VALENS GROWORKS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTH PERIODS ENDED MAY 31, 2019

VALENS GROWORKS CORP.

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VALENS GROWORKS CORP.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, in Canadian Dollars)

As at	Notes	May 31, 2019 $	November 30, 2018 $
ASSETS			
Current			
Cash and cash equivalents		57,016,387	1,726,530
Short-term investments	4	8,505,750	23,505,750
Receivables	11	7,925,813	1,750,609
Prepaid expenses and deposits	5	1,218,154	1,086,544
Promissory note receivable	6	1,044,589	1,007,192
Inventory	7	2,007,592	506,772
		77,718,285	29,583,397
Asset classified as held for sale	8,10	-	2,636,501
		77,718,285	32,219,898
Property, plant and equipment	9,11	21,026,272	7,188,657
Intangible assets	10	13,552,440	14,265,726
TOTAL ASSETS		112,296,997	53,674,281
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	11	1,456,963	961,493
Shareholders' equity			
Share capital	12	144,970,018	65,048,638
Reserves	12	9,764,933	12,770,160
Obligation to issue shares	12	2,521,127	4,414,622
Deficit		(46,416,044)	(29,520,632)
		110,840,034	52,712,788
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		112,296,997	53,674,281

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Note 18)

Approved on behalf of the Board on July 15, 2019:

Signed	Signed
"Tyler Robson"	*"Nitin Kaushal"*
Director	Director

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

VALENS GROWORKS CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited, in Canadian Dollars)

		For the three months ended	May 31,	For the six months ended	May 31,
		2019	2018	2019	2018
	Notes	$	$	$	$
Revenue		8,800,093	22,741	11,020,293	22,741
Cost of goods sold	7,9	3,701,065	13,418	5,070,740	13,418
Gross Profit		5,099,028	9,323	5,949,553	9,323
Operating expenses					
Advertising and promotion		656,757	123,455	1,916,530	277,493
Depreciation and amortization	9,10	599,558	164,340	1,274,936	225,753
Foreign exchange (gain) loss		156	(21,219)	1,063	(53,583)
Interest		3,840	1,877	7,087	23,794
Management and consulting fees	11,12	1,170,731	902,957	1,500,738	1,658,348
Office and miscellaneous		893,412	117,662	1,214,764	395,651
Professional fees		212,813	97,800	346,599	176,830
Rent	11	12,860	62,950	75,805	134,391
Repairs and maintenance		42,763	1,576	80,730	16,074
Share-based payments	11,12	2,121,107	579,067	5,439,394	2,878,193
Travel and business development		133,638	231,737	264,501	237,083
Wages and salaries	11	852,569	271,833	1,570,991	413,942
		6,700,204	2,534,035	13,693,138	6,383,969
		(1,601,176)	(2,524,712)	(7,743,585)	(6,374,646)
Accretion	6	-	(9,620)	-	(9,453)
Interest income	6	211,486	93,103	318,424	165,424
Impairment of asset held for sale	8	(3,194,472)	-	(3,194,472)	-
Contract termination cost	12,13	(5,945,000)	-	(5,945,000)	-
Unrealized loss on short-term investments	4	-	-	(330,779)	-
		(8,927,986)	83,483	(9,151,827)	155,971
Loss and comprehensive loss for the period		(10,529,162)	(2,441,229)	(16,895,412)	(6,218,675)
Basic and diluted loss per common share		(0.10)	(0.03)	(0.17)	(0.09)
Weighted average number of common shares outstanding-basic and diluted		106,284,918	72,254,200	99,866,487	68,494,969

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

VALENS GROWORKS CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, in Canadian Dollars)

