PURE GLOBAL CANNABIS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

PURE GLOBAL CANNABIS INC.

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Pure Global Cannabis Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors are responsible for overseeing management in the performance of its financial reporting responsibilities. The Board has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, the Board and management to discuss their audit findings.

April 15, 2019

/Malay Panchal/
Director

/ Chandra Panchal/
Director

Independent Auditor's Report

To the Shareholders of Pure Global Cannabis Inc.:

Opinion

We have audited the consolidated financial statements of Pure Global Cannabis Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $23,418,400 and negative cash flows from operations of $8,988,166 during the year ended December 31, 2018 and, as of that date, the Company had a deficit in the amount of $26,058,636. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sean Patrick Crewe.

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

April 15, 2019 | Licensed Public Accountants

PURE GLOBAL CANNABIS INC.
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
ASSETS		
Current		
Cash and cash equivalents	**7,737,135**	237,949
Sales tax recoverable	**766,609**	64,812
Inventory *(Note 6)*	**2,281,202**	-
Prepaid expenses and deposits	**1,024,740**	54,085
	11,809,686	356,846
Property and equipment (*Note 7)*	**10,376,001**	572,452
Intangible assets (*Note 8)*	**55,645**	24,538
Total assets	**22,241,332**	953,836
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**859,078**	157,337
Deferred rent obligation	**-**	7,200
Due to shareholder (*Note 9*)	**7,600**	7,600
Mortgages payable (*Note 16*)	**4,990,000**	-
	5,856,678	172,137
Deferred rent obligation - long-term	**-**	5,400
Convertible debt *(Note 14)*	**7,229,853**	441,332
Total liabilities	**13,086,531**	618,869
Shareholders' Equity		
Share capital (*Note 10)*	**31,341,765**	2,249,028
Warrants (*Note 12)*	**1,589,129**	585,221
Share based payment reserve (*Note 11*)	**1,195,870**	71,864
Equity portion of convertible debt *(Note 14)*	**1,086,673**	69,090
Deficit	**(26,058,636)**	(2,640,236)
Total shareholders' equity	**9,154,801**	334,967
Total liabilities and shareholders' equity	**22,241,332**	953,836

Going concern (Note 2)
Commitments (Note 19)
Subsequent events (Note 20)
Approved on behalf of the Board of Directors on April 15, 2019

/Malay Panchal /
Director

/Chandra Panchal /
Director

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

PURE GLOBAL CANNABIS INC.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Expenses		
Salaries and wages	**1,727,732**	449,507
Management bonus *(Note 10(n, p(i))*	**1,733,706**	-
Occupancy costs	**314,920**	254,930
Consulting fees	**231,820**	254,461
Share based compensation *(Note 11)*	**1,124,006**	71,864
Professional fees	**654,718**	62,489
General and administrative	**649,899**	49,318
Marketing and promotion	**878,533**	-
Investor relations	**607,230**	-
Depreciation and amortization *(Notes 7, 8)*	**185,567**	53,186
	8,108,132	1,195,755
Loss from operations	**8,108,132**	1,195,755
Other expense (income)		
Accretion expense *(Note 14)*	**235,839**	19,064
Interest expense *(Note 14)*	**262,433**	4,801
Listing expense (*Note 1)*	**15,448,057**	**-**
Investment tax credit refund	**-**	(207,924)
Ontario innovation tax credit	**-**	(60,995)
Loss before income taxes	**24,054,460**	950,701
Deferred tax recovery *(Note 13)*	(636,060)	-
Net loss and comprehensive loss	**23,418,400**	950,701
Loss per share - basic and diluted	**0.226**	0.015
Weighted average number of common shares - basic and diluted	**103,707,697**	63,347,978

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

PURE GLOBAL CANNABIS INC.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

		Share capital						
		Number of Shares	Share Capital *(Note 10)*	Warrant Reserve *(Note 12)*	Share Based Payment Reserve *(Note 11)*	Equity Portion of Debt *(Note 14)*	Accumulated Deficit	Total
	Note 10	**#**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2017		**64,790,830**	**1,749,587**	**529,508**	**-**	**-**	**(1,689,535)**	**589,560**
Issued in exchange for outstanding loan	a, c, d	1,476,052	283,170	-	-	-	-	283,170
Equity component of convertible promissory notes		-	-	-	-	57,749	-	57,749
Conversion of promissory note	e	1,375,000	285,422	-	-	(57,749)	-	227,673
Issued in exchange for services	b, g	694,818	136,562	-	-	-	-	136,562
Repurchase of shares	f	(11,250,000)	(150,000)	-	-	-	-	(150,000)
Less: Amount allocated to warrants	h	-	(55,713)	55,713	-	-	-	-
Stock-based compensation		-	-	-	71,864	-	-	71,864
Equity component of convertible promissory notes		-	-	-	-	69,090	-	69,090
Net and comprehensive loss for the year		-	-	-	-	-	(950,701)	(950,701)
Balance, December 31, 2017		**57,086,700**	**2,249,028**	**585,221**	**71,864**	**69,090**	**(2,640,236)**	**334,967**
Issued in settlement of cash	k	4,132,119	1,147,793	-	-	-	-	1,147,793
Conversion of promissory note	i	1,824,905	522,275	-	-	(69,090)	-	453,185
Issued in exchange for services	j	107,993	30,238	-	-	-	-	30,238
Shares issued in exchange of advisory services	l	40,100	7,218	-	-	-	-	7,218
Less: Amount allocated to warrants	m	-	(209,664)	209,664	-	-	-	-
Equity component of convertible debt		-	-	-	-	262,480	-	262,480
Issued in settlement of management bonus	n	3,095,904	866,853	-	-	-	-	866,853
Shares and warrants deemed to be issued on reverse takeover transaction	o	42,370,354	13,982,217	299,772	-	-	-	14,281,989
Shares issued to advisors for the completion of the reverse takeover transaction	p(ii)	2,000,000	660,000	-	-	-	-	660,000
Issued in settlement of management bonus	p(i)	3,095,905	866,853	-	-	-	-	866,853
Shares issued as a result of private placement	p(iii)	27,900,000	9,207,000	-	-	-	-	9,207,000
Conversion of debenture	p(iv)	6,190,822	2,011,954	-	-	(262,480)	-	1,749,474
Equity components of convertible debenture, net of tax and share issuance costs		-	-	494,472	-	1,086,673	-	1,581,145
Stock-based compensation		-	-	-	1,124,006	-	-	1,124,006
Net and comprehensive loss for the year		-	-	-	-	-	(23,418,400)	(23,418,400)
Balance, December 31, 2018		**147,844,802**	**31,341,765**	**1,589,129**	**1,195,870**	**1,086,673**	**(26,058,636)**	**9,154,801**

