Green Growth Brands Inc.
Consolidated Financial Statements

For the year ended June 30, 2019 and 2018

(In United States Dollars)

To the Shareholders of Green Growth Brands Inc.:

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Green Growth Brands Inc. (the "Company"), reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial position and results of operations in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of consolidated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

The consolidated financial statements for the year ended June 30, 2019 have been audited by the Company's auditors, MNP LLP, and their report is presented herein.

"Peter Horvath"
Chief Executive Officer
October 23, 2019

"Brian Logan"
Chief Financial Officer

MNP SENCRL srl / LLP

Independent Auditor's Report

To the Shareholders of Green Growth Brands Inc.:

Opinion

We have audited the consolidated financial statements of Green Growth Brands Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended June 30, 2019 and the period from February 14, 2018 (the date of incorporation) to June 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended June 30, 2019 and for the period from February 14, 2018 to June 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss attributable to owners of the parent of $64,254,374 during the year ended June 30, 2019 and, as of that date, had negative working capital of $74,452,634. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

MNP SENCRL, srl[1]

Montréal, Québec

October 23, 2019

[1] FCPA auditor, FCA, public accountancy permit no. A122514

MNP SENCRL srl / LLP

GREEN GROWTH BRANDS INC.

Consolidated Statements of Financial Position
As at June 30, 2019 and June 30, 2018

(Expressed in United States dollars)

	Note		June 30, 2019		June 30, 2018
Assets					
Current Assets					
Cash		$	10,256,008	$	4,688,311
Short term investments	6		-		-
Receivables			580,529		-
Prepaid expenses			5,142,618		-
Inventories	7		10,244,804		-
Biological assets	8		1,352,097		-
Notes receivable	9		47,739		-
Other receivables	4		3,006,760		18,269
Deferred lease charges	10		727,518		-
			31,358,073		4,706,580
Property and equipment, net	11		18,761,723		-
Deposits and other assets	12		2,880,186		-
Deferred lease charges	10		2,606,940		-
Notes receivable	9		17,999,224		-
Intangible assets	14		39,925,984		-
Goodwill	15		36,253,417		-
Total assets		**$**	**149,785,547**	**$**	**4,706,580**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	16		16,328,784		316,768
Taxes payable	25		282,593		-
Due to related parties	23		317,535		-
Notes payable	17		45,762,540		-
Embedded derivative liability	19		1,496,214		-
Convertible Debenture	18		41,623,041		-
			105,810,707		316,768
Deferred tax liability	25		1,437,324		-
Shareholders' Equity					
Share capital	20		119,881,374		7,016,421
Reserve for warrants	21		9,054,624		-
Reserve for share based compensation	22		3,147,110		-
Accumulated deficit			(92,453,943)		(2,626,609)
Accumulated other comprehensive income			148,286		-
Total equity attributable to shareholders of Green Growth Brands Inc.			39,777,451		4,389,812
Non-controlling interest			2,760,065		-
Total equity			42,537,516		4,389,812
Total liabilities and equity		**$**	**149,785,547**	**$**	**4,706,580**

The comparative figures at June 30, 2018, represent those of Green Growth Brands Ltd.

Approved on behalf of the Board on October 23, 2019:

"Peter Horvath"
Director and Chief Executive Officer

"Carli Posner"
Director

Nature of operations *(note 1)*
Commitments (*note 29*) and Subsequent events *(note 30)*
The accompanying notes are an integral part of these consolidated financial statements.

GREEN GROWTH BRANDS INC.

Consolidated Statements of Loss and Comprehensive Loss
For the year ended June 30 2019 and for the period from February 14, 2018 to June 30, 2018

(Expressed in United States dollars)

	Note	June 30, 2019	June 30, 2018
Sales			
Revenue	24	$ 15,729,803	$ -
Cost of goods sold		16,404,133	-
Gross profit before fair value adjustments		(674,330)	-
Fair value change in biological assets included in inventory sold and other charges		662,212	-
Unrealized gain on changes in fair value of biological assets		(1,012,549)	-
Gross profit		(323,993)	-
Operating Expenses			
General and administrative		20,751,480	1,364,719
Legal and professional fees		15,423,098	1,163,810
Sales and marketing		8,632,651	-
Stock based compensation	22	3,839,254	-
Depreciation and amortization	11,14	1,191,682	-
Other income		(39,581)	-
		49,798,584	2,528,529
		(50,122,577)	(2,528,529)
Other expenses (income)			
Loss on equity investments	13	671,579	-
Gain in fair value of derivative liability		(2,739,549)	-
Interest expense		3,509,419	1,113
Accretion on convertible debenture	18	466,264	-
Foreign exchange loss		1,419,220	96,967
Realized gain on short term investments	6	(4,347,339)	-
Transaction costs	5	13,260,093	-
Net loss before listing fees and income taxes		**(62,362,264)**	**(2,626,609)**
Listing fees	4	767,245	-
Net loss after listing fees		**(63,129,509)**	**(2,626,609)**
Income taxes	25	1,202,300	-
Net loss after income taxes		**$ (64,331,809)**	**$ (2,626,609)**
Less: Non-controlling interest		77,435	-
Net Loss attributable to owners of the parent		**$ (64,254,374)**	**$ (2,626,609)**
Net loss per Common Share attributable to the parent			
Basic and Diluted	26	$ (0.40)	$ (0.05)
Weighted average common shares		161,188,156	54,794,120
Other comprehensive loss			
Exchange gain on translating foreign operations		148,286	-
Comprehensive loss		**$ (64,106,088)**	**$ (2,626,609)**

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

GREEN GROWTH BRANDS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in United States dollars)

	Note	Common Shares	Proportionate Voting Shares	Share Capital	Reserves: Share based Payments	Reserves: Warrants	Deficit	Accumulated Other Comprehensive loss	Non controlling Interest	Total
Balance at inception at February 14, 2018		2	-	$ 1	$ -	$ -	$ -	$ -	$ -	$ 1
Shares issued		79,010,261	-	7,016,420	-	-	-	-	-	7,016,420
Deficit		-	-	-			(2,626,609)	-	-	(2,626,609)
Balance at June 30, 2018		79,010,263	-	$ 7,016,421	$ -	$ -	$ (2,626,609)	$ -	$ -	$ 4,389,812
Shares issued for services	20	9,322,268	-	8,409,536	-	-	-	-	-	8,409,536
Shares issued under private placement, net of issuance costs	20	16,988,654	-	25,747,713	-	-	-	-	-	25,747,713
Debentures converted to common shares, net of issuance costs	4,20	46,127,001	38,194	60,804,445	-	-	-	-	-	60,804,445
Warrants issued in connection with Debentures	4,20	-	-	(14,809,779)	-	14,809,779	-	-	-	-
Issuance of shares to Xanthic	4,20	14,436,637	-	4,582,299	-	-	-	-	-	4,582,299
Issuance in connection with acquisitions	20	3,611,864	2,504	15,016,327	-	-	-	-	-	15,016,327
Acquisition of shares for cancellation		(27,300,000)	-	(40,589,640)	-	-	(25,572,960)	-	-	(66,162,600)
Warrants issued	21	-	-	-	-	3,726,928	-	-	-	3,726,928
Shares issued on warrant exercises	21	21,089,638	19,097	52,675,960	-	(9,482,083)	-	-	-	43,193,877
Shares issued on stock option exercises	22	502,000	-	335,948	-	-	-	-	-	335,948
Share based compensation	22	-	-	-	3,839,254	-	-	-	-	3,839,254
Shares issued on RSUs vested	22	212,636	-	692,144	(692,144)	-	-	-	-	-
Non-controlling interest in subsidiary		-	-	-	-	-	-	-	2,837,500	2,837,500
Exchange loss on translating foreign operations		-	-	-	-	-	-	148,286	-	148,286
Deficit		-	-	-	-	-	(64,254,374)	-	(77,435)	(64,331,809)
Balance at June 30, 2019		**164,000,961**	**59,795**	**$ 119,881,374**	**$ 3,147,110**	**$ 9,054,624**	**$ (92,453,943)**	**$ 148,286**	**$ 2,760,065**	**$ 42,537,516**

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

GREEN GROWTH BRANDS INC.

Consolidated Statement of Cashflow

For the year ended June 30, 2019, and for the period from February 14, 2018 to June 30, 2018

(Expressed in United States dollars)

	Note	June 30, 2019	June 30, 2018
Cashflow from Operating Activities			
Net loss for the period		$ (64,331,809)	$ (2,626,609)
Adjustments for:			
Stock based compensation	22	3,839,254	-
Shares and warrants issued for services	20	6,701,445	-
Depreciation and amortization	11,14	1,191,683	-
Deferred lease charges	10	303,132	-
Deferred tax expense	25	473,244	-
Accretion expense	18	466,264	-
Loss on equity investment	13	671,579	-
Realized gain on short term investment	6	(4,347,339)	-
Transaction costs	12,20	6,617,110	-
Fair value of embedded derivative liability		(2,739,549)	-
Net fair value adjustment on growth of biological assets		(350,337)	-
Foreign exchange on translation		1,402,691	-
Changes in non-cash working capital balances			
Receivables		(243,764)	-
Prepaid expenses		(5,142,618)	-
Other receivables		(761,169)	(18,269)
Inventories		(8,179,761)	-
Biological assets		(143,082)	-
Accounts payable and accrued liabilities		8,809,632	316,768
Income taxes payable		282,593	-
		(55,480,801)	(2,328,110)
Cashflow from Investing Activities			
Purchase of property and equipment	11	(9,802,924)	-
Purchase of software	14	(1,037,729)	-
Acquisition of businesses, net of cash acquired	4,5	(44,437,592)	-
Purchase of short term investments	6	(16,945,040)	-
Net proceeds from sale of short term investments	6	21,347,468	-
Proceeds from sale of equity investment	13	73,381	-
Advance on Henderson Organic Remedies LLC acquisition	9	(15,485,000)	-
Advances on acquisitions	12	(3,650,000)	-
Purchase of equity investment	13	(300,000)	-
		(70,237,436)	-
Cashflow from Financing Activities			
Shares issued on warrants and options exercised	21,22	43,514,989	-
Repayment of notes	5,17	(6,485,030)	-
Proceeds from convertible debentures, net of issuance costs	20	106,196,985	-
Proceeds from private placement share capital issued	20	25,747,713	7,016,421
Redemption of common shares	20	(37,170,000)	-
		131,804,657	7,016,421
Effect of exchange rates on cash		(518,723)	-
Increase in cash		5,567,697	4,688,311
Cash, beginning of period		4,688,311	-
Cash, end of period		**$ 10,256,008**	**$ 4,688,311**
Supplemental disclosure of cash flow information			
Interest paid		2,061,511	-
Income taxes paid		446,462	-
Other non-cash investing and financing activities			
Capital assets not yet paid for		5,773,117	
Redemption of common shares by issuance of promissory note		28,992,600	-

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

1. Nature of operations

Green Growth Brands Inc. (formerly Xanthic Biopharma Inc.) ("Company") was incorporated under the Ontario Business Corporations Act. The Company has two operating segments; the cultivation, production, distribution and retail selling of cannabis products, and the production and selling of CBD-infused personal care products through retail, digital and wholesale channels.

