PURE GLOBAL CANNABIS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

PURE GLOBAL CANNABIS INC.

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(UNAUDITED)

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 condensed interim 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 condensed interim 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 condensed interim 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.

August 28, 2019

/Malay Panchal/	*/ Chandra Panchal/*
Director	Director

PURE GLOBAL CANNABIS INC.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2019 (Unaudited) and December 31, 2018 (Audited)
(Expressed in Canadian Dollars)

	June 30, 2019 $	December 31, 2018 $
ASSETS		
Current		
Cash and cash equivalents	700,701	7,737,135
Accounts receivable	869,273	-
Sales tax recoverable	1,216,652	766,609
Inventory *(Note 6)*	1,785,572	2,281,202
Prepaid expenses and deposits	370,422	1,024,740
	4,942,620	11,809,686
Property and equipment (*Note 7)*	12,951,527	10,376,001
Intangible assets (*Note 8)*	137,362	55,645
Goodwill (*Note 13, 14)*	851,676	-
Total assets	18,883,185	22,241,332
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,161,470	859,078
Due to shareholder (*Note 9*)	-	7,600
Mortgages payable (*Note 17*)	4,990,000	4,990,000
	7,151,470	5,856,678
Convertible debt *(Note 15)*	5,595,306	7,229,853
Total liabilities	12,746,776	13,086,531
Shareholders' Equity		
Share capital (*Note 10)*	34,040,317	31,341,765
Contributed surplus (*Note 12)*	55,713	-
Warrants (*Note 12)*	1,533,416	1,589,129
Share based payment reserve (*Note 11*)	1,563,523	1,195,870
Equity portion of convertible debt *(Note 15)*	869,987	1,086,673
Contingently issuable shares *(Note 10)*	280,000	-
Deficit	(32,206,547)	(26,058,636)
Total shareholders' equity	6,136,409	9,154,801
Total liabilities and shareholders' equity	18,883,185	22,241,332

Going concern (Note 2)
Commitments (Note 20)

Approved on behalf of the Board of Directors on August 28, 2019

/Malay Panchal / — *Director*

/Chandra Panchal / — *Director*

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

PURE GLOBAL CANNABIS INC.
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the Three and Six Months Ended June 30, 2019 and 2018

(Unaudited)
(Expressed in Canadian Dollars)

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	$	$	$	$
Revenue	1,007,245	-	1,031,262	-
Cost of sales	1,290,624	-	1,292,175	-
Gross loss	(283,379)	-	(260,913)	-
Expenses				
Salaries and wages	1,090,407	314,179	2,143,865	517,994
Management bonus *(Note 10(f))*	-	866,853	-	866,853
Occupancy costs	172,453	63,310	277,157	129,751
Consulting fees	217,600	66,935	401,425	127,098
Share based compensation *(Note 11)*	165,829	150,836	367,653	653,747
Professional fees	161,489	373,380	354,930	539,717
General and administrative	327,581	101,665	597,235	146,649
Marketing and promotion	433,313	-	666,942	-
Investor relations	60,754	-	501,572	-
Depreciation and amortization *(Notes 7, 8)*	140,219	42,571	258,240	70,781
	2,769,645	1,979,729	5,569,019	3,052,590
Loss before undernoted items	(3,053,024)	(1,979,729)	(5,829,932)	(3,052,590)
Other expense (income)				
Accretion expense *(Note 15)*	133,667	17,639	288,887	20,299
Interest expense *(Note 15)*	125,122	27,296	275,422	33468
Investment tax credit	(260,872)	-	(260,872)	-
Ontario innovation tax credit	(64,890)	-	(64,890)	-
Loss before income taxes	(2,986,051)	(2,024,664)	(6,068,479)	(3,106,357)
Deferred tax expense	13,055	-	79,432	-
Net loss and comprehensive loss	(2,999,106)	(2,024,664)	(6,147,911)	(3,106,357)
Loss per share - basic and diluted	(0.02)	(0.03)	(0.04)	(0.05)
Weighted average number of common shares - basic and diluted	155,358,868	62,894,362	153,526,900	66,219,679

