



PURE GLOBAL CANNABIS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND MARCH 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The Corporation'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 interim financial statements by an entity's auditor

PURE GLOBAL CANNABIS INC.

FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND MARCH 31, 2018

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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.

May 27, 2019

/Malay Panchal/
Director

/ Chandra Panchal/
Director

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

	March 31, 2019	December 31, 2018
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	3,552,547	7,737,135
Accounts receivable	18,250	-
Sales tax recoverable	1,068,719	766,609
Inventory (Note 6)	2,935,910	2,281,202
Prepaid expenses and deposits	527,249	1,024,740
	8,102,675	11,809,686
Property and equipment (Note 7)	11,934,985	10,376,001
Intangible assets (Note 8)	56,580	55,645
Goodwill (Note 13)	503,031	-
Total assets	20,597,271	22,241,332
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,512,401	859,078
Due to shareholder (Note 9)	-	7,600
Mortgages payable (Note 16)	4,990,000	4,990,000
	6,502,401	5,856,678
Convertible debt (Note 14)	5,745,152	7,229,853
Total liabilities	12,247,553	13,086,531
Shareholders' Equity		
Share capital (Note 10)	33,387,764	31,341,765
Warrants (Note 12)	1,589,129	1,589,129
Share based payment reserve (Note 11)	1,397,694	1,195,870
Equity portion of convertible debt (Note 14)	902,572	1,086,673
Contingently issuable shares (Note 10)	280,000	-
Deficit	(29,207,441)	(26,058,636)
Total shareholders' equity	8,349,718	9,154,801
Total liabilities and shareholders' equity	20,597,271	22,241,332

Going concern (Note 2)

Commitments (Note 19)

Subsequent events (Note 20)

Approved on behalf of the Board of Directors on May 27, 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 months period ended March 31, 2019 and March 31, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
Revenue	24,017	-
Cost of sales	1,551	-
Gross profit	22,466	-
Expenses		
Salaries and wages	1,053,458	203,815
Occupancy costs	104,704	66,441
Consulting fees	183,825	60,163
Share based compensation <i>(Note 11)</i>	201,824	502,911
Professional fees	193,441	166,336
General and administrative	269,654	44,984
Marketing and promotion	233,629	-
Investor relations	440,818	-
Depreciation and amortization <i>(Notes 7, 8)</i>	118,021	28,211
	2,799,374	1,072,861
Loss from operations	2,776,908	1,072,861
Other expense (income)		
Accretion expense <i>(Note 14)</i>	155,220	2,660
Interest expense <i>(Note 14)</i>	150,300	6,172
Loss before income taxes	3,082,428	1,081,693
Deferred tax recovery	66,377	-
Net loss and comprehensive loss	(3,148,805)	(1,081,693)
Loss per share - basic and diluted	(0.02)	(0.02)
Weighted average number of common shares		
- basic and diluted	151,674,579	59,532,097

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 Three Months Period Ended March 31, 2019 and December 31, 2018
(Unaudited)
(Expressed in Canadian Dollars)

	Share capital								
		Number of Shares	Share Capital (Note 10)	Warrant Reserve (Note 12)	Share Based Payment Reserve (Note 11)	Contingently issuable shares (Note 10)	Equity Portion of Debt (Note 14)	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
Issued in settlement of cash	c	4,132,119	1,147,793	-	-	-	-	-	1,147,793
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
Shares issued in exchange of advisory services	d	40,100	7,218	-	-	-	-	-	7,218
Less: Amount allocated to warrants	e	-	(209,664)	209,664	-	-	-	-	-
Equity component of convertible debt		-	-	-	-	-	262,480	-	262,480
Issued in settlement of management bonus	f	3,095,904	866,853	-	-	-	-	-	866,853
Shares and warrants deemed to be issued on reverse takeover transaction	h	42,370,354	13,982,217	299,772	-	-	-	-	14,281,989
Shares issued to advisors for the completion of the reverse takeover transaction	h(ii)	2,000,000	660,000	-	-	-	-	-	660,000
Issued in settlement of management bonus	h(i)	3,095,905	866,853	-	-	-	-	-	866,853
Shares issued as a result of private placement	h(iii)	27,900,000	9,207,000	-	-	-	-	-	9,207,000
Conversion of debenture	h(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
Conversion of debenture	i	6,585,714	1,925,999	-	-	-	(184,101)	-	1,741,898
Issuance of shares on Spark Clinic's acquisition	j	480,000	120,000	-	-	-	-	-	120,000
Shares issuable	j	-	-	-	-	280,000	-	-	280,000
Stock-based compensation		-	-	-	201,824	-	-	-	201,824
Net and comprehensive loss for the period		-	-	-	-	-	-	(3,148,805)	(3,148,805)
Balance, March 31, 2019		154,910,516	33,387,764	1,589,129	1,397,694	280,000	902,572	(29,207,441)	8,349,718