The Company completed a business combination ("Business Combination") between Xanthic Biopharma Inc. and Green Growth Brands Ltd. ("GGB") on November 9, 2018. Following the close of the Business Combination, all issued and outstanding GGB Shares, including shares issued in connection with the conversion of the GGB convertible debentures, were acquired by the Company, and as consideration, the Company issued to GGB shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares. In addition, the Company issued 152,777 proportionate voting shares in exchange for GGB proportionate voting shares. Finally, the Company reorganized its share structure and consolidated all the issued and outstanding shares on a basis of four (4) pre-Business Combination shares for one (1) post-Business Combination share.

The Business Combination constituted a reverse takeover transaction by GGB in accordance with IFRS 3 – *Business Combinations*, and as such, the consolidated financial statements reflect the continuation of GGB, and any comparative information provided prior to the reverse takeover are those of GGB. Subsequent to the closing of the reverse takeover, GGB changed its name to Green Growth Brands Inc. from Green Growth Brands Ltd.

Prior to the Business Combination, on September 4, 2018, Xanthic Biopharma Inc. ("Xanthic"), through GGB Nevada LLC ("GGB Nevada"), a wholly-owned subsidiary of Xanthic, completed the acquisition of Nevada Organic Remedies LLC ("NOR"), a vertically integrated medical and retail marijuana company based in Las Vegas, Nevada, for aggregate consideration of $56,750,000 (see Note 4). Subsequent to Business Combination on December 6, 2018, NOR was awarded seven additional dispensary licenses.

The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol GGB and on OTCQB venture market under the symbol GGBXF.

The Company's registered office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario M5L 1B9 and its principal place of business is located at 4300 East Fifth Ave. Columbus, Ohio 43219.

2. Basis of presentation and going concern

(a) Basis of preparation and statement of compliance

The policies applied in these consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized by the Company's Board of Directors on October 23, 2019.

(b) Basis of measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments and biological assets that are measured at fair value, as explained in the accounting policies described herein.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it has the power, directly or indirectly to govern the financial and operating policies of an entity, and it is exposed, or has rights, to variable returns from its involvement with the entity.

Subsidiaries	Jurisdiction of incorporation	Ownership interest
Xanthic Biopharma Limited	Ontario, Canada	100%
GGB Canada Inc	Ontario, Canada	100%
GGB New Jersey LLC	New Jersey, United States	100%
GGB Arizona LLC	Delaware, United States	100%
Green Growth Brands LLC	Delaware, United States	100%
GGB Licenses LLC	Delaware, United States	100%
GGB Beauty LLC	Delaware, United States	100%
Green Growth Brands Realty LLC	Delaware, United States	100%
GGB Massachusetts LLC	Delaware, United States	100%
GGB Massachusetts Land LLC	Delaware, United States	100%
GGB Nevada Land LLC	Delaware, United States	100%
GGB Holdco Inc	Delaware, United States	100%
GGB Green Holdings LLC	Delaware, United States	100%
GGB GN LLC	Delaware, United States	100%
GGB Kiosks LLC	Delaware, United States	100%
GGB Florida LLC	Delaware, United States	100%
GGB Florida Land LLC	Delaware, United States	100%
GGB Michigan LLC	Michigan, United States	100%
GGB Connecticut LLC	Delaware, United States	100%
Just Healthy LLC	Massachusetts, United States	100%
Xanthic Biopharma US Hold Co.	Nevada , United States	100%
Xanthic Colorado LLC	Nevada , United States	100%
GGB Nevada Pahrump LLC	Nevada , United States	100%
GGB Nevada LLC	Nevada , United States	100%
Wellness Orchards of Nevada LLC	Nevada , United States	100%
Nevada Organic Remedies LLC	Nevada , United States	95%

(d) Functional and presentation currency

All figures presented in the consolidated financial statements are reflected in United States dollars, unless otherwise noted, which is the functional currency of the parent and all of the Company's owned subsidiaries. Foreign currency transactions are translated into United States dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction unless it is measured at fair value in which case it is translated using the exchange rate at the date when the fair value was measured.

(e) Non-controlling interests

Non-controlling interests ("NCI") represent equity interests owned by outside parties. NCI may be initially measured at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction by transaction basis. The share of net assets attributable to NCI are presented as a component of equity. Their share of net income or loss and comprehensive income or loss is recognized directly in equity. Total comprehensive income or loss of subsidiaries is attributed to the shareholders of the Company and to the NCI, even if this results in the NCI having a deficit balance.

(f) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant estimates include but are not limited to the following:

(I) Estimated useful lives and depreciation of property and equipment
Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(II) Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The assessment of any impairment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(III) Business Combinations

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

(IV) Inventories

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

(V) Inputs used in Black-Scholes valuation model

The Company utilizes the Black-Scholes valuation model in determining the fair value of stock options, warrants, and embedded derivative liabilities, which requires the Company to develop estimates for the various inputs, including term and volatility.

(VI) Functional and presentation currency

In determining the functional currency of the parent and its subsidiary, the Company considers the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

(VII) Biological Assets

The calculation of the fair value of biological assets takes into consideration various assumptions, which require a high degree of judgment. Any changes in these assumptions would have an impact on the cash flow result, resulting in an appreciation or devaluation of these assets (Note 8).

The main assumptions used by Management to calculate the fair value of the biological assets and the correlation between changes in such premises and the fair value of the biological assets, are described as follows:

Assumptions used	**Impact on fair value of the biological assets**
Average annual growth cycle	Increase of premise, increase of fair value
Net average sale price	Increase of premise, increase of fair value
Plant mortality rate	Decrease of premise, increase of fair value
Average yield per plant	Increase of premise, increase of fair value
Discount rate	Increase of premise, increase of fair value

The assumption regarding the "net average sale price" of biological assets (measured in $/gram of dry bud) is supported by historical prices by the Company.

(VIII) Goodwill impairment and impairment of indefinite lived intangible assets

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Management assesses intangible assets with indefinite lives for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

(IX) Determination of Cash-Generating Units ("CGUs")

Management is required to use judgment in determining the grouping of assets to identify their CGUs for the purposes of testing for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and any other assets requiring testing for impairment are tested for impairment. CGU's are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGU's was based on management's judgment in regard several factors such as shared infrastructure, geographical proximity, and exposure to market risk and materiality.

(X) Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

(XI) Expected credit loss

Management determines expected credit loss by evaluating individual receivable balances and considering customers' financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the consolidated statement of financial position date.

(XII) Convertible debentures

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

The Company uses the fair-value method of accounting for derivative liabilities and such liabilities are re-measured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Black-Scholes model. Critical estimates and assumptions used in the model are discussed in the following notes.

(g) Going Concern

These consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2019, the Company had negative working capital of $74,452,634, and it incurred a net loss attributable to owners of the parent of $64,254,374. The Company does not currently have sufficient working capital, and available liquidity to meet its commitments and fully execute its business plan over the next 12 months and is dependent on the Company's ability to raise additional finances to fund its operations. Therefore, these material uncertainties casts significant doubt upon the Company's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. If the Company is not able to continue as a going concern, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. These differences could be material.

3. Significant accounting policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying consolidated financial statements are set out below:

Cash

The Company defines cash as highly liquid investments held for the purpose of meeting short term cash commitments that are readily convertible into known amounts of cash.

Short term investments

Short term investments are comprised of liquid investments that are recognized initially at fair value and subsequently adjusted to fair value through profit or loss ("FVTPL").

Receivable and Expected Credit Loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit losses reflect the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Inventories

Inventory purchased from third parties is valued at the lower of cost and net realizable value where cost is determined using the weighted average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to complete and the estimated costs to sell. Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within cost of goods sold at the time cannabis is sold, the realized fair value amounts included in inventory sold are recorded as a separate line on the consolidated statement of loss and comprehensive loss. In addition, some period costs such as receiving and packaging, sourcing, merchandising, warehousing are expensed as part of cost of good sold during the period.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provisions for obsolete, slow moving or defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

Additionally, the Company makes estimates for inventory shrinkage using historical trends from actual physical inventories, which are performed periodically.

Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. These biological assets are measured at fair value less costs to sell. The Company capitalizes all related direct and indirect costs of production to the biological assets. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are subsequently recorded within the line item 'cost of goods sold' on the consolidated statement of loss and comprehensive loss in the period that the related product is sold.

Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell at each reporting date. At the point of harvest, the biological assets are transferred to inventory at their fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position when the Company becomes party to the financial instrument or derivative contract.

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading including all derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election on an instrument by instrument basis to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a CGU whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. The carrying value of the Company's financial assets held at amortized cost approximates fair value. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Fair value is measured using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 - quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 - inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 - inputs for assets or liabilities that are not based upon observable market data

The Company classifies its financial instruments as follows:

Financial Instrument	Classification	Fair Value Hierarchy
Financial assets		
Cash and cash equivalents	FVTPL	Level 1
Short term investment	FVTPL	Level 1
Receivables	Amortized cost	Level 3
Note receivable	Amortized cost	Level 3
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Level 3
Convertible debenture	Amortized cost	Level 3
Embedded derivative liabilty	FVTPL	Level 2
Notes payable	Amortized cost	Level 3

Impairment of financial assets at amortized cost

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Derecognition

Financial assets

The Company derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains or losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss and comprehensive loss.

Property and equipment

Property and equipment are carried at cost less any residual value, accumulated depreciation and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When capital assets include significant components with different useful lives, they are recorded and depreciated separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Land is not depreciated.

Amortization is calculated using the following terms and methods:

Asset Type	Amortization method	Amortization term
Building	Depreciated over the estimated useful life of the asset	4 years
Furniture and fixtures	Depreciated over the estimated useful life of the asset	5 years
Computer hardware	Depreciated over the estimated useful life of the asset	3 years
Manufacturing equipment	Depreciated over the estimated useful life of the asset	3 years
Vehicles	Depreciated over the estimated useful life of the asset	3 years
Leasehold Improvements	Depreciated over the life of lease or estimated useful life, whichever is less	5-10 years

The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of capital assets have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Intangible assets

Intangible assets are stated at cost, net of accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated using the following methods and terms:

Asset Type	Amortization method	Amortization term
Customer relationships	Straight-line	3 years
Developed technology	Straight-line	4 years
Software	Straight-line	3 years
Market related intangible assets	Straight-line	4 years
Non-compete covenants	Straight-line	4 years
License, permits & applications	Straight-line	Indefinite

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of non-financial assets
Goodwill and indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Other long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Goodwill is allocated to the CGU or group of CGUs' that is expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill. An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the value in use (being the present value of expected future cash flows of the asset or CGU). When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount or the carrying amount that would have been recorded had no impairment loss been previously recognized.

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized in accordance with IFRS 15 Revenue from Contracts with Customers which specifies how and when to recognize revenue and is based on a five-step model as follows:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when or as the Company satisfies performance obligations.

The Company's revenue is derived from one performance obligation which is to deliver the Company's product to its customers, either directly through its own dispensary or shops; or being each individual dispensary of the Company's product; or products delivered to wholesale customers (the "Customer"). Revenue is recognized when control of the Company's product is transferred to the Customer and when the Customer obtains control of the Company's product. The Company considers control passes in accordance with the terms of the contract with the Customer and all risk of loss or damage to the Company's product passes to the Customer at this point.

In each period, the Company recognizes revenue, net of any variable consideration, including the right of return. The estimate of expected returns reflects the amount that the Company expects to repay or credit its Customers, using the expected value method. Revenue includes amounts subject to returns only if it is highly probable that there will be no significant reversal of cumulative revenue if the estimate of expected returns changes.