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

PURE GLOBAL CANNABIS INC.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Operating activities		
Net loss	**(23,418,400)**	(950,701)
Adjustments for items not affecting cash:		
Deferred tax recovery (*Note 13*)	**(636,060)**	
Depreciation and amortization *(Notes 7, 8)*	**185,567**	53,186
Share based compensation (*Note 11, 12*)	**1,124,006**	71,864
Accretion expense (*Note 14*)	**235,839**	19,064
Interest expense	**47,044**	-
Listing expense - shares issued (*Note 1*)	**14,941,989**	-
Shares issued for services	**37,456**	129,344
Shares issued for management bonus (*Note 10*)	**1,733,706**	-
Changes in non-cash working capital items:		
Inventory	**(2,281,202)**	-
Prepaid expenses and deposits	**(970,655)**	26,165
Sales tax recoverable	**(701,797)**	(40,383)
Accounts payable and accrued liabilities	**701,741**	154,815
Deferred rent obligation	**12,600**	(7,650)
Cash used in operating activities	**(8,988,166)**	(544,296)
Investing activities		
Purchase of property and equipment	**(9,989,116)**	(594,183)
Purchase of intangible assets	**(61,528)**	(32,007)
Cash used in investing activities	**(10,050,644)**	(626,190)
Financing activities		
Due to shareholder (*Note 9)*	-	(2,967)
Mortgages payable *(Note 16)*	**4,990,000**	-
Convertible debt (*Note 14)*	**11,193,203**	775,000
Proceeds from shares issued, net of issuance cost	**10,354,793**	-
Cash provided by financing activities	**26,537,996**	772,033
Net increase (decrease) in cash and cash equivalents	**7,499,186**	(398,453)
Cash and cash equivalents, beginning of year	**237,949**	636,402
Cash and cash equivalents, end of year	**7,737,135**	237,949

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

1. BACKGROUND AND NATURE OF OPERATIONS

Background

Pure Global Cannabis Inc. (formerly Royal Sapphire Corp.) (the "Company") was incorporated on March 2, 2011 under the laws of British Columbia. The head office, principal address, records office, and registered address of the Company is located at 418 - 2095 Lake Shore Blvd. West, Toronto, Ontario, M8V 4G4.

On May 17, 2018 PureSinse Inc. ("PureSinse") and Royal Sapphire Corp. ("RSL" or "Royal Sapphire") entered into definitive agreements to carry out a three-cornered amalgamation or business combination for the purpose of effecting a reverse take-over of Royal Sapphire by PureSinse (the "Transaction"). The Transaction was completed on July 9, 2018. Shortly before the completion of the Transaction, the Company consolidated its capital on a one new for two old basis. The Company changed its name to Pure Global Cannabis Inc. on July 6, 2018. The Company's newly formed subsidiary 2627000 Ontario Inc. amalgamated with PureSinse Inc. with shareholders of PureSinse Inc. receiving shares of the Company on a 1:1 basis in exchange for PureSinse Inc. shares. A new board and new management assumed control of the Company on July 11, 2018. The shares of the Company resumed trading on the TSX Venture Exchange under the new trading symbol "PURE."

The completion of the Transaction resulted in the former shareholders of RSL holding approximately 24% of PureSinse. Accordingly, PureSinse is considered to have acquired RSL with the Transaction being accounted for as a reverse takeover of RSL by the PureSinse shareholders. The comparative balances presented in the consolidated financial statements are those of PureSinse.

The accounting for the Transaction resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Pure Global Cannabis Inc. (formerly Royal Sapphire Corp.), but are considered a continuation of the financial statements of the legal subsidiary and accounting acquirer, PureSinse Inc.

(ii) Since PureSinse Inc. is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

On July 9, 2018, RSL completed the acquisition of all of the issued and outstanding shares of PureSinse in exchange for shares of the resulting entity on a 1:1 basis. The legal acquisition of RSL by PureSinse constitutes as a reverse asset acquisition as RSL does not meet the definition of a business and its main attribute is its public listing. The transaction is accounted for in accordance with IFRS 2 "*Share based payments*". For accounting purposes, PureSinse is deemed to have acquired 100% of the outstanding shares of RSL by issuing 42,370,354 shares to RSL, estimated at $0.33 per share, the value of shares based on the concurrent financing.

In addition, PureSinse issued 1,000,000 warrants, in exchange for previously outstanding warrants of RSL, with a fair value estimated at $0.30 per share using the Black-Scholes model. The assumptions used in the option model included a risk free interest rate of 0.82%, an estimated life of 4 years, an expected volatility of 75%, expected dividends of $Nil and a dividend yield of 0%. The total consideration of $14,281,989 was allocated first to the fair value of the net assets acquired, with any excess to listing expense as follows:

(Expressed in Canadian Dollars)

Consideration	**Amount ($)**
42,370,354 shares at a value of $0.33 per share	13,982,217
1,000,000 warrants at a value of $0.30 per share	299,772
	14,281,989
Net assets of Royal Sapphire Corp.	
Cash and funds held in trust	122,402
Other current assets	18,455
Accounts and other payables	(328,797)
Net liabilities assumed	(187,940)
Excess attributed to the cost of listing	14,469,929
Transaction costs related to the acquisition	
- 2,000,000 shares at a value of $0.33 per share	660,000
Legal and other professional fees	318,128
Transaction costs	978,128
Listing expense	**15,448,057**

The Company's wholly owned subsidiary, PureSinse, is a cannabis focused life sciences company founded by healthcare, horticulture, biotechnology, and business professionals, with the goal of becoming a producer, distributor, researcher, and retailer of pharmaceutical grade cannabis for medical and legal adult use. PureSinse became a Licensed Producer, as such term is defined under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"), upon receiving its producer's licence issued by Health Canada on December 28, 2017 pursuant to section 35 of the ACMPR and expiring on December 28, 2020 ("PureSinse Licence"). Now, PureSinse is licensed under *Cannabis Act*. The PureSinse Licence grants PureSinse the authority to produce, possess, ship, transport, deliver and destroy dried cannabis. On January 11, 2019, PureSinse was granted a sales license under the *Cannabis Act*. This licence qualifies PureSinse to supply and sell cannabis products to medical patients, the legal adult markets, and the many local and international markets opening up for psychoactive and non-psychoactive cannabidiol ("CBD") products.