	Share Capital						
For the six months ended May 31, 2019 and 2018	**Number**	**Amount**	**Reserves**	**Obligation to issue shares**	**Subscriptions receivable**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Balance, November 30, 2017	**61,467,309**	**17,934,729**	**2,865,412**	**38,000**	**(20,608)**	**(13,608,861)**	**7,208,672**
Shares issued for cash	10,134,350	13,673,170	-	-	-	-	13,673,170
Share issuance costs	70,565	(909,865)	-	-	-	-	(909,865)
Share issued for exercise of warrants	541,905	630,626	-	-	-	-	630,626
Shares issued for consulting services	218,000	129,940	-	278,300	-	-	408,240
Share-based payments	-	-	2,878,193	(38,000)	-	-	2,840,193
Prior year subscriptions received	-	-	-	-	20,608	-	20,608
Loss for the period	-	-	-	-	-	(6,218,675)	(6,218,675)
Balance, May 31, 2018	**72,432,129**	**31,458,600**	**5,743,605**	**278,300**	**-**	**(19,827,536)**	**17,652,969**
Balance, November 30, 2018	**93,213,657**	**65,048,638**	**12,770,160**	**4,414,622**	**-**	**(29,520,632)**	**52,712,788**
Shares issued for exercise of warrants	9,037,252	28,947,251	(6,345,237)	-	-	-	22,602,014
Shares issued for exercise of options	279,583	463,660	(224,224)	-	-	-	239,436
Units issued through bought deal financing	14,618,644	43,125,000	-	-	-	-	43,125,000
Unit issuance costs	-	(4,534,631)	1,665,814	-	-	-	(2,868,817)
Shares issued for settlement of consulting agreement	3,800,000	10,409,500	-	(4,464,500)	-	-	5,945,000
Share-based payments	755,000	1,510,600	1,898,420	2,571,005	-	-	5,980,025
Loss for the period	-	-	-	-	-	(16,895,412)	(16,895,412)
Balance, May 31, 2019	**121,704,136**	**144,970,018**	**9,764,933**	**2,521,127**	**-**	**(46,416,044)**	**110,840,034**

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

VALENS GROWORKS CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, in Canadian Dollars)

For the six months ended	**May 31, 2019 $**	**May 31, 2018 $**
OPERATING ACTIVITIES		
Loss for the period	(16,895,412)	(6,218,675)
Adjustment for non-cash items:		
Depreciation and amortization	1,518,161	225,753
Share-based payments	5,439,394	3,156,493
Interest on promissory note receivable	(37,397)	(147,731)
Consulting fees	540,630	142,549
Accretion on promissory note receivable	-	9,453
Foreign exchange	-	(62,348)
Loss on disposal of assets	1,906	2,807
Impairment of assets held for sale	3,194,472	-
Contract termination cost	5,945,000	-
Unrealized loss on short-term investments	330,779	-
Working capital adjustments		
Receivables	(7,063,954)	(450,890)
Prepaid expenses and deposits	(131,610)	229,461
Inventory	(1,500,820)	-
Accounts payable and accrued liabilities	486,939	(346,436)
	(8,171,912)	(3,459,564)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,635,865)	(4,237,329)
Redemption of short-term investments	15,000,000	-
	364,135	(4,237,329)
FINANCING ACTIVITIES		
Proceeds from bought deal, net of share issue costs	40,256,183	-
Proceeds from exercise of warrants	22,602,014	630,626
Proceeds from exercise of stock options	239,437	-
Repayment of promissory notes payable	-	(860,507)
Proceeds from private placement, net of share issue costs	-	12,733,305
	63,097,634	12,503,424
CHANGE IN CASH AND CASH EQUIVALENTS	55,289,857	4,806,531
Cash and cash equivalents, beginning of period	1,726,530	291,623
Cash and cash equivalents, end of period	**57,016,387**	**5,098,154**

Supplemental disclosure with respect to cash flows:

Equipment accrued through accounts payable	115,586	247,963
Settlement of obligation to issue shares	5,434,470	278,300

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Valens GroWorks Corp. (the "Company") was incorporated under the laws of British Columbia on January 14, 1981. The Company operates in the cannabis industry and is focused on extraction services and white label product development and manufacturing. The Company's common shares trade under the trading symbol "VGW" on the TSX Venture Exchange as a Tier 1 life science issuer and under the trading symbol "VGWCF" on the OTC Markets.

The address of the Company's registered and records office and head office address is 230 Carion Road, Kelowna, BC V4V 2K5.

Valens Agritech Ltd. ("VAL"), a subsidiary company, was granted its Licensed Producer ("LP") license to cultivate and produce oil under the Access to Cannabis for Medical Purposes Regulations and subsequently, a standard processing and standard cultivation license under the Cannabis Act. VAL also holds an analytical testing license from Health Canada.

On April 5, 2017, the Company acquired Supra THC Services Inc. ("Supra") (Note 10). Supra was incorporated under the Business Corporations Act of the Province of British Columbia on December 10, 2015. Supra holds an analytical testing license from Health Canada which allows Supra to process and produce extract from cannabis and related active ingredients for scientific purposes. On October 23, 2018, the Company entered into an agreement to sell Supra to Rotogro International Limited ("Rotogro"). Subsequent to the end of the quarter, the Company was advised by Rotogro that they would likely be unable to close the transaction (Note 8).