The Company records an adjustment to cost of sales and inventories representing the Company's right to receive goods back from the Customers. The adjustment to inventories is initially measured at the carrying amount of the products at the time of sale, less any expected costs to recover the product and any expected reduction in value. In subsequent periods, the Company updates its expected level of returns, adjusting the measurement of the return's liability and inventories.

The Company also maintains loyalty programs, which primarily provides customers with the opportunity to earn points toward future discount rewards with qualifying purchases. The Company accounts for expected future reward redemptions by recognizing an unearned revenue liability as customers accumulate points, which remains until revenue is recognized at redemption.

The Company also recognizes revenue under wholesale arrangements, when control passes to the wholesale partner, which is generally recognized upon shipment.

Amounts disclosed as revenue are net of allowances, discounts and rebates.

Cost of goods sold

Cost of goods sold, primarily consists of cost incurred to ready inventory for sale, including product costs, as well as buying, warehousing and freight costs. Buying, warehousing and freight costs consist of compensation, employee benefits and travel expenses related to merchandising, sourcing and merchandise planning and allocation; receiving, storage and processing expense related to our third-party logistics provider; and freight expense from our third-party logistics provider to our shops. Cost of goods sold also consists of storage costs, freight to customer, markdowns, write-offs and shrinkage.

Income taxes

Income tax expense is recognized in the consolidated statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current tax liabilities and when they relate to income taxes levied by the same taxing authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Certain Company subsidiaries are subject to IRC Section 280E. This section disallows deductions and credits attributable to a trade or business of trafficking in controlled substances. Under U.S. law, marijuana is a Schedule I controlled substance.

Equity-settled payments

The Company issues equity-based awards to employees and consultants for services. The Company measures equity-based awards to employees based on their fair value at the grant date and recognizes compensation expense over the requisite service period. Fair value is determined using the Company's share price on the date of the grant and/or applying Black-Scholes model for those awards that vest over time. For awards granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except when the fair value cannot be estimated in which case it is measured at the fair value of the award granted.

Comparative figures

The Company was formed February 14, 2018 so the comparative period represents the period of February 14, 2018 to June 30, 2018. Further certain comparative figures have been reclassified to conform to the presentation adopted in the current fiscal year.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued that have not yet been applied in preparing these consolidated financial statements, as set out below:

- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019. The Company will adopt IFRS 16 effective July 1, 2019, and as such estimates that the impact on the Company's Consolidated Statement of Financial Position will be to recognize an opening lease liability of approximately $36,700,000, of which approximately $5,700,000 will be classified as current, and a right of use asset of a similar amount. IFRS 16 will be applied by the Company using the modified retrospective application for periods beginning on July 1, 2019. Under this approach, the Company will not restate comparative periods and will recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings. Under IFRS 16, lease expense will not be reflected in either 'marketing and selling' or 'general and administrative' expenses, as applicable, in the consolidated statement of loss and comprehensive loss, but rather the depreciation of the right of use asset will be recognized in 'depreciation and amortization' expense and the accretion of the lease liability will be recognized in 'interest expense'.

- IFRIC 23, Uncertainty over Income Tax Treatments, was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company has yet to assess the impact of this Interpretation.

4. GGB Reverse Take Over ("GGB RTO")

GGB Reverse Take Over

On November 9, 2018, the Company completed a Business Combination with GGB, after receiving shareholder approval on November 2, 2018, at its annual and special meeting.

Following the close of the Business Combination on November 9, 2018, all the issued and outstanding GGB Shares were acquired by the Company, and as consideration, the Company issued to the GGB shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares in exchange for the then issued and outstanding GGB shares, which included shares issued in connection with the conversion of the GGB convertible debentures. In addition, the Company issued 152,777 proportionate voting shares in exchange for the GGB proportionate voting shares. Finally, the Company reorganized its share structure and consolidated all the issued and outstanding shares on the basis of four (4) pre-Business Combination shares for one (1) post-Business Combination share.

Following the completion of the Business Combination, previous GGB shareholders held approximately 134,382,404 shares, representing approximately 81% of the Company's shares issued and outstanding on a non-diluted basis. A deemed value of Canadian dollar ("CAD") $1.44 per share was placed on the Company's shares issued in connection with the Business Combination, post-Business Combination.

The Business Combination constituted a reverse takeover transaction by GGB, and the Company is considered to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to its productive operating potential. The consideration paid was determined based on the fair value of CAD$1.44 per common share, which was the price of the GGB convertible debentures conversion ratio at the time of the Business Combination. Therefore, fair value ascribed to Xanthic was $4,582,299 based on what GGB would have paid to acquire 100% of Xanthic.

Prior to the Business Combination, on September 4, 2018, Xanthic acquired 95% of the outstanding membership interest of NOR (the "NOR Agreement") through GGB Nevada LLC, a wholly-owned subsidiary of the Company.

The agreed purchase price of $56,750,000 reflects 100% of the membership interest in NOR, which terms provided that the Company acquired 95% on the acquisition date, and that the remaining 5% interest which is included in "Other receivables" will transfer to the Company upon settlement of the promissory note included in the purchase consideration. The aggregate purchase consideration is comprised of $53,912,500 payable in cash in the amount of $32,347,500 and a promissory note in the amount of $21,565,000, with the balance of $2,837,500, or 5%, payable in common shares.

On July 17, 2018, GGB Nevada made a payment of $2,000,000 to NOR as a deposit on the NOR Agreement. On closing, GGB Nevada made a payment of $30,347,500 and provided to the NOR Members a secured promissory note in the principal amount of $21,565,000. The acquisition has been accounted for as a business acquisition and the consolidated statement of loss and comprehensive loss includes the operating results of NOR from November 9, 2018 to June 30, 2019.

The following represents the allocation of the purchase price by the Company and the step purchase on the NOR acquisition and subsequent GGB RTO:

	NOR	Xanthic	Total
Cash	$ 877,027	$ 285,393	$ 1,162,420
Accounts receivable	276,449	-	276,449
Other receivables	58,777	67,781	126,558
Inventory	1,319,159	177,665	1,496,824
Property, plant and equipment	347,704	122,153	469,857
Equity Investment	-	838,688	838,688
Investment in NOR	-	56,750,000	56,750,000
Intangible assets	23,555,000	3,937,893	27,492,893
Goodwill	31,724,566	826,958	32,551,524
Accounts payable and accrued liabilities	(1,271,560)	(547,274)	(1,818,834)
Deferred tax liability	(137,122)	(826,958)	(964,080)
Other financial liabilities	-	(3,137,500)	(3,137,500)
Interest bearing Loans	-	(53,912,500)	(53,912,500)
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**

Fair value of consideration paid:			
Cash	$ 32,347,500	$ -	$ 32,347,500
Promissory note	21,565,000	-	21,565,000
Common Shares	2,837,500	4,582,299	7,419,799
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**

The Company recorded listing fees of $767,245 for the year ended June 30, 2019, in the consolidated statement of loss and comprehensive loss in connection with the GGB RTO.

These consolidated financial statements include the results from NOR and Xanthic from the date of the GGB RTO being November 9, 2018 to June 30, 2019. The Company did not disclose the impact on revenue and profit or loss resulting as if the acquisition of NOR had taken place on July 1, 2018 as NOR previously reported under United States generally accepted accounting principles which does not require the measurement of biological assets at fair value and therefore estimating these amounts was not practicable for the purposes of this disclosure.

5. Acquisitions

Just Healthy LLC

On January 30, 2019, the Company closed on the acquisition of Just Healthy LLC ("Just Healthy"), which holds provisional certificates of registration for a registered medical cannabis dispensary, cultivation, and processing site in Northampton, Massachusetts. Pursuant to the terms of the agreement, the Company paid $6,561,717 satisfied by the issuance of 1,741,244 common shares of the Company at a price of CAD$5.04 per common share representing the closing market price of the common shares on January 30, 2019. The Company also assumed and settled for cash $455,030 of Just Healthy corporate debt.

Since Just Healthy did not meet the definition of a business under IFRS 3 – *Business Combinations*, the acquisition was accounted for as a purchase of Just Healthy's assets. The consideration paid was determined as equity-settled share-based payments under IFRS 2, at the fair value of the equity of the Company issued to the shareholders of Just Healthy on the date of closing as noted above. IFRS 2 requires the shares issued for the acquisition of the net assets of Just Healthy to be measured at the fair value of the net assets, unless the fair value cannot be reliably estimated.

The following represents the fair value of the net assets acquired:

	Total
Cash and cash equivalents	1,936
Deposits and other assets	50,000
Property and equipment	156,119
Intangible assets	6,925,712
Accounts payable and accrued liabilities	(117,020)
Note payable	(455,030)
	6,561,717

Fair value of consideration paid:	
Common shares	6,561,717
	6,561,717

Subsequent to the close of the acquisition of Just Healthy, the Company exercised its option to acquire the land package associated with the license for $709,306.

The intangible assets relate to the cultivation, processing and dispensary provisional licenses awarded to Just Healthy in the state of Massachusetts. The provisional licenses entitle the Company to develop its presence in the state of Massachusetts. The Company has assessed these licenses with an indefinite useful life due to the nature of their indefinite life, as long as the Company remains in good standing.

Wellness Orchards of Nevada LLC

On May 16, 2019, the Company closed on the acquisition of Wellness Orchards of Nevada LLC (“WON”), which holds cultivation license for cannabis in the state of Nevada. Pursuant to the terms of the agreement, the Company paid $13,372,162 in cash consideration.

The Company considered this acquisition to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to WON’s productive operating license and cultivation. The consideration paid was determined based on cash paid on closing.

The following represents the final fair value of the net assets acquired:

	Total
Cash and cash equivalents	141,113
Accounts receivables	60,316
Inventory	658,219
Biological assets	858,678
Property and equipment (net)	3,105,620
Intangible assets	5,135,000
Goodwill	3,701,894
Accounts payable and accrued liabilities	(288,678)
	13,372,162

Fair value of consideration paid:	
Cash	13,372,162
	13,372,162

The intangible assets relate to the cultivation licenses held by WON in the state of Nevada. The licenses entitle the Company to produce cannabis in the state of Nevada to supply its own dispensary store and sell its production wholesale to other legal dispensaries in the state of Nevada. The Company has assessed these licenses with an indefinite useful life due to the nature of their indefinite life.

Included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2019, is a charge of $13,260,093, related to the various transactions and potential acquisitions. This includes $5,950,441 of legal, regulatory and mailing costs related to the Aphria Inc. takeover bid, $5,617,110 of non-cash commitment fees paid in shares in connection with the Aphria Inc. takeover bid, $1,000,000 of fees related to the cancellation of a potential acquisition and a charge of $692,542 related to cancellation of leases on Canadian real estate properties after the Company was not successful in the lottery for a license to operate in Ontario, Canada. Such costs are included in general and administrative costs.

If the WON acquisition had occurred effective July 1, 2018, the Company's revenue would have increased by an estimated $623,000 and the Company's net loss attributable to the parent would have decreased by an estimated $986,000, which included a one-time $700,000 opening biological asset income adjustment.

6. Short term investments

During the year ended June 30, 2019, the Company held and disposed of marketable securities in which it realized a gain of $4,347,339 on an initial investment of $16,945,040.