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

As at December 31, 2018, the Company's working capital was $5,953,008 (2017 - $184,709), the Company has incurred a net loss and comprehensive loss of $23,418,400 and negative cash flows from operations of $8,988,166 during the year ended December 31, 2018 (2017 - $950,701), and as at December 31, 2018 has accumulated deficit of $26,058,636 (2017 - $2,640,236).

The Company's ability to continue operations and fund its products development is dependent on management's ability to attain profitable operations and/or secure additional financing. Management is actively pursuing such additional sources of financing, and there can be no assurance it will be able to do so in the future. Accordingly, these factors indicate material uncertainties that may cost significant doubt as to the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The Board of Directors approved these consolidated financial statements on April 15, 2019.

(b) Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as detailed in the Company's accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(c) Functional and presentation currency

All figures presented in the consolidated financial statements are reflected in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries with intercompany balances and transactions eliminated on consolidation. Subsidiaries are those entities over which the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. As at December 31, 2018, these consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: PureSinse Inc., 237A Advance Inc. and 237B Advance Inc.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in bank accounts and other short-term highly liquid investments with original maturities of three months or less. There were no cash equivalents as at December 31, 2018 and 2017.

(b) Government assistance

Government assistance towards research and development expenditures received in the form of investment tax credits on account of eligible expenditures are recorded when there is reasonable assurance that the Company will comply with the conditions attached to the grant and the grant will be received. Investment tax credits related to the acquisition of property and equipment used for research and development is credited against the related property and equipment, while other investment tax credits are credited to other income.

(c) Share-based payments

Equity settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value is determined at the grant date of the equity settled and share based payment is expensed over the vesting period based on the Company's estimate of shares that will eventually vest. The fair value is measured by the use of a Black-Scholes option pricing model. The number of forfeitures likely to occur is estimated on the grant date. Any consideration paid by directors, officers and employees on exercise of equity settled share based instruments is credited to share capital. Shares are issued from treasury upon the exercise of equity settled share based instruments.

Compensation expense on stock options granted to non-employees are measured at the date when the goods or services are received and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the fair value of the goods or services received from non-employees in exchange for the share based payment cannot be estimated, such as broker warrants issued in connection with financings, the fair value is measured by the use of a Black Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

(d) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation, based on the estimated useful lives of the assets, is provided using the following methods:

Leasehold improvements	8 years	Straight-line
Building	30 years	Straight-line
Furniture and fixtures	20%	Declining balance
Equipment	20%	Declining balance
Computer hardware	55%	Declining balance
Computer software	3 years	Straight-line
Security system	5 years	Straight-line

Properties and equipment, excluding land, acquired during the year but not placed into use are not amortized until they are placed into use.

(e) Intangible assets

Purchased intangible assets are recognized as assets where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software is amortized on a straight-line basis over a three year period. Website development costs are amortized once they are placed in use and shall have a useful life not exceeding five years.

(f) Inventories

Inventories for finished goods and packaging and supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the average costing method. 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. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value.

(g) Research and development

In-house and other intellectual property expenditures are recorded as research and development expenses on the statements of operations and comprehensive loss as incurred. Development costs are charged to income as incurred unless a development project meets generally accepted accounting criteria for deferral and amortization. The Company has not deferred any such development costs to date.

(h) Impairment of non-financial assets

At each date of the consolidated statements of financial position, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the 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.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

To date the Company has not recognized any impairment loss.

(i) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of operations and comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognized using the liability method on temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

(j) Loss per share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. For the periods presented basic loss per share is the same as the diluted loss per share as the effective of dilution would be anti-dilutive.

(k) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(l) Foreign currency transactions

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of operations and comprehensive loss.

To date the Company has not entered into any foreign currency transactions.

(Expressed in Canadian Dollars)

(m) Financial instruments

The Company has adopted IFRS 9 "*Financial Instruments*" with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

Financial assets and liabilities	**IAS 39**	**IFRS 9**	**2018 ($)**	**2017 ($)**
Cash and cash equivalents	Loans and receivables	Amortized cost	**7,737,135**	237,949
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	**859,078**	157,337
Due to shareholder	Other financial liabilities	Amortized cost	**7,600**	7,600
Convertible debt	Other financial liabilities	Amortized cost	**7,229,853**	441,332
Mortgage payable	(i)	Amortized cost	**4,990,000**	-

* There was no mortgage payable balance on the date of the Company's transition from IAS 39 to IFRS 9.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from January 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The adoption of IFRS 9 did not result in any transition adjustments being recognized for the year-ended December 31, 2018 and 2017.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the consolidated financial statements as at and for the year ended December 31, 2018.

(i) Financial assets

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) 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.

(ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liabilities were incurred. The Company's accounting policy for each category is as follows:

Financial liabilities at amortized cost: Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at FVTPL, or the Company has opted to measure them at FVTPL.

Financial liabilities at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost. Financial liabilities at FVTPL are initially recognized at the fair value with changes to fair values recognized in the consolidated statement of loss. The Company derecognizes financial liabilities only when its obligations are discharged, cancelled or expelled. The difference is recognized in the consolidated statement of operations and comprehensive loss.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The adoption of IFRS 9 did not impact the Company's accounting policies for the financial liabilities.