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

PURE GLOBAL CANNABIS INC.
Condensed Interim Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2019 and June 30, 2018
(Unaudited)
(Expressed in Canadian Dollars)

		Share capital								
		Number of Shares	**Share Capital** *(Note 10)*	**Contributed Surplus** *(Note 12)*	**Warrant Reserve** *(Note 12)*	**Share Based Payment Reserve** *(Note 11)*	**Contingently issuable shares** *(Note 10)*	**Equity Portion of Debt** *(Note 15)*	**Accumulated Deficit**	**Total**
	(Note 10)	#	$	$	$	$	$	$	$	$
Balance, January 1, 2018		**57,086,700**	**2,249,028**	**-**	**585,221**	**71,864**	**-**	**69,090**	**(2,640,236)**	**334,967**
Conversion of promissory note	a	1,824,905	522,275	-	-	-	-	(69,090)	-	453,185
Issued in exchange for services	b	107,993	30,238	-	-	-	-	-	-	30,238
Issued in settlement of cash	c	4,132,119	1,147,793	-	-	-	-	-	-	1,147,793
Shares issued in exchange of advisory services	d	40,100	7,218	-	-	-	-	-	-	7,218
Less: Amount allocated to warrants	e	-	(209,664)	-	209,664	-	-	-	-	-
Issued in settlement of management bonus	f	3,095,904	866,853	-	-	-	-	-	-	866,853
Equity component of convertible debt		-	-	-	-	-	-	262,480	-	262,480
Stock-based compensation		-	-	-	-	653,747	-	-	-	653,747
Net and comprehensive loss for the period		-	-	-	-	-	-	-	(3,106,357)	(3,106,357)
Balance, June 30, 2018		**66,287,721**	**4,613,741**	**-**	**794,885**	**725,611**	**-**	**262,480**	**(5,746,593)**	**650,124**
Balance, January 1, 2019		**147,844,802**	**31,341,765**	**-**	**1,589,129**	**1,195,870**	**-**	**1,086,673**	**(26,058,636)**	**9,154,801**
Conversion of debenture	i	7,785,711	2,291,052	-	-	-	-	(216,686)	-	2,074,366
Issuance of shares on Spark Clinic acquisition	j	480,000	120,000	-	-	-	-	-	-	120,000
Shares issuable	j	-	-	-	-	-	280,000	-	-	280,000
Issuance of shares on GCHC acquisition	k	2,500,000	287,500	-	-	-	-	-	-	287,500
Stock-based compensation		-	-	-	-	367,653	-	-	-	367,653
Amount allocated from Warrants		-	-	55,713	(55,713)	-	-	-	-	-
Net and comprehensive loss for the period		-	-	-	-	-	-	-	(6,147,911)	(6,147,911)
Balance, June 30, 2019		**158,610,513**	**34,040,317**	**55,713**	**1,533,416**	**1,563,523**	**280,000**	**869,987**	**(32,206,547)**	**6,136,409**

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

PURE GLOBAL CANNABIS INC.
Condensed Interim Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2019 and 2018
(Unaudited)
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Operating activities		
Net loss	(6,147,911)	(3,106,357)
Adjustments for items not affecting cash:		
Deferred tax expense	79,432	-
Depreciation and amortization *(Notes 7, 8)*	258,240	70,781
Share based compensation (*Note 11*)	367,653	653,747
Accretion expense (*Note 15*)	288,887	20,299
Interest expense	-	29,290
Shares issued for services	-	37,456
Shares issued for management bonus	-	866,853
Changes in non-cash working capital items:		
Accounts receivable	(869,273)	-
Sales tax recoverable	(450,043)	(105,636)
Inventory	495,630	(425,000)
Prepaid expenses and deposits	654,318	(961,935)
Accounts payable and accrued liabilities	1,369,716	415,941
Deferred rent obligation	-	3,600
Cash used in operating activities	(3,953,351)	(2,500,961)
Investing activities		
Additions to property and equipment	(2,815,257)	(466,070)
Additions to intangible assets	(100,226)	-
Acquisition of SPARK *(Note 13)*	(100,000)	-
Acquisition of GCHC *(Note 14)*	(60,000)	-
Cash used in investing activities	(3,075,483)	(466,070)
Financing activities		
Due to shareholder (*Note 9)*	(7,600)	-
Convertible debt (*Note 15)*	-	2,013,000
Proceeds from shares issued, net of issuance cost	-	1,147,793
Cash provided by financing activities	(7,600)	3,160,793
Net increase (decrease) in cash and cash equivalents	(7,036,434)	193,762
Cash and cash equivalents, beginning of period	7,737,135	237,949
Cash and cash equivalents, end of period	700,701	431,711
Supplmentary cash flow information		
Interest paid	20,767	5,593
Taxes paid	-	-