On July 19, 2018, Valens Farms Ltd. ("Farms") was incorporated under the laws of British Columbia. Farms was incorporated to hold the interest in the cannabis production facility with Kosha Projects Inc.

On October 18, 2018, Valens Labs Ltd. ("Labs") was incorporated under the laws of British Columbia. Labs was incorporated to transfer the assets and operations of Supra upon the closing of the Rotogro transaction.

These condensed interim consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation.

The Company has incurred losses since its inception and for the six months ended May 31, 2019, the Company incurred a loss of $16,895,412 (May 31, 2018 - $6,218,675). As of May 31, 2019, the Company has an accumulated deficit of $46,416,044 (November 30, 2018 - $29,520,632). The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. The Company estimates it has sufficient working capital to continue operations for the upcoming twelve months.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the year ended November 30, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). It is suggested that these interim condensed consolidated financial statements be read in conjunction with the annual audited financial statements.

These condensed interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on July 15, 2019.

2. BASIS OF PREPARATION - *continued*

Basis of preparation

These condensed interim consolidated financial statements have been prepared on the accrual basis of accounting except for cash flow information, and on a historical cost basis except for certain financial assets measured at fair value. The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

Critical accounting estimates and judgements

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss.

ii) The valuation of shares and other equity instruments issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iii) Amortization of equipment, leaseholds and intangible assets are dependent upon the estimated useful lives, which are determined through the exercise of judgement. 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.

3. APPLICATION OF NEW ACCOUNTING STANDARDS

New IFRS Effective December 1, 2018

IFRS 15, Revenue from contracts with customers

IFRS 15 was issued by the IASB in May 2014 and provides guidance on how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing.

The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative period or transitional adjustments required as a result of the adoption. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

1. Identifying the contract with the customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

3. APPLICATION OF NEW ACCOUNTING STANDARDS - *continued*

Revenue from toll processing services and the direct sale of cannabis or cannabis oil to customers for a fixed price is recognized when the Company completes the performance obligation as outlined in the contract.

IFRS 9, Financial Instruments

The Company adopted IFRS 9 retroactively and determined that there is no change to the comparative period or transitional adjustments required as a result of adoption.

IFRS 9 was issued by the International Accounting Standards Board in November 2009 and October 2010 and replaces IAS 39. IFRS 9 uses a single approach to determine if a financial asset is classified and measured at fair value or amortized cost. Financial assets under IFRS 9 are initially measured at fair value and are subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit and loss.

Amortized Cost
Financial assets classified and measured at amortized cost are those assets that are held with the objective to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest. Financial assets classified at amortized cost are measured using the effective interest method.

Fair Value Through Other Comprehensive Income ("FVTOCI")
Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Fair Value Through Profit and Loss ("FVTPL")
Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not solely payments of principal and interest or are not held with the objective to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Classification and measurement of financial liabilities
Accounting for financial liabilities remains largely the same under IFRS 9 and subsequently the Company's liabilities were not significantly impacted by the adoption.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designates a financial liability at fair value through profit and loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets at amortized cost
An expected credit loss impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been reversed.

(Unaudited, in Canadian Dollars)

3. APPLICATION OF NEW ACCOUNTING STANDARDS - *continued*

Derecognition – Financial assets

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

The following table summarizes the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Cash	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not have a material impact to the Company's classification and measurement of financial assets and liabilities.

<u>New IFRS Not Yet Effective</u>

IFRS 16 – Leases

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact that IFRS 16 will have on its consolidated financial statements.

4. SHORT-TERM INVESTMENTS

Short-term investments consist of guaranteed investment certificates that mature on dates between October 8, 2019 and October 11, 2019 with annual interest rates ranging from 1.85% to Bank Prime less 2.45%.

During the six months ended May 31, 2019, the Company received the first non-refundable installment under the Rotogro Share Purchase Agreement ("SPA"), comprised of 2,250,000 ordinary shares in Rotogro which were initially valued at $888,800 and recorded as a reduction in the carrying value of the license (Note 8). The shares in Rotogro were recorded at fair value with any changes in fair value recorded through profit and loss. For the six months ended May 31, 2019, the fair value of the Rotogro shares decreased by $330,779, resulting in an unrealized loss on short term investments through loss and comprehensive loss. During the three months ended May 31, 2019, the Rotogro shares were allocated to the asset held for sale related to a finders fee payable.