(ii) Impairment of financial assets

For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

(n) Capital stock

Financial instruments issued by the Company are classified as shareholders' equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, and stock options are classified as equity instruments. Incremental costs, such as commissions, professional fees and regulatory fees, directly attributable to common shares are recognized as a deduction from shareholders' equity, net of tax.

(o) Compound financial instruments

Compound financial instruments issued by the Company are comprised of convertible debt that can be converted into common shares. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or upon expiration, when the carrying value of the equity portion is transferred to common shares or contributed surplus.

(p) Valuation of equity instruments in private placements

Where common shares and warrants are issued as units, the Company allocates the consideration received per unit, net of any issuance costs, to the common shares and the warrants based on their relative fair values. The fair value of the warrants attached to the units are measured using the Black-Scholes pricing model. Warrants issued as part of units are allocated to the warrant reserve. For warrants that are exercised, the value of the exercised warrants is transferred to share capital. Warrants that expire are transferred to contributed surplus. Incremental costs directly attributable to unit issuances are recognized as a deduction from equity, net of any tax effects.

(q) Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive loss, assets and liabilities recognized and disclosures made in the consolidated financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Key areas where management has made estimates include, biological assets, inventory, equity transactions, income taxes, going concern, valuation of deferred tax assets and liabilities as disclosed in the notes to the consolidated financial statements.

Management is required to make a number of estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include a number of assumptions such as estimating the stage of growth of the cannabis, harvesting costs, sale price, and expected yields. Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised. Actual results could differ from the estimates used.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption. Refer to Note 2 for more details.

(r) Treasury shares

The Company's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as share premium. Common shares which are purchased under the normal course issuer bid are returned to treasury and cancelled.

(s) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

(t) Revenue from contracts with customers

Effective January 1, 2018, the Company adopted IFRS 15, issued in May 2014, and amended in September 2015 and April 2016. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. In accordance with the transitional provisions in IFRS 15, the Company elected to adopt the new standard using the modified retrospective approach. There is no impact of adopting IFRS 15 on the Company's consolidated financial statements.

(u) Biological assets

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

5. CHANGES IN ACCOUNTING STANDARDS

Standards, Amendments, and Interpretations Issued but not yet Adopted

Leases

In January 2016, the IASB issued IFRS 16 – "Leases" ("IFRS 16"), which replaces IAS 17 – "Leases", and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company does not expect that this will have an impact on its consolidated financial statements.

(Expressed in Canadian Dollars)

6. INVENTORY

The Company's inventory includes only purchased products. The Company's purchased inventory is comprised of the following items:

	December 31, 2018	December 31, 2017
	$	$
Dried Cannabis	**2,008,405**	-
Cannabis Oil	**238,097**	-
Packaging and Supplies	**34,700**	-
	2,281,202	-

During the year ended December 31, 2018, there was no impairment of inventory (2017 – $Nil).

7. PROPERTY AND EQUIPMENT

	Building improvements	Building	Land	Furniture and fixtures	Equipment	Computer hardware	Security system	Total
	$	$	$	$	$	$	$	$
Cost								
At January 1, 2017	23,986	-	-	-	-	-	-	23,986
Additions	401,661	-	-	7,505	10,932	1,357	172,728	594,183
At December 31, 2017	425,647	-	-	7,505	10,932	1,357	172,728	618,169
Additions	1,056,919	5,255,439	2,747,227	52,396	776,715	39,133	50,250	9,978,079
As at December 31, 2018	**1,482,566**	**5,255,439**	**2,747,227**	**59,901**	**787,647**	**40,490**	**222,978**	**10,596,248**
Accumulated depreciation								
At January 1, 2017	-	-	-	-	-	-	-	-
Depreciation	26,227	-	-	751	1,093	373	17,273	45,717
At December 31, 2017	26,227	-	-	751	1,093	373	17,273	45,717
Depreciation	75,709	2,513	-	8,431	39,985	5,809	42,083	174,530
As at December 31, 2018	**101,936**	**2,513**	**-**	**9,182**	**41,078**	**6,182**	**59,356**	**220,247**
Net book value								
As at December 31, 2017	399,420	-	-	6,754	9,839	984	155,455	572,452
As at December 31, 2018	**1,380,630**	**5,252,926**	**2,747,227**	**50,719**	**746,569**	**34,308**	**163,622**	**10,376,001**

Depreciation expense recorded for the year ended December 31, 2018 is $174,530 (2017 - $45,717). Depreciation has been recorded on property and equipment from the date when these assets have been available for use.

Borrowing costs amounting to $85,180 were capitalized into buildings at a weighted average interest rate of 7% for the year ended December 31, 2018 (2017 - $Nil) (Note 16).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

	System software	Website development	Total
	$	$	$
Cost			
At January 1, 2017	-	-	-
Additions	32,007	-	32,007
At December 31, 2017	32,007	-	32,007
Additions	6,617	35,527	42,144
As at December 31, 2018	**38,624**	**35,527**	**74,151**
Accumulated amortization			
At January 1, 2017	-	-	-
Amortization	7,469	-	7,469
At December 31, 2017	7,469	-	7,469
Amortization	11,037	-	11,037
As at December 31, 2018	**18,506**	-	**18,506**
Net book value			
As at December 31, 2017	24,538	-	24,538
As at December 31, 2018	**20,118**	**35,527**	**55,645**

Amortization expense recorded for the year ended December 31, 2018 is $11,037 (2017 - $7,469). Amortization has been recorded on intangible assets with finite life from the date when these assets have been available for use.

9. DUE TO SHAREHOLDER

These advances are unsecured, non-interest bearing and have no set terms of repayment.