	# shares		Amount
Opening short-term investment at July 1, 2018	**-**	**$**	**-**
Initial investment	3,000,000		16,945,040
Disposition	(3,000,000)		(21,347,468)
Foreign exchange gain			55,089
Realized gain			4,347,339
Closing balance at June 30, 2019	**-**	**$**	**-**

7. Inventories

As at June 30, 2019 and June 30, 2018, inventories were comprised of:

		June 30, 2019		June 30, 2018
Raw materials	$	3,122,597	$	-
Work in process		1,291,535		-
Finished goods		5,830,672		-
	$	**10,244,804**	**$**	**-**

Inventory is made up of raw materials used in the manufacturing process of finished goods. Raw materials include hemp-based powder and oil as well as flower and trim cultivated awaiting further processing, raw material components such as cannabidiol, packaging and other ingredients used to produce finished topicals. Work in process represents products not yet complete in its transformation to finished goods. Finished goods represent finished goods held for sale at its dispensaries, kiosks and warehouses.

During the year ended June 30, 2019, the Company recognized $17,066,345 of inventory expensed to cost of goods sold, which includes $16,404,133 of cost of goods sold of inventories and $662,212 non-cash expense relating to the change in fair value of inventory sold.

8. Biological assets

As at June 30, 2019, Biological assets were comprised of:

Balance at June 30, 2018	$	-
Biological assets acquired		858,678
Biological assets acquired through business combination		916,384
Production costs capitalized		2,347,418
Changes in fair value less costs to sell due to biological transformation		1,012,549
Transferred to inventory		(3,782,932)
Balance at June 30, 2019	**$**	**1,352,097**

The Company values its biological assets at the end of each reporting period at fair value less costs to sell and complete. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The average number of weeks in the growing cycle is 13 weeks from propagation to harvest;
- The average harvest yield of whole flower is 134 grams per plant;
- The average wholesale selling price of whole flower was $3.40 per gram;
- Processing costs, including drying and curing, testing and packaging, and post-harvest overhead allocation is $1.24 per gram: and
- Selling costs, including shipping, order fulfillment, and labelling, is $0.79 per gram.

Growing cycle, harvest yield, and processing and selling costs per gram were estimated using the Company's historical results. Wholesale selling price per gram was estimated using historical sale prices for the Company’s products. The Company’s estimates are subject to changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest.

The Company has quantified the sensitivity of the inputs and determined that a 5% decrease in selling price of its biological assets or a 5% decrease in harvest yield would result in a decrease in biological inventory of $67,000.

As of June 30, 2019, it is expected that the Company's biological assets will ultimately yield approximately 482 kg of whole flower. The Company produced 1,571,700 grams of biological assets during the year ended June 30, 2019.

9. Notes receivable

As at June 30, 2019, notes receivable consisted of:

		June 30, 2019		June 30, 2019
Note receivable, Henderson Organic Remedies LLC	$	17,820,344	$	-
Note receivable, Xanthic Beverages USA LLC.		226,619		-
		18,046,963		-
Current portion		47,739		-
	$	**17,999,224**	**$**	**-**

The note receivable from Henderson Organic Remedies LLC (“HOR”) consists of a cash advance of $15,485,000 to one of the HOR members, and a further deposit in the form of 3,973,230 warrants issued to HOR members (Note 21), with a fair value of $1,828,794 and accrued interest earned on the note of $506,550.

The cash portion of the note receivable with HOR is forgivable on the closing of the HOR transaction and transfer of 46.3% ownership interest to the Company. Further, on closing of the HOR acquisition, the warrants will be exercised in exchange for common shares in the Company, and in lieu of cash, the HOR members will deliver the remaining

53.70% interest of HOR. The note receivable is secured by 78% of the value of the note payable to NOR (Note 17) and 100% of the HOR membership interest. The Company has determined the expected credit loss to be nominal.

On December 21, 2018, the Company divested of its investment in Xanthic Beverages USA, LLC (formerly Avitas CBD Water, LLC) ("Xanthic Beverages") (Note 13). Xanthic Beverages is based in Portland, Oregon, and produces and distributes CBD-infused water. The Company sold back its 45% ownership it previously held to the existing Xanthic Beverages members for $300,000. Xanthic Beverages members provided on closing cash of $50,000 and a note receivable of $250,000, accruing interest at 3% per annum for a period of 5 years. The current portion of the note receivable is $47,739.

10. Deferred lease charges

Deferred lease charges relate to consideration paid for services provided in connection with entering into certain lease arrangements. Deferred lease charges, which are amortized over the five-year term of the corresponding leases, consist of the following:

	June 30, 2019	June 30, 2018
Deferred lease charges	$ 3,637,590	$ -
Amortized	(303,132)	-
	3,334,458	-
Current portion	727,518	-
	$ 2,606,940	**$ -**

11. Property and equipment, net

As at June 30, 2019 and June 30, 2018, property and equipment, net consisted of:

	Furniture and fixtures	Computer Hardware	Land	Manufacturing equipment & Vehicles	Leasehold improvements	Building	Total
Carry value June 30, 2018	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Assets acquired on acquisitions	36,259	-	468,326	276,519	514,062	2,443,703	3,738,869
Net additions	13,140,888	942,967	709,306	298,232	513,812	-	15,605,205
Depreciation	(211,639)	(115,648)	-	(159,859)	(95,205)	-	(582,351)
Net carrying value, June 30, 2019	12,965,508	827,319	1,177,632	414,892	932,669	2,443,703	18,761,723
At June 30, 2019							
Cost	$ 13,238,453	$ 942,967	$ 1,177,632	$ 1,536,533	$ 1,095,147	$ 2,443,703	$ 20,434,435
Accumulated depreciation	(272,945)	(115,648)	-	(1,121,641)	(162,478)	-	(1,672,712)
Net carrying value, June 30, 2019	**$ 12,965,508**	**$ 827,319**	**$ 1,177,632**	**$ 414,892**	**$ 932,669**	**$ 2,443,703**	**$ 18,761,723**

Depreciation expense for the year ended June 30, 2019 was $582,351 (June 30, 2018 – nil).

12. Deposits and other assets

Deposits and other assets consist of security deposits and advances on acquisitions that have yet to close. As at June 30, 2019 and June 30, 2018, deposits and other assets consisted of:

	June 30, 2019	June 30, 2018
Security deposits	$ 230,186	$ -
Spring Oaks Greenhouses Inc., escrow deposit	1,650,000	-
Henderson Organic Remedies LLC, extension advance	1,000,000	-
	$ 2,880,186	**$ -**

Security deposits of $230,186 consists of security deposits on certain lease locations.

The Company advanced $1,000,000 in connection with the extension of the Henderson Organics Remedies LLC closing extension executed in June 2019. Subsequent to year end, on August 27, 2019, the Company closed on the acquisition of HOR as contemplated in the extension signed in June 2019 (Note 30).

The Company advanced $1,650,000 in connection with the purchase of Spring Oaks Greenhouses Inc. ("Spring Oaks") Spring Oaks holds a medical cannabis dispensary license and authorization to operate as a medical cannabis treatment center in the state of Florida. The license authorizes Spring Oaks to produce, process and dispense medical cannabis products. The license grants the right to open up to 40 dispensaries. The Company announced subsequent to year end the closing of the Spring Oaks acquisition for total consideration of $54,650,000 in combination of cash, notes payable and common shares of the Company (Note 30).

Further, included in results for the year ended June 30, 2019, is a loss of $1,000,000 as a breakup fee on a deposit provided on a potential acquisition. Such amount is included in transaction costs in the consolidated statement of loss and comprehensive loss.

13. Equity investment in Xanthic Beverages USA, LLC (formerly Avitas CBD Water, LLC)

On December 21, 2018, the Company divested of its investment in Xanthic Beverages. Xanthic Beverages is based in Portland, Oregon, and produces and distributes CBD-infused water. Under the terms of the agreement, the Company sold back its 45% ownership to the existing Xanthic Beverages members for $300,000. Xanthic Beverages members provided on closing cash of $50,000 and a note receivable of $250,000, accruing interest at 3% per annum for a period of 5 years (Note 9).

		Amount
Opening investment in Xanthic Beverages USA, LLC, June 30, 2018	$	-
Initial investment		900,000
Xanthic share of operating loss prior to RTO		(61,312)
Balance of investment in Xanthic Beverages USA, LLC on RTO		838,688
Proceeds on disposition of investment		(300,000)
Loss on disposition of investment		(488,688)
Xanthic share of operating loss since RTO		(50,000)
Closing balance in Xanthic Beverages USA, LLC at June 30, 2019	$	-

In connection with the divestment of its investment in Xanthic Beverages, the Company divested of its subsidiary Xanthic Biopharma Oregon, LLC for NIL proceeds and recognized a further loss of $132,891 related to the write-off of certain assets.

The total loss on divestment of Xanthic Beverages and the Company's subsidiary holding such investment for the year ended June 30, 2019, was $671,579.

14. Intangible assets

As at June 30, 2019 and June 30, 2018, intangible assets consisted of:

		June 30, 2019		June 30, 2018
License, permits & applications	$	36,059,450	$	-
Customer relationships		3,030,000		-
Covenants		55,000		-
Software		1,131,685		-
Market related intangible assets		440,000		-
Developed technology		50,000		-
		40,766,135		-
Less: Accumulated amortization		(840,151)		
	$	**39,925,984**	**$**	**-**

All intangible assets were acquired in connection the acquisitions, with the exception of $1,049,787 of software which was purchased during the year ended June 30, 2019.

Amortization of intangible assets is included in depreciation and amortization in the consolidated statement of loss and comprehensive loss.

The Company's indefinite lived intangible assets consist of licenses, which, for valuation purposes, represent the future benefits associated with the Company's cultivation, processing, and dispensary licenses. Absent such license intangibles, the Company cannot continue as a going concern and as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company

15. Goodwill

As of June 30, 2019, and June 30, 2018, goodwill was comprised of (Note 4):

		June 30, 2019		June 30, 2018
NOR acquisition	$	32,551,523	$	-
WON acquisition		3,701,894		-
	$	**36,253,417**	**$**	**-**

On November 9, 2018, when the Company completed the business combination with Xanthic the Company recognized goodwill of $32,551,523. This goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified. Through the NOR acquisition the Company had immediate access to one of the largest U.S. medical and recreational marketplaces, being the State of Nevada. NOR's cultivation, processing and dispensary locations represented the Company's cornerstone acquisition to facilitate its strategy of being a leading multi-state operator ("MSO"). This acquisition further facilitated the Company's successful award of seven new additional licenses in the State of Nevada after the state declared a moratorium on new license holders.

On May 16, 2019, with the acquisition of WON the Company recognized goodwill of $3,701,894. This goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified. WON's cultivation facility in the State of Nevada provides the Company with required cultivation capacity to allow for the Company to expand its dispensary footprint in the state after the successful award of the seven additional licenses in the State of Nevada.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill recoverability is tested based on the higher of fair value less costs to sell and the value in use model. The value in use model applies a present value of expected future cashflows of the assets.

Impairment of Intangible assets and goodwill

Goodwill and indefinite life intangible assets are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to CGUs representing the lowest level within the entity at which the goodwill is monitored for internal reporting purposes. CGUs are determined based on the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or group of assets.