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

The accounting for the Transaction resulted in the following:

(i) The condensed interim 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 condensed interim 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. PureSinse commenced selling products into medical consumer market in February 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. ("SPARK") as disclosed in Note 13.

On June 5, 2019, the Company acquired all of the issued and outstanding shares of The Great Canadian Hemp Company Ltd. ("GCHC") as disclosed in Note 14.

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 condensed interim 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 June 30, 2019, the Company had a negative working capital of $2,208,850. As of December 31, 2018, Company's working capital was $5,953,008. The Company has incurred a net loss and comprehensive loss of

$6,147,911 and negative cash flows from operations of $3,953,351 during the six months period ended June 30, 2019.

The Company has incurred a net loss and comprehensive loss of $2,999,106 and negative cash flows from operations of $1,948,980 during the three month period ended June 30, 2018. As at June 30, 2019 and December 31, 2018 the Company had accumulated deficit of $32,206,547 and $26,058,636, respectively.

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 secure additional financing required for its operations. Accordingly, these factors indicate material uncertainties that may cause significant doubt as to the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

(a) Statement of compliance

The Company prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The condensed interim consolidated financial statements are in compliance with IAS 34. Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with IFRS have been omitted or condensed.

These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018 except for the accounting standards adopted on January 1, 2019 as described in Note 4 and newly adopted accounting policies noted in Note 5.

The Board of Directors approved these condensed interim consolidated financial statements on August 28, 2019.

(c) Basis of presentation

These condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

(d) Functional and presentation currency

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

(e) Basis of consolidation

These condensed interim 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 June 30, 2019, these condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: PureSinse Inc., 237A Advance Inc., 237B Advance Inc, SPRQ Health Group Corp. and The Great Canadian Hemp Company Ltd.

4. ACCOUNTING STANDARDS IMPLEMENTED IN 2019

The following accounting standard came into effect commencing in the Company's 2019 fiscal year:

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. There is no impact of adopting IFRS 16 on the Company's condensed interim consolidated financial statements.

Uncertainty over income tax treatments

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 became effective for fiscal years beginning on or after January 1, 2019, with earlier application permitted. The Company has adopted this interpretation as of its effective date and has assessed no significant impact as a result of the adoption of this interpretation

5. ACCOUNTING POLICIES ADOPTED IN 2019

Significant Accounting Policies

The accounting policies applied by the Company in these Condensed Interim Consolidated Financial Statements are the same as those applied by the Company in its Consolidated Financial Statements for the year ended December 31, 2018 except for updates made to the following:

(a) Revenue recognition

The Company adopted the following revenue recognition standard and accounting policy in 2019.

IFRS 15 – Revenue from contracts with customers ("IFRS 15")

Effective January 1, 2019, the Company adopted IFRS 15. IFRS 15 supersedes previous accounting standards for revenue, including International Accounting Standards IAS 18 – Revenue.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of cannabis is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the product leaves the Company's premises. Revenue from providing services are recognized when the service is performed. Revenue is recognized at the fair value of the consideration received or receivable.

(b) Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed in statement of operations and comprehensive income (loss).