5. PREPAID EXPENSES AND DEPOSITS

	May 31, 2019 $	November 30, 2018 $
Deposits – extraction equipment	299,926	686,959
Prepaid insurance, advertising and promotion and other	918,228	399,585
	1,218,154	1,086,544

(Unaudited, in Canadian Dollars)

6. PROMISSORY NOTE RECEIVABLE

	Tarukino Holdings Inc	**MKV Ventures 1, LLC**	**Total $**
Balance, November 30, 2017	-	1,890,498	1,890,498
Additions	1,000,000	-	1,000,000
Interest	7,192	228,784	235,976
Accretion	-	(14,718)	(14,718)
Foreign exchange gain	-	79,438	79,438
Transfer from receivables	-	30,000	30,000
Write off	-	(2,214,002)	(2,214,002)
Balance, November 30, 2018	1,007,192	-	1,007,192
Interest	37,397	-	37,397
Balance, May 31, 2019	1,044,589	-	1,044,589

Tarukino Holdings Inc.

The Company advanced $1,000,000 to Tarukino Holdings Inc (“Tarukino”) under a promissory note dated October 26, 2018. The promissory note will accrue interest at 7.5% per annum with an original maturity date of March 26, 2019. The Company subsequently entered into two amending agreements with Tarukino on March 26, 2019 and May 25, 2019 to extend the maturity date on the promissory note to May 25, 2019 and August 23, 2019, respectively. As security for the promissory note, the Company and Tarukino entered into a share pledge agreement dated October 26, 2018, under which 2,150,000 shares of the Company issuable to Tarukino under the manufacturing and sales license agreement (Note 10) dated September 21, 2018 will be held in escrow.

MKV Ventures 1 LLC

The Company had a loan receivable secured by a promissory note outstanding to MKV Ventures 1, LLC (“MKV Ventures”), a 100% owned subsidiary of MKHS LLC (“MKHS”). MKHS is a fully licensed, Arizona-based marijuana cultivation, extraction and medicinal dispensary business. MKHS supplies medical marijuana pursuant to the Arizona Medical Marijuana Act, operates two state-licensed “healing center” dispensaries and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

On January 16, 2017, the Company entered into the loan agreement with MKV Ventures which is secured by a promissory note for the total loan amount of $1,628,266 (US$1,212,500). The loan is guaranteed by MKHS and secures repayment of previous advances made by the Company. The loan accrues interest at the rate of 15% per annum effective May 15, 2016. Principal and interest, as well as $30,000 in cost recoveries for past accrued fees, are payable in equal monthly payments, to the Company by MKHS in arrears commencing at the end of the third month following the buildout of a 28,000 square foot Farmtek greenhouse expansion (the “Buildout”), and on the 15th day of each month thereafter over a 5-year term. The agreements entered into on January 16, 2017 supersede and replaces all previous agreements entered into between the Company and MKHS and settles all outstanding issues between the parties.

The Buildout of the MKHS Ventures project has continued to experience significant delays. The Company estimated the loan to be fully impaired and wrote off the balance outstanding at November 30, 2018.

(Unaudited, in Canadian Dollars)

7. INVENTORY

	May 31, 2019 $	November 30, 2018 $
Dried cannabis	444,707	466,656
Oils	1,414,759	-
Packaging and supplies	148,126	40,116
	2,007,592	506,772

Inventory expensed to cost of goods sold in the three and six months ended May 31, 2019 were $3,407,200 and $4,673,140, respectively (May 31, 2018 - $nil and $nil)

8. ASSET CLASSIFIED AS HELD FOR SALE

The intangible asset associated with Supra's Health Canada analytical testing license (the "License"), is presented as an asset held for sale following the receipt by the Company of an offer from Rotogro on October 23, 2018 to acquire the issued and outstanding shares of Supra. Under the terms of the agreement, prior to closing, all assets, liabilities, employees and customers are to be transferred from Supra into Labs, effectively leaving the License in Supra. Upon completion of this transaction, the Company will maintain the existing business of Supra within Labs.

Subsequent to the end of the quarter, the Company was advised by Rotogro that they would likely be unable to close the transaction. The Company does not anticipate being able to sell the asset classified as held for sale to another party. The Company assessed the carrying amount of the intangible asset held for sale and the fair value less cost to sell and recorded an impairment loss on the asset at May 31, 2019.