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill and indefinite life license intangibles are allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on the higher of the CGUs fair value less costs of disposal or value in use, which are Level 3 measurements within the fair value hierarchy.

The Company has allocated as follows its indefinite life intangible assets based on their value in use and goodwill based on the CGUs expected to benefit from synergies of the business combinations:

	NOR Cultivation	NOR Production	Nevada Dispensary	WON	Massachusetts	Total
License, permits & applications	$ 6,303,274	$ 591,271	$ 17,739,193	$ 4,500,000	$ 6,925,712	$ 36,059,450
Goodwill	3,008,746	282,232	29,260,545	3,701,894	-	36,253,417
	$ 9,312,020	**$ 873,503**	**$ 46,999,738**	**$ 8,201,894**	**$ 6,925,712**	**$ 72,312,867**
Reportable segment	MSO	MSO	MSO	MSO	MSO	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	

Key assumptions

i) Projected EBITDA: The Company's business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. The forecast does assume some base business expansion for new dispensary licenses awarded and largely relate to synergies gained through further incorporation of recent acquisitions into the Company's infrastructure. The primary engine of growth is strategic in nature and is consistent with the projections and expectations as articulated in the Company's strategic plan. The forecast covers a period from June 2020 to June 2024.

ii) Growth rate: The Company applied a perpetual growth rate of 3% to approximate the value in use per CGU.

iii) Discount rates: Discount rates applied in determining the recoverable amount of the CGU groups were approximately between 21% and 28% based on the pre-tax weighted average cost of capital of each CGU group.

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the CGU groups operate and are based on both external and internal sources and historical trend data.

16. Accounts payable and accrued liabilities

		June 30, 2019		June 30, 2018
Trade payables	$	13,253,063	$	-
Accrued liabilities		3,075,721		316,768
	$	**16,328,784**	**$**	**316,768**

Included in accrued liabilities as of June 30, 2019, is unearned revenue of $195,144 related to customer loyalty programs.

17. Notes payable

		June 30, 2019		June 30, 2018
Promissory note to NOR members	$	15,780,049	$	-
GAOC promissory note		29,982,491		-
	$	**45,762,540**	**$**	**-**

As a condition of closing of the NOR business acquisition, the Company issued a secured promissory note in favor of the members of NOR for $21,565,000, which bears interest at 6% per annum. During the three months ended March 31, 2019, the Company repaid $6,080,000 of the promissory note, per the agreement terms. The balance of the promissory note of $15,485,000, plus unpaid accrued interest, will be repayable on August 28, 2019. Interest accrued or paid from November 9 to June 30, 2019, in connection with NOR promissory note, was $530,700. Subsequent to year end, on August 27, 2019, the Company repaid this promissory note along with accrued interest.

In connection with the NOR purchase, the Company retained certain key management who is also a NOR and HOR member, and therefore are related parties to the Company at June 30, 2019. The portion of the promissory note payable to related parties was $5,961,725, plus accrued and paid interest of $272,593.

On May 15, 2019, the Company completed the repurchase and cancellation of 27,300,000 of its common shares held by GA Opportunities Corp ("GAOC"). The aggregate consideration of the repurchase was CAD$89,000,000. The aggregate consideration was satisfied through a combination of CAD$50,000,000 in cash and delivery of a secured promissory note in the amount of CAD$39,000,000 with expiry date of November 15, 2019 and bears interest at 3% per annum.

18. Convertible debenture

		June 30, 2019		June 30, 2018
Issuance	$	45,500,000	$	-
Less: transaction costs		(107,460)		-
Bifurcation of embedded liability		(4,235,763)		-
Accretion		466,264		-
	$	**41,623,041**	**$**	**-**

On May 17,2019 the Company completed a non-brokered private placement convertible debenture ("Debenture") financing for gross proceeds of $45,500,000. Each Debenture bears interest at 15% at a price of $1,000 per Debenture and has a maturity date of May 17, 2020. The Debentures are convertible into proportionate voting shares in the capital of the Company at a conversion price per proportionate voting shares equal to CAD$3,500 (being equivalent to CAD$7.00 per common share). Upon conversion of the Debentures, the holders thereof shall be entitled to receive all accrued but unpaid interest thereon to, but excluding, the maturity date, with such amount to be paid in cash.

The Company shall have the option, exercisable in its sole discretion, of repaying all or any portion of the then outstanding principal amount of the Debentures in cash at any time. In the event that the Company exercises this option, interest on such principal amount being repaid shall be calculated up to but excluding the maturity date from, and including, the date of issue, and such interest, to the extent unpaid, shall be immediately due and payable at the time of repayment.

The obligations of the Company under the Debentures will be secured by a general security agreement over all of the Company's applicable present and after-acquired personal property.

The holders of the Debentures have option to convert their Debentures into proportionate voting shares in Canadian dollars which is not the functional currency of the Company and also not the currency of the underlying Debentures. The conversion option was classified as a derivative liability and recognized at FVTPL.

Accretion includes amortization of the discount related to face value of the Debenture based on effective interest on the Debenture and the amortization of certain issuance costs allocated to the Debenture. The Company as accrued $822,740 in interest expense in connection with the Debenture.

19. Embedded derivative liability

		June 30, 2019		June 30, 2018
Bifurcation of conversion option on Convertible Debenture	$	4,235,763	$	-
Change in fair value		(2,739,549)		-
	$	**1,496,214**	**$**	**-**

The Company measured the fair value of the conversion option on the Debentures using a Black-Scholes model with the following assumptions at the initial date of May 17, 2019 and on remeasurement date of June 30, 2019:

		Initial Measurement		Remeasurement date
Exercise price (CAD$)	$	3,500.00	$	3,500.00
Foreign exchange		0.7441		0.7641
Risk free interest rate		1.55%		1.51%
Expected dividend yield		0.00%		0.00%
Expected volatility		72%		86%
Expected life of the warrants		less than 1 year		less than 1 year

All subsequent remeasurements of the embedded derivative liability are expensed in the period. Remeasurements are result of changes in various assumptions at the time of reporting.

20. Share capital

Authorized share capital

Common Shares – voting – unlimited
Proportionate voting shares – voting – unlimited.

Each proportionate voting share entitles the holders to 500 common shares for each proportionate voting share. The holders of the proportionate voting shares are entitled to convert their shares for common shares at any time based on the 500:1 conversion ratio.

All historical references to share transactions or balances prior to this date have been recast on a four for one basis unless otherwise stated.

Outstanding share capital

		Common Shares		Proportionate voting		Total	
		Number	Amount	Number	Amount	Number	Amount
Outstanding at June 30, 2018		**79,010,263**	**$ 7,016,421**	**-**	**$ -**	**79,010,263**	**$ 7,016,421**
Issuance of shares for services	i	9,322,268	8,409,536	-	-	9,322,268	8,409,536
Issuance on private placement for cash	ii	16,988,654	25,747,713	-	-	16,988,654	25,747,713
GGB Debentures converted to common shares	iii	46,127,001	38,785,359	38,194	17,411,192	46,165,195	56,196,551
Issuance costs	iii	-	(10,201,885)	-	-	-	(10,201,885)
Issuance of shares to Xanthic	iv	14,436,637	4,582,299	-	-	14,436,637	4,582,299
Issuance of shares in NOR acquisition	v	1,870,620	2,837,500	-	-	1,870,620	2,837,500
Issuance in connection with Just Heathly LLC acquisition	vi	1,741,244	6,561,717	-	-	1,741,244	6,561,717
Issuance in connection with Aphria takeover bid	vii	-	-	2,504	5,617,110	2,504	5,617,110
Acquisition of shares for cancellation	viii	(27,300,000)	(40,589,640)	-	-	(27,300,000)	(40,589,640)
Shares issued on exercise of options for cash		502,000	335,948	-	-	502,000	335,948
Shares issued on RSUs vested		212,636	692,144	-	-	212,636	692,144
Shares issued on warrant exercise		21,089,638	39,904,077	19,097	12,771,883	21,108,735	52,675,960
Outstanding at June 30, 2019		**164,000,961**	**$ 84,081,189**	**59,795**	**$ 35,800,185**	**164,060,756**	**$ 119,881,374**

i) On July 16, 2018, the Company issued 5,444,838 common shares at a price of $0.09 per common share (post Business Combination) for aggregate consideration of $487,039, and 2,082,607 common shares pursuant to restricted stock grants at a price of $0.16 per common share (post Business Combination and share consolidation) for aggregate consideration of $80,845. During the year ended June 30, 2019, the Company cancelled 382,169 common shares at an aggregate value of $14,836 in connection with restricted stock grants.

On December 10, 2018, in connection with the successful award of seven additional licenses in the State of Nevada, the Company issued 426,992 common shares at a price of $2.34 per common share for aggregate consideration $1,000,000 as a term of an employment agreement with a NOR member.

On February 8, 2019, the Company issued 500,000 common shares, with a fair value of $2,204,280, and 1,000,000 warrants with an exercise price of $4.41 (CAD$5.85) as consideration for services provided in connection with entering into certain leases arrangements, which was recognized as a deferred lease charge (Note 10).

On February 8, 2019, the Company issued 500,000 common shares with a fair value of $2,204,280 as consideration for strategic advisory services provided, including assisting the Company in i) developing a cannabis retail strategy, ii) introducing potential retail partners, and iii) advising on how to structure such partnerships.

On March 8, 2019, the Company issued 250,000 common shares with a fair value of $860,013 as consideration for strategic advisory services provided related to corporate structure and reorganization.

On May 19, 2019, the Company issued 500,000 common shares with a fair value of $1,587,915 as consideration for ongoing strategic advisory services being provided related to developing cannabis retail strategy and partnership opportunities.

ii) On October 12, 2018, the Company issued 15,271,040 common shares at a price of $1.51 per common share (post Business Combination and share consolidation) for aggregate consideration of $23,126,464.

On November 2, 2018, the Company further issued 1,717,614 common shares at a price of $1.53 per common share (post Business Combination and share consolidation) for aggregate consideration of $2,621,249.

iii) On August 30, 2018, the Company raised gross proceeds of $48,377,059 (CAD$63,998,000) from the first tranche of the concurrent brokered and non-brokered private placements (the "Debenture Financing") of unsecured 12% convertible debentures (the "Debenture Unit") at a price of CAD$1,000 per Debenture Unit. Each Debenture Unit entitled the holder to 1 common share and ½ warrant with an exercise price of CAD $1.80 per share (post-Business Combination) for a period of two years from the closing date. Each Debenture Unit automatically converted on the closing of the Business Combination in exchange for common shares of the Company.

On September 20, 2018, the Company raised additional gross proceeds of $17,027,415 (CAD$22,704,000) pursuant to the second tranche of the Debenture Financing on same conditions as the first tranche of the Debenture Financing.

The fair value of the warrants attached to the Debenture Financing issued on November 9, 2018, was $14,809,779 (Note 21).

In connection with the brokered portions of the Debenture Financing, the Company paid commissions of $2,649,658 (CAD$3,533,000) in the form of Debentures pursuant to an agency agreement. The Company also paid a participation fee of $320,989 (CAD$428,000) in the form of Debentures pursuant to a participation agreement.

On September 20, 2018, the Company entered into financial advisory consulting agreements with certain shareholders, whereby the Company retained the consulting services in exchange for the issue of Debenture in the aggregate of $2,444,915 (CAD$3,260,000).