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 Three Months Period Ended March 31, 2019 and 2018
(Unaudited)
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
Operating activities		
Net loss	(3,148,805)	(1,081,693)
<i>Adjustments for items not affecting cash:</i>		
Deferred tax recovery	66,377	
Depreciation and amortization (Notes 7, 8)	118,021	28,211
Share based compensation (Note 11)	201,824	502,911
Accretion expense (Note 14)	155,220	2,660
Interest expense	—	5,593
Shares issued for services	—	37,456
<i>Changes in non-cash working capital items:</i>		
Accounts receivable	(18,250)	
Sales tax recoverable	(302,110)	(17,113)
Inventory	(654,708)	(100,000)
Prepaid expenses and deposits	497,491	(20,953)
Accounts payable and accrued liabilities	650,391	89,147
Deferred rent obligation	—	1,800
Cash used in operating activities	(2,434,549)	(551,981)
Investing activities		
Purchase of property and equipment and intangibles	(1,632,657)	(148,384)
Purchase of intangibles	(9,782)	—
Acquisition of Spark Clinic	(100,000)	—
Cash used in investing activities	(1,742,439)	(148,384)
Financing activities		
Due to shareholder (Note 9)	(7,600)	—
Proceeds from shares issued, net of issuance cost	—	1,147,793
Cash provided by financing activities	(7,600)	1,147,793
Net increase (decrease) in cash and cash equivalents	(4,184,588)	447,428
Cash and cash equivalents, beginning of period	7,737,135	237,949
Cash and cash equivalents, end of period	3,552,547	685,377
Supplementary 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:

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
	<u>14,281,989</u>
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	<u>(187,940)</u>
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	<u>978,128</u>
Listing expense	<u>15,448,057</u>

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. o/a SPARK ("SPARK") as disclosed in Note 13.

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 March 31, 2019, the Company's working capital was \$1,600,274 (December 31, 2018 - \$5,953,008). The Company has incurred a net loss and comprehensive loss of \$3,148,805 and negative cash flows from operations of \$2,399,049 during the three months period ended March 31, 2019. The Company has incurred a net loss and comprehensive loss of \$1,081,693 and negative cash flows from operations of \$551,981 during the three month period ended March 31, 2018. As at March 31, 2019 and December 31, 2018 has accumulated deficit of \$29,207,441 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 do so in the future. Accordingly, these factors indicate material uncertainties that may cast 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 May 27, 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 March 31, 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 and and SPRQ Health Group Corp.

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.

6. INVENTORY

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

	March 31, 2019	December 31, 2018
	\$	\$
Dry bud	2,654,613	2,008,405
Oil inventory	238,097	238,097
Supplies and consumables	43,200	34,700
	2,935,910	2,281,202

During the three months ended March 31, 2019, there was no impairment of inventory (December 31, 2018 – \$Nil).

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	749,712	84,957	-	904	832,040	545	-	1,668,158
As at March 31, 2019	2,232,278	5,340,396	2,747,227	60,805	1,619,687	41,035	222,978	12,264,406
Accumulated Depreciation								
At January 1, 2018	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
At December 31, 2018	101,936	2,513	-	9,182	41,078	6,182	59,356	220,247
Depreciation	42,689	3,886	-	2,995	45,081	3,375	11,148	109,174
As at March 31, 2019	144,625	6,399	-	12,177	86,159	9,557	70,504	329,421
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 March 31, 2019	2,087,653	5,333,997	2,747,227	48,628	1,533,528	31,478	152,474	11,934,985

Depreciation expense recorded for the three months ended March 31, 2019 is \$109,174 (2018 - \$28,211). Depreciation has been recorded on property and equipment from the date when these assets have been available for use.

Interest amounting to \$113,992 and accretion interest amounting to \$35,500 have been capitalized as part of property and equipment for the three months ended March 31, 2019 (2018 - \$Nil) (Note 14 and 16).