10. SHARE CAPITAL

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares:

2017 Transactions

a) On September 30, 2017, PureSinse issued 617,272 common shares to multiple service providers in exchange for the settlement of outstanding debt related to rental, consulting, and advisory services provided, amounting to $111,414 at $0.18 per common share. The fair market value of the services was equivalent to the price of the equity instruments issued.

b) On November 28, 2017, PureSinse issued 213,829 units at $0.20 per unit, in exchange for consulting services. Each unit comprised of one common share and one half warrant exercisable at $0.40 per common share expiring 18 months after the issuance. The fair value of units issued has been determined based the price of similar units to the investors amounting to $42,766. The fair value of warrants has been determined using the Black Scholes pricing model as disclosed below.

c) On November 28, 2017, PureSinse issued 108,780 units at $0.20 per unit, for the settlement of outstanding wages. Each unit comprised of one common share and one half warrant exercisable at $0.40 per common share expiring 18 months after issuance. The fair value of units issued has been determined based the price of similar units to the investors in the same transaction, amounting to $21,756. The fair value of warrants has been determined using the Black Scholes pricing model as disclosed below.

d) On December 15, 2017 PureSinse issued 750,000 units at $0.20 per unit for the settlement of outstanding loan. Each unit comprised of one common share and one half warrant exercisable at $0.40 per common share expiring 18 months after issuance. The fair value of units issued has been determined based the price of similar units to the investors in the same transaction, amounting to $150,000. The fair value of warrants has been determined using the Black Scholes pricing model as disclosed below.

e) On December 15, 2017, PureSinse issued 1,375,000 units at $0.20 per unit for the conversion of a promissory note for proceeds of $275,000. Each unit comprised of one common share and one half warrant exercisable at $0.40 per common share expiring 18 months after issuance. Refer to note 12 for the details of the conversion.

f) On November 5, 2017 PureSinse repurchased 11,250,000 common shares at a price of $0.013 per share for a total consideration of $150,000 and did not result in any share premium or discount upon the cancellation of these shares.

g) On December 31, 2017, PureSinse issued 480,989 common shares in exchange for advisory services amounting to $93,796 at $0.18 per common share.

h) The fair value of warrants included in units issued in fiscal 2017 has been determined using the Black-Scholes pricing model. The assumptions used in the option model included a risk-free interest rate from 1.40% to 1.53%, an estimated life of warrants of 1.5 years, an expected volatility of 100%, expected dividends of $Nil, a dividend yield of 0%, exercise price of $0.40 per common share. The fair value of these warrants issued during fiscal 2017 has been estimated to be $55,713.

2018 Transactions

i) On January 31, 2018, PureSinse issued 1,824,905 units at $0.28 per unit upon conversion of promissory notes with a face value of principal and interest of $510,974. Each unit comprised of one common share and one half warrant exercisable at $0.50 per common share expiring 18 months after issuance. The fair value of warrants has been determined using the Black-Scholes pricing model as disclosed below. The carrying value of convertible promissory notes amounting to $453,185 and equity portion of the debt amounting to $69,090 was transferred to share capital upon conversion totalling to $522,275.

j) On February 5, 2018, PureSinse issued 71,893 units at $0.28 per unit, in exchange for consulting services. Each unit comprised of one common share and one half warrant exercisable at $0.50 per common share expiring 18 months after the issuance. The fair value of units issued has been determined based the price of similar units to the investors amounting to $20,130. On March 5, 2018, the Company issued 36,100 units at $0.28 per unit, in exchange for consulting services and wages. Each unit comprised of one common share and one half warrant exercisable at $0.50 per common share expiring 18 months after the issuance. The fair value of units issued has been determined based the price of similar units to the investors amounting to $10,108. The fair value of warrants has been determined using the Black-Scholes pricing model as disclosed below.

k) On March 5, 2018, PureSinse issued 4,132,119 units at $0.28 per unit, in settlement of cash. Each unit comprised of one common share and one half warrant exercisable at $0.50 per common share expiring 18 months after the issuance for a total consideration of $1,147,793. The fair value of warrants has been determined using the Black-Scholes pricing model as disclosed below.

l) On March 27, 2018, PureSinse issued 40,100 common shares in exchange for advisory services amounting to $7,218 at $0.18 per common share as per the advisory agreement.

m) The fair value of warrants included in units issued during the year ended December 31, 2018 have been determined using the Black-Scholes pricing model. The assumptions used in the option model included a risk-free interest rate from 1.73% to 1.79%, an estimated life of warrants of 2 years, an expected volatility of 100%, expected dividends of $Nil, a dividend yield of 0%, exercise price of $0.50 per common share. The fair value of these warrants issued during the year ended December 31, 2018 has been estimated to be $209,664.

n) On April 2, 2018, PureSinse granted and issued 3,095,904 common shares to an executive towards a management bonus at their fair value amounting to $866,853 at $0.28 per common share and an additional 3,095,905 common shares to the executive upon the satisfaction by PureSinse of the conditions precedent of the Transaction.

o) On July 9, 2018, as a result of the reverse acquisition transaction as described in note 1, the Company acquired all of the issued and outstanding common shares of PureSinse. For accounting purposes, as consideration for 100% of the outstanding shares of RSL, PureSinse deemed to have issued 42,370,354 common shares to RSL shareholders, estimated at $0.33 per share, the value of the concurrent financing, for a total fair value of $13,982,217. In addition, PureSinse deemed to have issued 1,000,000 warrants, in exchange for previously outstanding warrants of RSL, with a fair value estimated at $0.30 per share using the Black-Scholes model. The assumptions used in the option model included a risk-free interest rate of 0.82%, an estimated life of options of 4 years, an expected volatility of 75%, expected dividends of $Nil and a dividend yield of 0%.

p) On July 9, 2018, as a result of the completion of the reverse acquisition transaction:

i. PureSinse issued 3,095,905 common shares converted into the shares of the Company as of July 9, 2018 to an executive towards a management bonus amounting to $866,853 at $0.28 per common share at their fair value on the grant date, April 2, 2018.
ii. The Company issued 2,000,000 common shares to advisors amounting to $660,000 at $0.33 per common share.
iii. The Company issued 27,900,000 common shares as a result of a concurrent private placement amounting to $9,207,000 at $0.33 per common share.
iv. The Company issued 6,190,822 common shares as a result of a conversion of debenture financing – (see note 14)

(Expressed in Canadian Dollars)

11. STOCK OPTIONS

The Company's board of directors grant stock options to the company's employees and advisors from time to time. The stock options vest according to the provisions of the underlying directors' resolution approving issuance and have a maximum life of five years.