On November 2, 2018, the Company purchased from All Js Greenspace LLC a portion of its outstanding Debentures in exchange for $21,004,500 (CAD$27,500,000) aggregate principal amount of 12% unsecured convertible debentures (the "GGB Greenspace Debentures"). The GGB Greenspace Debentures were issued in denominations of CAD$1,000 and integral multiples thereof and were exchangeable on November 9, 2018, for 38,194 units of GGB Proportionate Shares (the "GGB Greenspace Units"). The 38,194 GGB Greenspace Units were a result from the division of the principal amount of the GGB Greenspace Debentures by CAD$0.36, as further divided by the exchange ratio of 3.43522878, as further divided by 500. Each GGB Greenspace Unit was comprised of one (1) GGB Proportionate Share and one-half (1/2) of one GGB Proportionate Share purchase warrant (the "GGB Proportionate Warrants"). Each GGB Proportionate Shares are exchangeable into 500 GGB Common Shares.

On November 9, 2018, all of the then outstanding Debentures were converted into 46,127,001 common shares based on the exchange ratio of 3.43522878 and post 4 for 1 share consolidation (Note 4).

The Company incurred issuance costs in connection with the Debenture Financing of $10,201,885. These costs included legal fees of $946,802, advisory fees of $5,887,078 and commissions of $3,368,005, of which $5,415,562 were paid in the form of Debentures as noted above.

iv) On November 9, 2018, post Business Combination and after the 4:1 share consolidation, existing Xanthic shareholders held 14,436,637 common shares and as previously disclosed a value of $4,582,299 (Note 4).

v) Further, on November 13, 2018, in connection with the NOR acquisition, the Company issued 1,870,620 GGB Common Shares at $1.52 per common share for total $2,837,500.

vi) On January 30, 2019, the Company completed the acquisition of Just Healthy (see Note 5) in which it issued 1,741,244 common shares at $3.77 per common shares for a total of $6,561,717.

vii) On January 23, 2019, the Company formally launched its take-over bid (the "Offer") of Aphria Inc ("Aphria"). In connection with this announcement the Company entered into a commitment letter (the "Commitment Letter") with All Js Greenspace LLC (the "Investor"); the Company's major shareholder and a related party; pursuant to which the Investor has agreed, subject to the terms and conditions set forth in the Commitment Letter, to subscribe for and purchase up to CAD$150,000,000 of common shares (the "Commitment") as a backstop to the Company's previously announced intention to complete a CAD$300,000,000 equity financing in connection with the completion of the Offer. To induce the Investor to provide the Commitment, the Company has agreed to pay the Investor a commitment fee equal to $5,617,110 (CAD$7,500,000), payable by issuing 2,504 proportionate voting shares of the Company to the Investor.

viii) On May 15, 2019, the Company repurchased 27,300,000 common shares under a share repurchase agreement with GA Opportunities Corp. for total consideration of $66,162,600 (CAD$89,000,000). The Company issued a promissory note for $28,992,600 (CAD$39,000,000) (Note 17) and paid cash of $37,170,000 (CAD$50,000,000). The Company reduced share capital by the common shares paid up capital amount of $40,589,640 with balance of $25,572,960 being applied against retained earnings.

During the year ended June 30, 2019, equity-settled share-based payment transactions of $11,756,357, were recognized immediately as expense.

21. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants		Weighted Average Exercise Price	Number of Proportionate voting Warrants		Weighted Average Exercise Price
			(CAD$)			(CAD$)
Balance outstanding, July 1, 2018	-	$	-	-	$	-
Assumed on the Business Combination	142,750		3.000	-		-
Issued	40,765,737		2.110	19,097		900.00
Exercised	(21,089,638)		1.920	(19,097)		(900.00)
Balance outstanding, June 30, 2019	**19,818,849**	**$**	**2.320**	**-**		**-**

	June 24, 2019	May 21, 2019	February 8, 2019	December 13, 2018	September 20, 2018	September 20, 2018	April 19, 2018
Average exercise price (CAD$)	$ 3.03	$ 4.26	$ 5.85	$ 3.16	$ 900.00	$ 1.87	$ 3.00
Fair value of the award	$ 1,828,794	$ 481,353	$ 1,416,781	$ 5,433,594	$ 3,593,308	$ 11,216,471	$ 147,478
Risk free interest rate	1.51%	1.55%	1.81%	2.19%	1.75%	1.75%	1.88%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	72%	72%	72%	74%	74%	74%	150%
Expected life of the warrants	0.5 years	1.13 years	1.3 years	1 years	2 years	2 years	2 years

On April 19, 2018, GGB assumed on the Business Combination 142,750 warrants with an exercise price of CAD$3.00 per common share, exercisable until April 18, 2020.

On November 9, 2018, in connection with the business combination, the Company issued warrants to GGB shareholders whose convertible debentures converted to common shares of the Company. The Company issued 35,292,507 warrants with a weighted average exercise price of CAD$1.87 per common share, exercisable until November 9, 2020.

On December 13, 2018, the Company issued 7,609,746 warrants at an exercise price of CAD$3.16 per common share and a fair value of $5,433,594 in connection with the execution of the definitive agreement with the members of Henderson Organic Remedies LLC. On closing the acquisition of Henderson Organic Remedies LLC, the warrants will be exercised and in lieu of cash, and the HOR members will deliver to the Company the remaining 53.70% membership interest in HOR.

As previously noted, on February 8, 2019, the Company issued 1,000,000 warrants with an exercise price of CAD$5.85 and a fair value of $1,416,781, as determined using the Black-Scholes valuation model, in connection with entering into certain lease arrangements, which was recognized as a deferred lease charge (Note 10).

On May 21, 2019, the Company issued 500,000 warrants with an exercise price of CAD$4.26 and a fair value of $481,353, as determined using the Black-Scholes valuation model, in connection with ongoing strategic advisory services.

On June 24, 2019, the Company cancelled the previously issued 7,609,746 warrants issued on December 12, 2018 and reissued 3,973,230 warrants with an exercise price of CAD$3.03 and a fair value of $1,828,794, as determined using the Black-Scholes valuation model, in connection with the extension on the HOR agreement.

During the year ended June 30, 2019, 21,089,638 warrants and 19,097 proportionate voting warrants were exercised at an average price of $1.44 (CAD$1.92) and $669 (CAD$900) for gross proceeds of $30,421,995 (CAD$40,501,640) and $12,771,883 (CAD$17,187,300), respectively.

22. Share-based compensation

Equity Incentive Plan
The shareholders of the Company have approved an executive incentive plan (the "Plan") pursuant to which the Company may issue up to 10% of the common shares of the Company to employees, directors and officers. The exercise price of each equity incentive issued pursuant to the terms of the Plan shall be established at the grant date by the Board of Directors of the Company and in all cases shall not be less than the closing price of the common shares of the Company on the trading day immediately preceding the grant date. The equity incentive plans granted can be exercised for up to 5 years and vest as determined by the Board of Directors.

Stock Options

GGB assumed through the Business Combination 652,000 stock option awards at an average exercise price CAD$0.756 per option. The fair value of the options granted was estimated at the grant date using an option pricing model.

A summary of the status of the stock option component of the Company's Plan as at and for the period ended June 30, 2019, is as follows:

	Stock Options		Weighted Average Exercise Price (CAD$)
Options outstanding, July 1, 2018	-	$	-
Assumed on the Business Combination	652,000		0.756
Options granted	150,000		3.050
Exercised	(502,000)		0.899
Forfeited	-		-
Options outstanding, June 30, 2019	**300,000**	**$**	**1.775**
Exercisable options	225,000	$	1.350

Option price (CAD$)	Options Outstanding		Weighted Average Exercise Price (CAD$)	Weighted Ang Remaining Contractual Life (Yrs.)	Options Exercisable
At $0.50	150,000	$	0.500	3.92	150,000
At $3.05	150,000	$	3.050	4.62	75,000

The fair value of the options granted or assumed by GGB was estimated at the grant date using an option pricing model with the following assumptions:

	November 13, 2018	May 28, 2018	April 19, 2018	February 28, 2018
Number of options granted	150,000	250,000	225,000	427,000
Exercise price (CAD$)	$ 3.050	$ 0.640	$1.60 to $2.40	$ 0.500
Risk free interest rate	2.41%	1.88%	2.12%	2.01%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	150%	150%	150%	150%
Expected life of the options	5 year	1 year	1 to 5 years	3 to 5 years

A summary of the vesting schedule of stock options are as follows:

Vesting Schedule	
Immediate	275,000
1 year	75,000
2 years	-

Restricted Stock Unit ("RSU")

On February 12, 2019, the Company issued a further 2,120,000 RSU under the equity incentive plan. Each RSU entitles the recipients to receive one common share of the Company on vesting. The vesting is in equal parts each year for a period of three years from January 28, 2019. All other terms and conditions of the RSUs are in accordance with the Company's equity incentive plan. The fair value of RSU were determined by the Company's share price on the date of the award.

Below is a summary of the status of the RSUs at June 30, 2019.

	Number	Weighted Average Price (CAD$)
RSU outstanding, July 1, 2018	-	$ -
Restricted Stock granted	2,627,636	5.400
Vested	(212,636)	(4.260)
Forfeited	(20,000)	(5.700)
RSU outstanding, June 30, 2019	**2,395,000**	**$ 5.499**

RSU price (CAD$)	RSUs Outstanding	Weighted Average Exercise Price (CAD$)	Weighted Ang Remaining Contractual Life (Yrs.)	RSUs Exercisable
At $4.07	295,000	$ 4.070	2.91	-
At $5.70	2,120,000	$ 5.700	2.48	-

During the year ended June 30, 2019, the Company recognized stock-based compensation expense of $3,839,254, in respect of outstanding equity incentive awards.

23. Related parties

Related parties include the Board of Directors and key management, close family members and entities that are controlled by these individuals, as well as certain persons performing similar functions. This note includes disclosure of transactions with related parties not otherwise disclosed elsewhere in these consolidated financial statements. At June 30, 2019, there were net payables due to related parties of $317,535.

Further, included in net payables was $106,662 due to a company jointly controlled by a major shareholder of the Company under a shared services arrangement. During the period, the Company was billed fees of $1,869,646 in fees to this jointly controlled company for legal, IT and rental services.

The Company had revenue with companies that are jointly controlled by a major shareholder of the Company of $1,134,584. The products were sold at fair market value rates.

NOR, through its cultivation and production operations sells cannabis products to dispensaries owned by members of NOR at normal commercial terms. During the year ended June 30, 2019, NOR sold $766,090 to those related parties. In addition, NOR received payments of $83,114 for the year ended June 30, 2019, from those related parties to settle shared expenses for supplies and services at normal commercial terms. Finally, at year end NOR had a receivable of $267,215 from a related party.

On July 16, 2018, the Company issued 1,374,092 common shares valued at $122,916 (CAD$160,000) to certain related parties to the Company in connection with the startup of the Company in lieu of compensation for services provided. In addition, the Company paid an advisory fee of $1,220,468 (CAD$1,575,000) to All Js Greenspace LLC in connection with the Debenture financing completed by the Company on September 20, 2018. The fee was settled with common shares of the Company and was included in share issuance costs. The Company also paid a fee of $5,617,110 (CAD$7,500,000) to All Js Greenspace LLC in connection with the Commitment Letter (see Note 20) which was settled by issuing 2,504 proportionate voting shares of the Company.