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired or net liabilities assumed, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

(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:

	June 30, 2019	December 31, 2018
	$	$
Dry bud	**1,483,613**	2,008,405
Oil Inventory	**238,097**	238,097
Supplies and Consumables	**63,862**	34,700
	1,785,572	2,281,202

There was no impairment of inventory recorded during the above periods.

7. PROPERTY AND EQUIPMENT

	Building improvements	Building	Land	Furniture and fixtures	Equipment	Computer hardware	Security system	Total
	$	$	$	$	$	$	$	$
Cost								
At January 1, 2018	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
At December 31, 2018	1,482,566	5,255,439	2,747,227	59,901	787,647	40,490	222,978	10,596,248
Additions	1,567,999	166,398	-	10,181	967,902	21,210	81,568	2,815,257
As at June 30, 2019	3,050,565	5,421,837	2,747,227	70,082	1,755,549	61,700	304,546	13,411,505
Accumulated Depreciation								
At January 1, 2018	26,227	-	-	751	1,093	373	17,273	45,717
Additions	75,709	2,513	-	8,431	39,985	5,809	42,083	174,530
At December 31, 2018	101,936	2,513	—	9,182	41,078	6,182	59,356	220,247
Depreciation	95,497	7,826	-	6,236	100,802	7,073	22,297	239,732
As at June 30, 2019	197,433	10,339	-	15,418	141,880	13,255	81,653	459,979
Net book value								
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
As at June 30, 2019	2,853,132	5,411,498	2,747,227	54,664	1,613,669	48,445	222,892	12,951,527

Depreciation expense recorded for the three and six months ended June 30, 2019 is $130,558 and $239,732. Depreciation has been recorded on property and equipment from the date when these assets have been available for use.

Total borrowing cost capitalized as part of property and equipment for the three and six months ended June 30, 2019 is $148,492 (2018 - $Nil) and $297,983 (2018 - $Nil).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

	System software $	Website development $	Total $
Cost			
At January 1, 2018	**32,007**	**-**	**32,007**
Additions	**6,617**	**35,527**	**42,144**
At December 31, 2018	**38,624**	**35,527**	**74,151**
Additions	**100,226**	**-**	**100,226**
As at June 30, 2019	**138,850**	**35,527**	**174,377**
Accumulated Amortization			
At January 1, 2018	**7,469**	**-**	**7,469**
Additions	**11,037**	**-**	**11,037**
At December 31, 2018	**18,506**	**-**	**18,506**
Amortization	**12,587**	**5,921**	**18,508**
As at June 30, 2019	**31,093**	**5,921**	**37,014**
Net book value			
At December 31, 2018	**20,118**	**-**	**55,645**
As at June 30, 2019	**107,757**	**29,606**	**137,362**

Amortization expense recorded for the three and six months ended June 30, 2019 is $9,661 and $18,508, respectively. 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:

2018 Transactions

a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) 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.

g) 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%.

h) 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 15).

2019 Transactions

i) From February 1, 2019 to March 11, 2019, the Company issued 6,585,711 common shares at $0.35 per share as a result of a partial conversion of outstanding convertible debentures with a face value of principal of $2,305,000. The carrying value of convertible promissory notes amounting to $1,675,421 and equity portion of the debt $250,479, net of deferred tax amounting to $66,377 was transferred to share capital upon conversion.

From May 21, 2019 to June 26, 2019, the Company issued 1,200,000 common shares at $0.35 per share as a result of a partial conversion of outstanding convertible debentures with a face value of principal of $420,000. The carrying value of convertible promissory notes amounting to $319,512 and equity portion of the debt net of deferred tax amounting to $45,640, net of deferred tax $13,055 was transferred to share capital upon conversion.

j) Pursuant to the share purchase agreement, as disclosed in Note 13, the Company issued 480,000 common shares of the Company to the SPRQ Health Group Corp. o/a SPARK (“SPARK”) at $0.25 per share amounting to $120,000. The Company will contingently issue a maximum of 1,120,000 additional common shares of the Company, upon SPARK achieving certain operational milestones, at a share price a day prior to the closing date totally to $280,000.

k) On June 5, 2019, the Company issued 2,500,000 common shares to acquire all the issued and outstanding shares of The Great Canadian Hemp Company Ltd.as disclosed in Note 14. These shares were recorded at $0.115 per share determined based on the share price on the closing date amounting to $287,500. These shares are held in escrow and will be released based on a 18 month share release schedule.