A summary of the status of the Company's stock options as at December 31, 2018 and December 31, 2017 is as follows:

	Number of options (#)	Weighted average exercise price ($)
Balance, January 1, 2017	-	-
Issued during the year	3,000,000	0.05
Forfeited	-	-
Expired	-	-
Balance, December 31, 2017	**3,000,000**	**0.05**
Issued during the year	11,425,398	0.27
Forfeited	(475,398)	0.35
Expired	-	-
Balance, December 31, 2018	**13,950,000**	**0.23**

On September 30, 2017, PureSinse issued 3,000,000 stock options to an employee. Each option is exercisable at $0.03 per common share, vesting one-third over each anniversary date and expiring on September 30, 2022. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.51%, an estimated life of options of 2.5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On July 9, 2018, the stock options were repriced from an exercise price of $0.03 to $0.05 per option.

The fair value of options expensed during fiscal 2017 amounted to $71,864 and has been included in share based compensation expense and contributed surplus.

On January 10, 2018, PureSinse issued 4,500,000 stock options to various employees. Each option is exercisable at $0.25 per common share, vesting immediately and expiring on January 10, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.71%, an estimated life of options of 2.5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On January 21, 2018, PureSinse issued 50,000 stock options to an employee. Each option is exercisable at $0.30 per common share, vesting 12 months and expiring on January 21, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.77%, an estimated life of options of 2.5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On February 1, 2018, PureSinse issued 100,000 stock options to an employee. Each option is exercisable at $0.30 per common share, vesting 12 months and expiring on February 1, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.81%, an estimated life of options of 2.5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On March 19, 2018, PureSinse issued 100,000 stock options to an employee. Each option is exercisable at $0.30 per common share, 25,000 of these stock options vesting on each of June 30, 2018, September 30, 2018, December 30, 2018 and March 30, 2019 and expiring on March 19, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.77%, an estimated life of options of 2.5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On April 2, 2018, PureSinse issued 250,000 stock options to a consultant. Each option is exercisable at $0.28 per common share, vesting immediately and expiring on April 2, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.76%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On April 2, 2018, PureSinse issued 250,000 stock options to an employee. Each option is exercisable at $0.28 per common share, 75,000 of these stock options vesting on April 2, 2019, 75,000 of these stock options vesting on April 2, 2020 and 100,000 of these options vesting on April 2, 2021 and expiring on April 2, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.76%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On May 15, 2018, PureSinse issued 250,000 stock options to a consultant. Each option is exercisable at $0.33 per common share, 62,500 of these stock options vesting on each of June 30, 2018, September 30, 2018, December 30, 2018 and March 30, 2019 and expiring on May 15, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.99%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On May 15, 2018, PureSinse issued 250,000 stock options to an employee. Each option is exercisable at $0.33 per common share, 75,000 of these stock options vesting on May 15, 2019, 75,000 of these stock options vesting on May 15, 2020 and 100,000 of these options vesting on May 15, 2021 and expiring on May 15, 2023. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.99%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On July 9, 2018, all PureSinse outstanding options were exchanged on the same terms and conditions on 1:1 basis for the Company's outstanding stock options.

On July 9, 2018, the Company issued 4,525,398 stock options to various employees, consultants and members of the board of directors of the Company, exercisable at $0.33 per option, expiring five years from the date of grant. Certain options grants have a vesting period of 10% per quarter while the remaining are vesting at one-third over each anniversary date expiring in five years from the grant date. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 1.93%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On August 24, 2018, 325,398 stock options previously issued to an employee at an exercise price of $0.33 were forfeited. As a result, the Company has reversed the previously recorded stock-based compensation expense of $3,760.

(Expressed in Canadian Dollars)

On September 5, 2018, the Company issued 150,000 stock options to a consultant. Each option is exercisable at $0.39 per common share, vesting six months from the date of the grant and expiring on September 5, 2020. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 2.03%, an estimated life of options of 2 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On September 26, 2018, the Company issued 110,000 stock options to various employees. Each option is exercisable at $0.33 per common share, vesting one-fifth over each anniversary date and expiring on September 26, 2025. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 2.18%, an estimated life of options of 3 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On October 31, 2018, the Company issued 140,000 stock options to various employees. Each option is exercisable at $0.33 per common share, vesting one-fifth over each anniversary date and expiring on October 31, 2025. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 2.41%, an estimated life of options of 5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

On October 31, 2018, 150,000 stock options previously issued to an employee at an exercise price of $0.39 were forfeited. As a result, the Company has reversed the previously recorded stock-based compensation expense of $3,664.

On November 30, 2018, the Company issued 750,000 stock options to various employees. Each option is exercisable at $0.35 per common share, vesting one-fifth over each anniversary date and expiring on November 30, 2025. The fair value of options has been determined using the Black Scholes pricing model. The assumptions used in the option model included a risk-free interest rate of 2.20%, an estimated life of options of 5 years, a forfeiture rate of $Nil, an expected volatility of 100%, expected dividends of $Nil and a dividend yield of 0%.

The fair value of options expensed during the year ended December 31, 2018 amounted to $1,124,006 (2017 - $71, 864) and has been included in share based compensation expense and contributed surplus.

As at December 31, 2018, the Company had 13,950,000 stock options outstanding. 6,262,500 of these stock options were vested as at December 31, 2018.

12. WARRANTS

A summary of the status of the Company’s warrants as at December 31, 2018 and December 31, 2017 is as follows:

	Number of warrants #	Weighted average exercise price $
Balance, January 1, 2017	**16,234,866**	**0.15**
Issued during the year	1,223,804	0.40
Expired	-	-
Balance, December 31, 2017	**17,458,670**	**0.17**
Issued during the year	18,322,508	0.44
Expired	-	-
Balance, December 31, 2018	**35,781,178**	**0.31**

(Expressed in Canadian Dollars)

In fiscal 2017, the Company issued 1,223,804 warrants with an exercise price of $0.40 per common share expiring 18 months from the date of issuance. The fair value of these warrants issued during fiscal 2017 has been estimated to be $55,713 (*Note 10(h)*).