Management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, President, and Chief Administrative Officer, Chief Operating Officer, and Chief Financial Officer, Corporate Secretary and Directors. For the year ended June 30, 2019, the Company's expenses included $2,397,044, for salary or consulting fees paid to key management personnel, included in consulting fees. In addition, for the year ended June 30, 2019, included in stock-based compensation expense is $1,119,345 in connection with stock awards to key management personnel and Directors.

In addition, in connection with the successful award of seven additional dispensary licenses in the state of Nevada and as a condition of NOR Agreement, the Company paid $1,000,000 in a bonus which was settled with the issuance of 426,992 shares of the Company at the then market price per share of CAD$3.13 per share.

24. Revenue

For the year ended June 30, 2019, revenue comprised the following:

	MSO	CBD	June 30 2019	June 30, 2018
Retail	$ 11,410,096	$ 958,018	$ 12,368,114	$ -
Wholesale	2,080,094	1,281,595	3,361,689	-
	$ 13,490,190	**$ 2,239,613**	**$ 15,729,803**	**$ -**

25. Income taxes

The reconciliation of the income tax expense for the years ended June 30, 2019 and 2018, consists of the following:

	June 30, 2019	June 30, 2018
Loss before income taxes	$ 63,129,509	$ 2,626,609
Statutory rate	26.5%	26.5%
Expected income tax recovery at combined basic federal and provincial tax rates	16,729,320	696,051
Effect on income taxes of:		
Non-deductible expenses	121,553	-
Permanent non-deductible IRS Section 280e differences	(2,112,902)	-
Change in temporary differences not recognized	(4,177,441)	(696,051)
Rate differential between jurisdictions	314,888	-
Changes in tax benefits not recognized	(12,077,718)	-
Income tax expense	**$ (1,202,300)**	**$ -**

	2019	2018
Current	$ 729,055	$ -
Deferred	473,245	-
	$ 1,202,300	**$ -**

Income taxes paid for the year ended June 30, 2019, were $446,462.

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

	June 30, 2019	June 30, 2018
Deferred tax asset	$ 630,898	$ -
Deferred tax liability	(2,068,222)	-
	$ (1,437,324)	$ -

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year are as follows:

	June 30, 2018	Recognized in profit and loss	Recognized in goodwill	June 30, 2019
Deferred tax asset				
Non-capital losses	$ -	$ 608,116	$ -	$ 608,116
Deferred financing fees	-	22,782	-	22,782
	-	630,898	-	630,898
Deferred tax liability				
Intangible assets	-	(399,674)	(964,080)	(1,363,754)
Biological assets/harvested inventory	-	(73,571)	-	(73,571)
Financial instruments	-	(630,897)	-	(630,897)
	-	(1,104,142)	(964,080)	(2,068,222)
	$ -	$ (473,244)	$ (964,080)	$ (1,437,324)

The tax effects of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

	June 30, 2019	June 30, 2018
Fixed assets	$ 13,671,725	$ -
Deferred financing fees	1,557,698	-
Share issue costs	8,237,087	-
Non-capital losses	46,762,720	-
Capital losses	407,419	-
Other	2,472,818	-
	$ 73,109,467	$ -

The Company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

	June 30, 2019	June 30, 2018
2026	$ -	$ -
2027	-	-
2028 or later	49,246,238	-
	$ 49,246,238	**$ -**

As the Company operates in the cannabis industry, it is subject to the limitations of IRS Section 280E, under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

26. Earnings per share

The calculation of earnings per share for the year ended June 30, 2019 and 2018, was based on the net loss attributable to owners of the parent of $64,254,374 and $2,626,609, respectively. The weighted average number of common shares outstanding for the year ended June 30, 2019, of 161,188,156, is calculated as follows:

	For the year ended June 30, 2019	For period ended June 30, 2018
Basic earnings per share:		
Net loss for the period	64,254,374	2,626,609
Average number of common shares outstanding during the period	161,188,156	54,794,120
Loss per share - basic	$ 0.40	$ 0.05
Effect of dilutive securities on weighted average number of shares outstanding during the period	n/a	n/a
Loss per share - diluted	$ 0.40	$ 0.05

27. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to achieve this objective, the Company prepares budgets and capital requirements to manage its capital structure. The Company defines capital as equity, convertible debentures and borrowings, comprised of issued share capital, share-based payments, accumulated deficit, as well as due to related parties.

Since inception, the Company has primarily financed its liquidity needs through issuance of shares, convertible debentures and warrants.

The Company is not subject to externally imposed capital requirements.

28. Financial instruments and risk management

Financial instruments

The Company's financial instruments consist of cash and short term investments, receivables, notes receivable, and other receivables, accounts payable and accrued liabilities, taxes payable, due to related parties, notes payable, embedded derivative liability, and convertible debentures.

The carrying values of cash, short term investments, accounts receivable, other receivables, due from related parties, accounts payable and accrued liabilities, taxes payable, due to related parties, notes payable, embedded derivative liability, and convertible debenture approximate their fair values due to their short periods to maturity.

Long term financial instruments consists of notes receivable. The carrying value approximates their fair value due to the nature of the underlying assets being acquired.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

		Fair value as at June 30, 2019		
	Carrying value as at March 31, 2019	**Quoted prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial Assets				
Cash	$ 10,256,008	$ 10,256,008	$ -	$ -
Financial Liabilities				
Embedded liabilty	1,496,214	-	1,496,214	-

The Company had at June 30, 2018 cash of $4,688,311 which were classified as Level 1 which approximated their fair value.

Financial risk factors

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

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, short term investment, receivables and other receivables. The Company's cash is held at a major Canadian bank and a regional United States credit union. The Company's short term investment are held at a major Canadian investment bank however the investments could be subject to significant volatility. The Company's other receivables predominantly is with Revenue Canada in connection with input tax credits. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

For the Company's receivables, the Company provides credit to certain customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Credit risk on wholesale customers is assessed on a case-by-case basis and a provision is recorded where required.

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables.

	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged 60 days past due
Expected loss rate	1%	10%	15%	50%
Gross carrying amount				
Accounts receivables	582,183	-	-	-
Other receivables	169,260	-	-	-
Loss allowance provision, end of the period	**1,654**	**-**	**-**	**-**

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due as discussed in Note 2 above. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All the Company's financial liabilities are due within one year.

(c) Currency rate risk

As at June 30, 2019, a portion of the Company's financial assets and liabilities are held in Canadian dollars consisting of cash, other receivables, and notes payable. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in United States dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not sufficient at this point in time.

The Company is exposed to unrealized foreign exchange risk through its cash and notes payable. A 1% change in the CAD foreign exchange rate would result in an unrealized gain or loss of approximately $223,000.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or the future cashflows of a financial instrument will fluctuate as a result of market interest rates. The Company's interest-bearing notes payables (Note 17) and convertible debentures (Note 18) are all at fixed interest rates. The Company considers interest rate risk to be immaterial.

29. Commitments

The Company has the following minimum lease commitments for retail, office and warehouse space:

	Years ending June 30,
2020	$ 13,634,633
2021-22	29,428,977
2023-24	29,582,103
Thereafter	1,844,142
	$ 74,489,855

Included in such lease commitments is a lease commitment for office rental with a related party with annual rent of $233,600 for a total commitment of $442,307 at market rates. This three-year lease expires August 30, 2021.

On February 7, 2019, GGB Beauty LLC, a subsidiary of the Company, executed a licensing agreement with Authentic Brands Group ("ABG") and the Greg Norman brand. The agreement is to develop a line of CBD infused personal care products designed for active adult men and women. ABG is a brand development, marketing company. The agreement is for a 5-year term with certain guaranteed annual minimum royalties. The agreement calls for guaranteed minimum royalty of $19,500,000 over the life of the agreement. The Company has discretion to terminate the agreement at any time subject to the payment of a termination fee of $8,000,000.

The Company has also entered into a commitment to spend $791,430 on mall marketing in return for discount in rent at certain locations.

Further, at June 30, 2019, the Company had committed purchase orders outstanding of approximately $6,580,500 for certain product supplies and materials which will be satisfied before December 2019.

30. Subsequent events

a) On July 8, 2019, the Company entered into a securities acquisition and contribution agreement (the "Moxie Agreement"), with, among others, MXY Holdings LLC ("Moxie") under which a new Ontario limited partnership, of which the Company will be the general partner (GGB LP), will acquire the operating companies of GGB and the issued and outstanding units of Moxie, an arm's length third party, in an all-equity interest transaction (the "Transaction"). As part of the Transaction, the Company will also be directly acquiring shares of MXY C, INC. (MXY C) and MXY D, INC. (MXY D), Delaware entities within the Moxie structure, and interests in two entities, PurePenn LLC and Pure CA, LLC (collectively, the Pure Entities), with which Moxie has current acquisition agreements (subject to regulatory approval).

   The equity purchase price of the Transaction is $310 million (the "Purchase Price") and will be satisfied through the issuance of either the Company's common shares or exchangeable LP units, as more fully described below.

   The Transaction is structured to include the formation of GGB LP, a new Ontario limited partnership of which GGB will be the general partner, with the operating companies of the Company being placed under the partnership (the "Reorganization"). Payment of the Purchase Price will be satisfied through the issuance of common shares of the Company and exchangeable limited partnership units in GGB LP ("Exchangeable LP Units") as follows: (i) through the issuance of the Company's common shares to the shareholders of MXY C and MXY D; (ii) through the issuance of either the Company's common shares or Exchangeable LP Units to the unitholders of Moxie; and (iii) through the issuance of Exchangeable LP Units to the holders of the Pure Entities. The Exchangeable LP Units are exchangeable into the Company's common shares on a one-for-one basis for no additional consideration; however, the Exchangeable LP Units may not be exchanged for the Company's common shares for the first year following the closing of the Transaction.

   The total number of securities issuable as payment under the Transaction is equal to that number determined by dividing the Purchase Price by the 30-day volume-weighted average price (VWAP) of the Company's common shares ending on the third trading day prior to the closing (the Closing VWAP) (but in no case will the Closing VWAP be less than \$2.07 or greater than \$3.45 (being the equivalent to CAD\$2.71 and CAD\$4.52, based on the Bank of Canada exchange rate as of July 5, 2019)), such that following the issuance of the Company's common shares and Exchangeable LP Units, the former Moxie members, the shareholders of MXY C and MXY D and the holders of the Pure Entities will hold between approximately 30% and 42% of the fully-diluted equity of the Company (treasury method and assuming the closing of the Company's previously announced Spring Oaks acquisition in Florida) with the majority of such securities to be subject to lock up agreements (the Lock-Up Agreements) for a period of 12 months from the completion of the Transaction with staggered releases.