(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 seven years.

A summary of the status of the Company's stock options as at June 30, 2019 and December 31, 2018 is as follows:

	Number of options (#)	Weighted average exercise price ($)
Balance, January 1, 2018	**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**
Issued during the period	50,000	0.35
Issued during the period	255,000	0.25
Forfeited	(275,000)	0.33
Balance, June 30, 2019	**13,980,000**	**0.23**

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

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.

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%.
On January 9, 2019, 75,000 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 $1,699.

On March 31, 2019, the Company issued 50,000 stock options to an employee. Each option is exercisable at $0.35 per common share, vesting one-fifth over each anniversary date and expiring on March 31, 2026. 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%.

On April 30, 2019, the Company issued 255,000 stock options to an employee. Each option is exercisable at $0.25 per common share, vesting one-third over each anniversary date and expiring on March 31, 2012. The fair value of options has been determine 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%.

During the three month period ended June 30, 2019, 200,000 stock options previously issued to employees at an exercise price of $0.33 were forfeited. As a result, the Company reversed the previously recorded stock-based compensation expense of $18,143.

The fair value of options expensed during the six month period ended June 30, 2019 amounted to $367,653 (2018 - $653,747) and has been included in share based compensation expense and share based payment reserve. The fair value of options expensed during the three month period ended June 30, 2019 amounted to $165,829 (2018 - $150,836) and has been included in share based compensation expense and share based payment reserve.

As at June 30, 2019, the Company had 13,980,000 stock options outstanding. 6,755,000 of these stock options were vested as at June 30, 2019.

(Expressed in Canadian Dollars)

12. WARRANTS

A summary of the status of the Company's warrants as at June 30, 2019 and December 31, 2018 is as follows:

	Number of warrants #	Weighted average exercise price $
Balance, January 1, 2018	**17,458,670**	**0.17**
Issued during the year	18,322,508	0.44
Balance, December 31, 2018	**35,781,178**	**0.31**
Expired during the year	(1,223,804)	(0.40)
Balance, December 31, 2018 and March 31, 2019	**34,557,374**	**0.34**

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(b, c, e)*). 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 15*). 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.

During the three months ended June 30, 2019, 1,223,804 warrants were expired. The fair value of these warrants amounting to $55,713 was transferred from warrant reserve to contributed surplus.

There were no warrants issued during the three and six month period ended June 30, 2019.

The exercise price and expiry date of all warrants outstanding as at June 30, 2019 are as follows:

Warrants #	Exercise Price $	Expiry period
2,437,061	**0.18**	18 Months Post Go-Public Transaction
13,797,805	**0.15**	18 Months Post Go-Public Transaction
1,000,000	**0.04**	April 20, 2022
3,032,508	**0.50**	24 Months from the date of issuance
14,290,000	**0.45**	36 Months from the date of issuance
34,557,374		

(Expressed in Canadian Dollars)

13. ACQUISITION OF SPRQ HEALTH GROUP CORP.

On January 29, 2019, the Company, through its subsidiary PureSinse, acquired all of the issued and outstanding shares of SPRQ Health Group Corp. ("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 in cash and issued 480,000 common shares of the Company to the vendor at $0.25 per share amounting to $120,000. The Company will contingently issue a maximum of 1,120,000 additional common shares of the Company, upon SPARK achieving certain operational milestones, at a share price a day prior to the closing date amounting to $280,000.

The contingent consideration of shares has been classified as equity, as the number of shares to be issued has been fixed based on the Company's share price a day prior to the closing date. Management assessed the probability of the issuance of the contingent shares to be highly probable. The total fair value of the contingently issuable shares is estimated to be $280,000.