During the year ended December 31, 2018, the Company issued 3,032,508 warrants with an exercise price of $0.50 per common share expiring 18 months from the date of issuance. The fair value of these warrants issued during the year ended December 31, 2018 has been estimated to be $209,664 (*Note 10(m)*). In addition, the Company issued 14,290,000 warrants with an exercise price of $0.45 per common share expiring in 36 months from the date of issuance in connection with the issuance of the $10,000,000 convertible debenture (*Note 14*). In connection with the Transaction, the Company issued 1,000,000 warrants with an exercise price of $0.04 per common share expiring April 20, 2022 (*Note 1*).

The exercise price and expiry date of all warrants outstanding as at December 31, 2018 are as follows:

Warrants #	Exercise Price $	Expiry period
2,437,061	**0.18**	January 9, 2020
13,797,805	**0.15**	January 9, 2020
161,304	**0.40**	April 28, 2019
1,062,500	**0.40**	May 15, 2019
1,000,000	**0.04**	April 20, 2022
3,032,508	**0.50**	August 26, 2020 - September 7, 2020
14,290,000	**0.45**	September 17, 2021
35,781,178		

13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statuary income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

	2018 **$**	2017 $
Loss from continuing operations before provision for income taxes	**(24,054,460)**	(950,701)
Statuary income tax rate	**26.5%**	26.5%
Expected income tax recovery	**(6,374,430)**	(251,940)
Non-deductible transaction expense	**3,784,730**	-
Share based compensation	**297,860**	(52,220)
Share issuance costs recorded through equity	**(77,970)**	-
Other adjustments	**(11,350)**	(2,560)
Unrecognized benefit of non-capital losses	**1,745,100**	306,720
Provision for income taxes (recovery)	**(636,060)**	-

(Expressed in Canadian Dollars)

The following table summarizes the components of deferred income taxes as at December 31, 2018:

	2018
	$
Deferred Tax Assets	
Share issuance costs	**301,740**
Non-capital losses carried forward	**432,350**
Deferred Tax Liabilities	
Convertible debt	**(734,090)**

Deferred taxes are provided as a result of temporary differences that arise due to differences between the tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect to the following deductible temporary differences:

	2018	2017
	$	$
Convertible debt	**-**	(58,970)
Share issuance costs	**97,647**	69,230
Other temporary differences	**61,010**	65,790
Non-capital losses carried forward	**9,313,305**	6,440,960

Non-capital losses carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022.

2034	$ 230,000
2035	$ 572,000
2036	$ 909,000
2037	$ 1,174,000
2038	$ 8,060,000

14. CONVERTIBLE DEBT

2017 Convertible Promissory Notes:

On August 31, 2017, the Company received cash proceeds of $200,000 from the issuance of a convertible promissory note. The promissory note bears simple interest at 10% per annum and principal and interest amount due on August 31, 2019. The promissory note is convertible into units of the Company at a conversion price of $0.28 at any time during the term of the promissory note. Each unit comprised of a common share and one half warrant exercisable at $0.50 per common share expiring 18 months from the date of conversion. The convertible promissory note amount has been allocated to equity and liability. The value of the liability was determined by discounting the future principal and interest payments until August 31, 2019, at a discount rate of 18%, which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. The Company allotted the total proceeds received between the promissory notes payable and equity to account for the conversion feature. The fair value of the promissory note liability was deemed to be $172,364. The residual value of $27,636, was allocated to equity.

On December 28, 2017, the Company received cash proceeds of $300,000 from the issuance of a convertible promissory note. The promissory note bears simple interest at 10% per annum and principal and interest due on August 31, 2019. The promissory note is convertible into units of the Company at a conversion price of $0.28 at any time during the term of the promissory note. Each unit comprises of a common share and one half warrant exercisable at $0.50 per common share, expiring in 18 months from the date of conversion. The value of the liability was determined by discounting the future principal and interest payments until August 31, 2019, at a discount rate of 18%, which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. The Company allotted the total proceeds received between the promissory notes payable and equity to account for the conversion feature. The fair value of the promissory notes liability was deemed to be $258,546. The residual value of $41,454, was allocated to equity. On January 31, 2018, the above noted two promissory notes with a face value of $500,000 were converted into 1,824,905 units at $0.28 per unit.

The carrying value of convertible promissory notes amounting to $453,185, including accreted interest up to the date of conversion amounting to $2,660, was transferred to share capital. The equity portion of the convertible promissory note included in contributed surplus of $69,090 was transferred to share capital upon conversion.

On October 11, 2017, the Company received cash proceeds of $275,000 from the issuance of a convertible promissory note. The promissory note bears simple interest at 5% per annum and principal and interest due on August 31, 2019. The promissory note is convertible into common shares of the Company at a conversion price of $0.20 at any time during the term of the promissory note. Each unit comprises of a common share and one half warrant exercisable at $0.40 per common share, expiring in 18 months. The value of the liability was determined by discounting the future principal and interest payments until August 31, 2019, at a discount rate of 18%, which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. The Company allotted the total proceeds received between the promissory notes payable and equity to account for the conversion feature. The fair value of the promissory notes was deemed to be $217,251. The residual value of $57,749, was allocated to equity. On December 15, 2017, the promissory note was converted into 1,375,000 units at $0.20 per unit. The carrying value of convertible promissory notes amounting to $227,673 was transferred to share capital. The equity portion of the convertible promissory note included in contributed surplus of $57,749 was transferred to share capital upon conversion.

Accretion interest expense of $19,064 was recorded for the year ended December 31, 2017.

April 2018 Convertible Debenture:

On April 27, 2018, the Company received cash proceeds of $2,013,000 from the issuance of a convertible debenture. The debenture bears simple interest at 8% per annum and principal and interest payable on a semi-annual basis in June and December of each year until the earlier of conversion or maturity on April 30, 2020. The debenture is convertible into common shares of the Company at a conversion price of $0.33 per share at any time during the term of the debenture. The value of the liability was determined by discounting the future principal and interest payments until April 30, 2020, at a discount rate of 18%, which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. The Company allotted the total proceeds received between the debenture and equity to account for the conversion feature. The Company incurred debt issuance costs of $56,500 related to legal fees. These transaction costs have been allocated to the liability and equity components based on their pro-rata fair values. The fair value of the debenture liability was deemed to be $1,750,520. The residual value of $262,480, was allocated to equity.

