financial contracts to hedge the interest rate risk. The Company does not believe it is exposed to significant interest rate risk.

### (ii) Foreign Exchange Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expense are denominated in a different currency from the Company's functional currency. The Company's functional currency is the United States Dollar.

**(iii) Commodity price risk**

The Company is not subject to price risk from fluctuations in market prices of commodities.

**(iv) Equity price risk**

The Company has no exposure to equity price risk.

## 23. CAPITAL MANAGEMENT

The Company seeks the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares when the time is appropriate.

The Company monitors the return on capital, which is defined as stockholders' equity in the amount of $3,502,289 as at March 31, 2019 (December 31, 2018 – ($2,070,746).

The Company will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Company's strategy, economic conditions, and the risk characteristics of the business.

## 24. EVENTS AFTER THE REPORTING PERIOD

The Company has evaluated all subsequent events through May 30, 2019, which is the date the financials were available to be issued. Management has determined that, except as set out below, no events or transactions occurring after the balance sheet date substantially affects the amounts, presentation, and disclosure of the accompanying financial statements.

On May 2, 2019, the Company issued On May 2, 2019, the Company announced the appointment of Corey Kite as Vice President of Sales (Northern California), Bethany Stiles as Vice President of Sales (Southern California), and Alison Bryce as Chief Operating Officer.

On May 7, 2019, the Company announced that LVV had signed a major distribution arrangement with Nabis - one of California's largest Type 11 distributors with state-wide reach to over 90% of the retailers in California.

During May, the Company raised an aggregate of Cdn$784,531 through a series of private placements and in connection with the exercise of warrants. The Company issued an aggregate of 5,079,365 common shares at a price of $0.07875 per share, 1,000,000 common shares at a price of $0.08 and an aggregate of 3,867,064 units at a price of $0.07875 consisting of 3,867,064 common shares and 3,768,253 share purchase warrants. Each warrant entitles the holder to purchase one common share at a price of $0.13125 per share for a period of 2 years, subject to the ability of the Company to accelerate the expiry date to 30 days should the common shares trade at $0.2625 for 10 consecutive trading days following expiry of the hold period.