The purchase price has been provisionally allocated as follows:

Consideration	Amount ($)
Cash	100,000
480,000 common shares at a value of $0.25 per share	120,000
Contingently issuable 1,120,000 common shares at a value of $0.25 per share	280,000
	500,000
Net liabilities assumed	3,031
Provisional amount allocated to Goodwill	503,031

14. ACQUISITION OF THE GREAT CANADIAN HEMP COMPANY LTD.

On June 5, 2019, the Company acquired all of the issued and outstanding shares of The Great Canadian Hemp Company Ltd., Ottawa-based life sciences and consumer products, a company that creates organic vegan hemp-based, all-natural skin and hair products, and promotes sustainability, organic beauty, and mindfulness. Pursuant to the share purchase agreement, the consideration is payable $60,000 in cash and 2,500,000 common shares of the Company. These shares were recorded at $0.115 per share determined based on the share price on the closing date amounting to $287,500. These shares are held in escrow and will be released based on a 18 month share release schedule.

The purchase price has been provisionally allocated as follows:

Consideration	Amount ($)
Cash	60,000
2,500,000 common shares at a value of $0.115 per share	287,500
	347,500
Net liabilities assumed	1,145
Provisional amount allocated to Goodwill	348,645

15. CONVERTIBLE DEBT

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.

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 convertible debt 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. 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.

2019 Conversions

During the six months ended June 30, 2019, $2,725,000 convertible debentures were converted into 7,785,714 common shares at $0.35 per share as a result of a partial conversion of the outstanding convertible debentures. (Note 10(i)). The face value of remaining convertible debentures is $7,275,000 and fair value of the convertible debt liability is $5,595,306 as at June 30, 2019. The equity portion of convertible debt was adjusted to $869,987 net of the impact of deferred tax liability of $79,432.

During the three months ended June 30, 2019, $420,000 convertible debentures were converted into 1,200,000 common shares at $0.35 per share as a result of a partial conversion of the outstanding convertible debentures (Note 10(i)).

Accretion interest expense of $288,887 was recorded for the six months ended June 30, 2019 (2018- $20,299) in the statements of operations and comprehensive loss, and accretion interest of $71,500 (2018-$Nil) was capitalized as property and equipment.

Interest expense of $275,422 was recorded for the six months ended June 30, 2019 (2018- $33,468) in the statements of operations and comprehensive loss, and interest of $63,500 (2018-$Nil) was capitalized as property and equipment.

Accretion interest expense of $133,667 was recorded for the three months ended June 30, 2019 (2018- $17,639) in the statements of operations and comprehensive loss, and accretion interest of $36,000 (2018-$Nil) was capitalized as property and equipment.

Interest expense of $125,122 was recorded for the three months ended June 30, 2019 (2018- $27,296) in the statements of operations and comprehensive loss, and interest of $31,000 (2018-$Nil) was capitalized as property and equipment.

(Expressed in Canadian Dollars)

16. RELATED PARTY TRANSACTIONS AND BALANCES

The balance owing to shareholder as at June 30, 2019 was $Nil (December 31, 2018 - $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 June 30, 2019 (December 31, 2018 - $Nil).

Key management personnel compensation for the six month ended June 30, 2019 and 2018 was comprised of:

	2019	2018
	$	$
Salaries and benefits	**305,236**	255,721
Management bonus	**-**	866,853
Share based compensation	**155,666**	530,244
	460,902	1,652,818

17. 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 Company is in the process of finalizing the renewal agreement with the mortgagor. 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 paid in relation to the above mortgages for the three and six months ended June 30, 2019 is $89,825 (2018 - $Nil) and $179,650 (2018 - $Nil), respectively. The interest capitalized into property and equipment at a weighted average interest rate of 7% for the three and six months ended June 30, 2019 is $81,492 (2018 - $Nil) and $162,983 (2018 - $Nil).

18. 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.

19. 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 policies 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 June 30, 2019, 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 June 30, 2019, 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.

20. COMMITMENTS

The Company has office space leases expiring in November 30, 2019 and December 31, 2019. The Company's total future monthly rental payments for theses leases for 2019 is $261,500.