On July 9, 2018, the debenture was converted into 6,190,822 common shares at $0.33 per unit, determined based on the face value of the debt and interest. The carrying value of convertible debenture amounting to $2,011,954 including the equity portion of the convertible debenture included in contributed surplus in the amount of $262,480 was transferred to share capital upon conversion.

Accretion interest expense of $25,484 was recorded for the year ended December 31, 2018 (2017 - $Nil).

September 2018 Convertible Debenture:

On September 17, 2018, the Company received cash proceeds of $10,000,000 from the issuance of a convertible debenture. The debenture bears simple interest at 8% per annum and principal and interest payable on a semi-annual basis in June and December of each year until the earlier of conversion or maturity on September 17, 2021. The debenture is convertible into common shares of the Company at a conversion price of $0.35 at any time during the term of the debenture.

Beginning January 18, 2019, the Company may force the conversion of the entire principal amount of the then outstanding debenture at the conversion price upon 30 days written notice if the daily volume weighted average price of the Company's common shares exceeds $0.65 per share for 10 consecutive trading days. Concurrently with the debenture issuance, the lenders received 14,290,000 warrants exercisable at $0.45, expiring on September 17, 2021.

The convertible debenture was determined to be a compound instrument, comprising of a liability, conversion feature, and warrants. As the debenture is convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 20%, which is estimated to be the borrowing rate available to the Company for similar instruments of debt having no conversion rights. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves in the statement of financial position.

The Company incurred debt issuance costs of $763,297 related to the issuance of debenture. These transaction costs have been allocated to the liability and equity components of the debenture and warrants on their pro-rata fair values. The fair value of the debenture liability was deemed to be $7,019,498. The residual value of $2,217,205 was allocated to equity, which was offset by a deferred tax expense in the amount of $636,060, resulting in a net value of $1,581,145 attributed to the equity components (*Note 13*). The carrying value of the debenture amount, net of the equity components and the issuance cost have been accreted using the effective interest rate method over the term of the debenture, such that the carrying amount of the financial liability will equal the principal balance at maturity.

Accretion interest expense of $210,355 was recorded for the year ended December 31, 2018 (2017 - $Nil).

15. RELATED PARTY TRANSACTIONS AND BALANCES

The balance owing to shareholder as at December 31, 2018 was $7,600 (December 31, 2017 - $7,600) as disclosed in Note 9. Included in accounts payable are amounts owing to related parties in the normal course of business is $Nil as at December 31, 2018 (December 31, 2017 - $Nil).

(Expressed in Canadian Dollars)

Key management personnel compensation was comprised of:

	2018 $	2017 $
Salaries and benefits	**542,722**	189,714
Management bonus	**1,733,706**	-
Share based compensation	**979,516**	-
	3,255,944	189,714

16. MORTGAGES PAYABLE

On July 19, 2018, the Company obtained financing by way of a vendor take-back first mortgage (the "237A Mortgage") in the amount of $2,990,000 as part of the purchase of the 237A Advance Blvd. property. The 237A Mortgage bears interest at the rate of 7% per annum, calculated quarterly, not in advance, repayable in monthly installments of interest only, maturing on July 19, 2019. The mortgage is secured by a first charge on the respective property.

On November 26, 2018, the Company obtained financing by way of a vendor take-back first mortgage (the "237B Mortgage") in the amount of $2,000,000 as part of the purchase of the 237B Advance Blvd. property. The 237B Mortgage bears interest at the rate of 7.5% per annum, calculated quarterly, not in advance, repayable in monthly installments of interest only, maturing on November 26, 2019. The mortgage is secured by a first charge on the respective property.

Total interest expense in relation to the above mortgages for the year ended December 31, 2018 was $85,180 (2017 - $Nil) (Note 7).

17. CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach during the year. The Company considers its cash and cash equivalents as capital.

18. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, currency risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company's management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk 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 risk appetite.

Financial risk management

The Company's financial risk management polices are established to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls, and to monitor risks and adherence to limits. The financial risk management polices and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to upload a disciplined and constructive control environment in which all employees understand their roles and obligations.

Measurement and classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

- Level 3 – Inputs that are not based on observable market date.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash. In order to reduce risk from its cash balance, the Company ensures to place funds with a highly reputable financial institution.

(b) Liquidity risk

As at December 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities which has contractual maturity dates within one year, convertible debt liability which has a contractual maturity within three years, due from shareholders which does not have a contractual maturity and mortgages payable which have a contractual maturity within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as at December 31, 2018, management regards liquidity risk to be low.

(c) Foreign currency risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate. The Company is not exposed to this risk as it does not have any foreign currency transactions or balances.

(d) Interest rate risk

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

19. COMMITMENTS

As of December 31, 2018, the Company does not have any significant commitments.

20. SUBSEQUENT EVENTS

On January 11, 2019, PureSinse, wholly owned subsidiary of Pure Global, received a sales license under Cannabis Act. PureSinse commenced selling products into medical consumer market in January 2019 via newly launched eCommerce website at PureSinse.com.

On January 29, 2019, the Company, through its subsidiary PureSinse, acquired all of the issued and outstanding shares of SPRQ Health Group Corp. o/a SPARK ("SPARK"), a Brampton-based cannabis clinic helping patients to obtain safe access to medical cannabis with in-clinic, telephone, and telehealth-based consultations. Pursuant to the share purchase agreement, the Company paid $100,000 and issued 480,000 common shares of the Company to the vendor. The Company will issue a maximum of 1,120,000 additional common shares of the Company based on SPARK achieving certain operational milestones.

Subsequent to December 31, 2018, 350,000 stock options were awarded to various employees and consultants of the Company exercisable at $0.35 per option. These stock options will vest at 20% on each anniversary date expiring in five years from the grant date.