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	9,782	-	9,782
As at March 31, 2019	48,406	35,527	83,933
Accumulated Amortization			
At January 1, 2018	7,469	-	7,469
Amortization	11,037	-	11,037
At December 31, 2018	18,506	-	18,506
Amortization	5,886	2,961	8,847
As at March 31, 2019	24,392	2,961	27,353
Net book value			
At December 31, 2018	20,118	35,527	55,645
As at March 31, 2019	24,014	32,566	56,580

Amortization expense recorded for the three months ended March 31, 2019 is \$8,847 (2018 - \$Nil). 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 14).

- i) From February 1, 2019 to March 11, 2019, the Company issued 6,585,714 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 net of deferred tax amounting to \$184,101 was transferred to share capital upon conversion totalling to \$1,741,898.
- j) Pursuant to the share purchase agreement, as disclosed in Note 13, the Company 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 totally to \$280,000.

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 March 31, 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
Forfeited	(75,000)	0.33
Expired	-	-
Balance, March 31, 2019	13,925,000	0.23

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.

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%.

The fair value of options expensed during the three month period ended March 31, 2019 amounted to \$201,824 (2018 - \$502,911) and has been included in share based compensation expense and share based payment reserve.

Subsequent to March 31, 2019, 255,000 stock options were awarded to various employees and consultants of the Company exercisable at \$0.25 per option. These stock options will vest in equal parts on each anniversary date over three years expiring in five years from the grant date.

As at March 31, 2019, the Company had 13,925,000 stock options outstanding. 6,380,000 of these stock options were vested as at March 31, 2019.

12. WARRANTS

A summary of the status of the Company's warrants as at March 31, 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
Expired	-	-
Balance, December 31, 2018 and March 31, 2019	35,781,178	0.31

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.

The exercise price and expiry date of all warrants outstanding as at March 31, 2019 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. 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. 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 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 totally 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 consideration is estimated at \$280,000

The purchase price has been 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
Excess attributed to Goodwill	503,031

14. 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.

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 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 (*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.

During the three months ended March 31, 2019, \$2,305,000 convertible debentures were converted into 6,585,714 common shares at \$0.35 per share as a result of a partial conversion of the outstanding convertible debentures. The face value of remaining convertible debentures is \$7,695,000 (Note 10(i)) and fair value of the convertible debt liability is \$5,745,152 as at March 31, 2019. The equity portion of convertible debt was adjusted to \$902,572 net of the impact of deferred tax liability of \$66,377.

Accretion interest expense of \$155,220 was recorded for the three months ended March 31, 2019 (2018- \$2,660) in the statements of operations and comprehensive loss, and accretion interest of \$35,500 (2018-\$Nil) was capitalized as property and equipment.

Interest expense of \$150,300 was recorded for the three months ended March 31, 2019 (2018- \$6,172) in the statements of operations and comprehensive loss, and interest of \$32,500 (2018-\$Nil) was capitalized as property and equipment.

15. RELATED PARTY TRANSACTIONS AND BALANCES

The balance owing to shareholder as at March 31, 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 March 31, 2019 (December 31, 2018 - \$Nil).

Key management personnel compensation was comprised of:

	2019	2018
	\$	\$
Salaries and benefits	165,226	129,151
Share based compensation	81,658	451,820
	246,884	580,971

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 paid in relation to the above mortgages for the three months ended March 31, 2019 was \$89,825 (2018 - \$Nil), and \$81,492 were capitalized into buildings at a weighted average interest rate of 7% for the three months ended March 31, 2019 (December 31, 2018 - \$85,180) (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 policies 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 data.

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 March 31, 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 March 31, 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.

19. COMMITMENTS

As of March 31, 2019, the Company has a lease for office space in Mississauga, which expire on May 31, 2019. The Company's future monthly rental payments for leased premises are approximately \$23,500. Subsequent to year end the Company has entered into another lease agreement for its premises, which expire on December 31, 2019. The Company's future monthly rental payments for these leased premises are approximately \$20,000.

20. SUBSEQUENT EVENTS

On April 18, 2019, Pure Global entered into a binding letter agreement (the "Agreement") with Ottawa-based the Great Canadian Hemp Company, Ltd. ("GCHC"), pursuant to which the parties shall seek to enter into a share purchase agreement whereby Pure Global will acquire a 100% interest in GCHC.

As consideration, Pure Global will pay GCHC shareholders \$560,000 with \$60,000 payable in cash and \$500,000 payable through the issuance of common shares in the capital of Pure Global at a price equal to \$0.20 per share to be held in escrow and released pursuant to a 24-month schedule.