As part of the Transaction, Moxie has agreed to make available a loan of \$5 million (the "Loan") to the Company in order to fund certain pending acquisitions and the parties have agreed to enter into a distribution agreement. The Loan will bear interest at 6% and, if the Transaction is terminated, will be repaid within 12 months of termination. The distribution agreement provides that the Company will distribute Moxie CBD products through its kiosk and dispensary network for a period of up to thirty (30) months.

b) On July 29, 2019 the Company closed on the previously announced acquisition of Spring Oaks Greenhouses, Inc. Pursuant to the agreement, the purchase price for the shares of capital stock of Spring Oaks of \$54,650,000, subject to certain post-closing purchase price adjustments, shall be satisfied by the Company at closing through a combination of: (i) a previously paid deposit of \$1,350,000; (ii) a cash payment at closing of \$2,000,000, subject to certain adjustments identified in the Agreement; (iii) a cash payment of \$3,000,000 due on August 31, 2019; (iv) the issuance of 7,133,297 common shares of the Company (the "Consideration Shares") to the owners of Spring Oaks representing an aggregate amount of \$17,100,000 at a price of \$2.39 (CAD\$3.16) per Consideration Shares; (v) the issuance of 8,094,210 common shares of the Company (the "Additional Consideration Shares") to the owners of Spring Oaks representing an aggregate amount of \$14,000,000, at a price of US\$1.72 (CAD\$2.28) per Additional Consideration Shares; (vi) the issuance of a two-year convertible secured promissory note in the aggregate principal amount of \$11,400,000 (the "Two-Year Note"); and (vii) the issuance of a one-year convertible secured promissory note in the aggregate principal amount of \$5,800,000 (the "One-Year Note"). The Two-Year Note shall bear interest at a rate of 15%, payable after the first year, and shall have a maturity date of 24 months following the date of closing. The Two-Year Note shall be convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate equal to US\$2.39 (CAD\$3.16) and shall be secured by the Spring Oaks assets. The One-Year Note shall bear interest at a rate of 15%, simple interest, per annum, and shall have a maturity date of 12 months following the date of closing. The One-Year Note shall be convertible, on the maturity date, at the option of Spring Oaks, into common shares of the Company at a conversion rate of US\$1.72 (CAD\$2.28), representing the closing market price of the Company common share on the CSE on the trading day immediately prior the date hereof. The One Year Note shall be secured by the Spring Oaks assets.

Both the Consideration Shares and the Additional Consideration Shares shall be subject to a lock-up agreement for 20 months following the date of closing, to be released in increments of 1/20 over that time period. In connection with the closing, the Company paid a fee (the "Fee") of \$500,000 to a consultant in full satisfaction and settlement of certain finder services performed the Company's behalf. The Fee was paid through (1) a cash payment in the amount of \$250,000 and (2) the issuance of common shares of the Company in the aggregate amount of \$250,000, priced at US\$1.72 (CAD\$2.28), representing the closing market price of the Company's common share on the CSE on the trading day immediately prior to close.

c) On August 14, 2019, the Company announced it had entered into backstop commitment letter with each of All Js Greenspace LLC, Park Lane Capital Limited, and Chiron Ventures Inc. (collectively, the "Investors"), pursuant to which the Investors have committed to subscribe for and purchase, in certain circumstances, up to approximately \$77 million of convertible debentures (the "Convertible Debentures") of the Company to support the Company's operations and capital needs (the "Commitment Letters").

Pursuant to the terms of the Commitment Letters, the Company is entitled to require each of the Investors to fulfill their respective commitments for a period of 12 months (the "Term") following completion of the

Company's previously announced prospectus offering of units (the "Offering") as follows: (i) as to up to $52,325,000 (in the aggregate), in the event that the Company's existing secured convertible debt cannot be extended or refinanced prior to the maturity date thereof and (ii) as to up to $25,000,000 (in the aggregate), in the event the Company requires capital to fund operations during the Term. The Convertible Debentures, if issued, will have a maturity date of 12 months from the date of issuance (the "Maturity Date") and will be convertible upon the election of the applicable Investor at any time up to and including the Maturity Date into, in respect of the commitments from non-U.S. resident Investors, common shares of the Company at a conversion price equal to CAD$2.45 per common shares and, in respect of the commitment from the U.S. resident Investor, proportionate voting shares of the Company ("Proportionate Voting Shares") at a conversion price per Proportionate Voting Share equal to CAD$1,225 (being equivalent to CAD$2.45 per common share) divided by the Canadian-US exchange rate on the business day prior to conversion. Interest on the Convertible Debentures will accrue daily and will be payable on the Maturity Date. On the Maturity Date or upon the election of the applicable Investor, the principal amount of the Convertible Debentures shall be payable by the Company in cash (together with all accrued interest payable thereon) or, at the option of the applicable Investor, into common shares or Proportionate Voting Shares, as the case may be, at the applicable conversion price, without adjustment for interest accrued on the Convertible Debentures or for dividends or distributions on the common shares or Proportionate Voting Shares, as the case may be, issuable upon conversion, all subject to the terms and conditions to be set forth in the definitive form of Convertible Debenture to be issued by the Company in form an substance satisfactory to the Investor and the Company, each acting reasonably.

If issued, the obligations of the Company under the Convertible Debentures will be secured by a general security agreement over all of the Company's applicable present and after-acquired personal property and will be subordinate to the Company's existing secured convertible debt. In connection with the Commitment Letters, and following the completion of the Offering, the Company will pay the Investors a fee in the aggregate of $3,866,250, payable through the issuance of (i) common shares at a price equal to the closing market price of the common shares on the trading day immediately prior to such issuance, in the case of the non-U.S. resident Investors and (ii) Proportionate Voting Shares, at a price equal to the closing market price of the common shares on the trading day immediately prior to such issuance, multiplied by 500 and divided by the Canadian-U.S. exchange rate on such date, in the case of the U.S. resident Investor.

d) On August 22, 2019, the Company closed the previously announced bought deal short form prospectus offering ("Offering") of units of the Company for aggregate gross proceeds of CAD$50,225,000. Under the Offering the Company sold a total of 20,500,000 Units at a price of CAD$2.45 per Unit. Each Unit is comprised of one common share of the Company and one half of one common share purchase warrant of the Company (each full warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share at a price of CAD$3.50, subject to adjustment in certain events, for a period of 3 years from issuance. The Warrants have been approved for listing on the Canadian Securities Exchange under the symbol GGB.WT.

e) On August 27, 2019, the Company announced the closing of its acquisition of Henderson Organic Remedies, LLC (The+Source Henderson), which was previously disclosed on December 14, 2018. The+Source Henderson is the second The+Source dispensary operated by the Company in greater Las Vegas. The productivity of The+Source Henderson is similar to that of The+Source Las Vegas. The Company has not determined the purchase price allocation of this acquisition at this time. The acquisition will be considered a business combination under IFRS 3 and will assess the purchase price allocation during the first quarter of fiscal 2020.

f) On September 5, 2019, the Company completed a private placement for 1,127,543 units ("Compensation Units") at a price of CAD$2.45 per Unit in satisfaction of a portion of the cash commission payable to the syndicate of underwriters of the Company's recently completed CAD$50,225,000 Offering. Each Compensation Unit comprised of one common share and one half of one common share purchase warrant of the Company. The terms of the Warrant were the same as the underlying prospectus Offering.

g) Between October 1, 2019 and October 16, 2019, the Company incurred short term debt in the aggregate amount of $13,831,845, which debt was provided by certain of the parties identified Note 30 c) above in connection with the backstop commitment agreement (the "Backstop Commitment"). Such debt was satisfied via the issuance of convertible debentures on the terms set forth in the Backstop Commitment.

31. Segmented information

The Company operates in two identifiable operating segments, Cannabis (“MSO”), which includes only the cannabis cultivating, processing and retailing operations, and CBD, which includes only direct costs associated with retail operations of CBD-infused consumer products. The Company segments represent the way the chief operating decision makers view the business segments. The allocations below represent cost allocations to reconcile to IFRS external reporting.

(Expressed in United States dollars)

		MSO		CBD		Head office		Allocations		Total	
	Note	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Sales											
Revenue		$ 13,490,190	$ -	$ 2,239,613	$ -	$ -	$ -	$ -	$ -	$ 15,729,803	$ -
Cost of goods sold		8,844,293	-	3,599,882	-	-	-	3,959,958	-	16,404,133	-
Gross profit before fair value adjustments		4,645,897	-	(1,360,269)	-	-	-	(3,959,958)	-	(674,330)	-
Fair value change in biological assets included in inventory sold and other charges		662,212	-	-	-	-	-	-	-	662,212	-
Unrealized gain on changes in fair value of biological assets		(1,012,549)	-	-	-	-	-	-	-	(1,012,549)	-
Gross profit		4,996,234	-	(1,360,269)	-	-	-	(3,959,958)	-	(323,993)	-
Operating Expenses											
General and administration		-	-	-	-	22,791,162	1,364,719	(2,039,682)	-	20,751,480	1,364,719
Legal and professional fees		-	-	-	-	17,337,691	1,163,810	(1,914,593)	-	15,423,098	1,163,810
Sales and marketing		2,104,497	-	5,624,291	-	903,863	-	-	-	8,632,651	-
Stock based compensation	21	-	-	-	-	3,839,254	-	-	-	3,839,254	-
Depreciation and amortization	11,14	68,500	-	178,938	-	949,927	-	(5,683)	-	1,191,682	-
Other income		(39,060)	-	-	-	(521)	-	-	-	(39,581)	-
		2,133,937	-	5,803,229	-	45,821,376	2,528,529	(3,959,958)	-	49,798,584	2,528,529
		2,862,297	-	(7,163,498)	-	(45,821,376)	(2,528,529)	-	-	(50,122,577)	(2,528,529)
Non-operating expenses											
Loss on equity investment in Xanthic Beverages USA, LLC	13	-	-	-	-	671,579	-	-	-	671,579	-
Gain in fair value of derivative liability		-	-	-	-	(2,739,549)	-	-	-	(2,739,549)	-
Interest expense		-	-	-	-	3,509,419	1,113	-	-	3,509,419	1,113
Accretion expense		-	-	-	-	466,264	-	-	-	466,264	-
Foreign exchange loss (income)		-	-	-	-	1,419,220	96,967	-	-	1,419,220	96,967
Unrealized gain on marketable securities	6	-	-	-	-	(4,347,339)	-	-	-	(4,347,339)	-
Transaction costs	12	-	-	-	-	13,260,093	-	-	-	13,260,093	-
Net income (loss) before listing fees and income taxes		**2,862,297**	**-**	**(7,163,498)**	**-**	**(58,061,063)**	**(2,626,609)**	**-**	**-**	**(62,362,264)**	**(2,626,609)**
Listing fees		-	-	-	-	767,245	-	-	-	767,245	-
Net income (loss) after listing fees		**2,862,297**	**-**	**(7,163,498)**	**-**	**(58,828,308)**	**(2,626,609)**	**-**	**-**	**(63,129,509)**	**(2,626,609)**
Income taxes	25	1,202,300	-	-	-	-	-	-	-	1,202,300	-
Net income (loss) after income taxes		**$ 1,659,997**	**$ -**	**$ (7,163,498)**	**$ -**	**$ (58,828,308)**	**$ (2,626,609)**	**$ -**	**$ -**	**$ (64,331,809)**	**$ (2,626,609)**
Net income (loss) and comprehensive loss attributable to:											
Owners of the parent		1,737,432	-	(7,163,498)	-	(58,828,308)	(2,626,609)	-	-	(64,254,374)	(2,626,609)
Non-controlling interest		77,435	-	-	-	-	-	-	-	77,435	-
		1,659,997	-	(7,163,498)	-	(58,828,308)	(2,626,609)	-	-	(64,331,809)	(2,626,609)

Supplemental segemented information										
Assets	107,923,000	-	29,556,255	-	12,306,292	4,706,580	-	-	149,785,547	4,706,580
Liabilities	18,449,277	-	7,307,803	-	81,490,951	316,768	-	-	107,248,031	316,768