	May 31, 2019 $	November 30, 2018 $
Opening designation of asset as held for sale (Note 10)	2,636,501	3,725,301
Allocation of installments (1)	-	(1,088,800)
Allocation of finders fee	557,971	-
Impairment loss	(3,194,472)	-
Carrying amount of asset held for sale	-	2,636,501

(1) Under the terms of the SPA between the Company and Rotogro, the Company will sell all of the issued and outstanding shares in Supra to Rotogro in exchange for $2,000,000 in cash and 18,900,000 ordinary shares in Rotogro, to be paid in four installments. The first non-refundable installment is comprised of $200,000 in cash (received) and 2,250,000 ordinary shares in Rotogro (received) which was valued at $888,800 and recorded as a reduction in the carrying value of the license. The second installment of $200,000 in cash and 16,650,000 ordinary shares in Rotogro, of which 14,400,000 ordinary shares in Rotogro were to be held in escrow and the remaining 2,250,000 shares in Rotogro were freely trading, was due on closing the transaction, the third installment of $600,000 in cash and 5,400,000 ordinary shares in Rotogro to be released from escrow was due on the earlier of twenty one days from Rotogro's receipt of a processing license or December 31, 2019, and the final installment of $1,000,000 and 9,000,000 ordinary shares in Rotogro to be released from escrow was due on the earlier of twenty one days from Rotogro's receipt of a cultivation license or December 31, 2020.

The Company agreed to transfer a maximum of 4,000,000 ordinary shares in Rotogro upon receipt of Rotogro ordinary shares by the Company, to a consultant pursuant to the terms of the Straight Fire Consulting LLC acquisition (Note 13). As the Company received notice that Rotogro would likely be unable to close the transaction, the Company is only obligated to transfer the 2,250,000 ordinary shares in Rotogro already received by the Company valued at $557,971.

(Unaudited, in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Land $	Buildings $	Leaseholds $	Computer equipment and software $	Office furniture and equipment $	Lab equipment $	Total $
Opening Balance							
Balance, November 30, 2017	-	-	-	400,991	61,283	129,482	591,756
Additions	-	-	2,839,680	48,216	301,971	2,594,308	5,784,175
Transfers	-	-	1,789,292	-	-	-	1,789,292
Disposals	-	-	-	(15,305)	(1,134)	-	(16,439)
Balance, November 30, 2018	-	-	4,628,972	433,902	362,120	2,723,790	8,148,784
Additions	3,698,915	5,248,165	101,615	20,100	278,537	5,297,064	14,644,396
Transfers	-	4,730,587	(4,730,587)	-	-	-	-
Disposals	-	-	-	(829)	-	(2,118)	(2,947)
Balance, May 31, 2019	3,698,915	9,978,752	-	453,173	640,657	8,018,736	22,790,233
Accumulated Depreciation							
Balance, November 30, 2017	-	-	-	84,799	15,465	36,066	136,330
Additions	-	-	330,641	131,258	94,986	278,114	834,999
Disposals	-	-	-	(11,088)	(114)	-	(11,202)
Balance, November 30, 2018	-	-	330,641	204,969	110,337	314,180	960,127
Additions	-	48,223	205,843	43,530	75,856	431,423	804,875
Transfers	-	536,484	(536,484)	-	-	-	-
Disposals	-	-	-	(829)	-	(212)	(1,041)
Balance, May 31, 2019	-	584,707	-	247,670	186,193	745,391	1,763,961
Carrying Value							
November 30, 2018	-	-	4,298,331	228,933	251,783	2,409,610	7,188,657
May 31, 2019	3,698,915	9,394,045	-	205,503	454,464	7,273,345	21,026,272

During the three and six months ended May 31, 2019, the Company allocated $184,934 and $243,225 respectively (May 31, 2018 - $nil and $nil) of depreciation to cost of goods sold.

10. INTANGIBLE ASSETS

Cost	**Tarukino Holdings Inc. $**	**Supra License $**	**Total $**
Balance, November 30, 2017	-	3,900,000	3,900,000
Additions	14,265,726	-	14,265,726
Transfer to held for sale assets (Note 8)	-	(3,900,000)	(3,900,000)
Balance, November 30, 2018	14,265,726	-	14,265,726
Additions	-	-	-
Balance, May 31, 2019	14,265,726	-	14,265,726
Accumulated amortization			
Balance, November 30, 2017	-	-	-
Additions	-	174,699	174,699
Transfer to held for sale assets (Note 8)	-	(174,699)	(174,699)
Balance, November 30, 2018	-	-	-
Additions	713,286	-	713,286
Balance, May 31, 2019	713,286	-	713,286
Carrying value			
November 30, 2018	14,265,726	-	14,265,726
May 31, 2019	13,552,440	-	13,552,440

(Unaudited, in Canadian Dollars)

10. INTANGIBLE ASSETS - *continued*

Tarukino Holdings Inc.

On September 21, 2018, the Company signed a manufacturing and sales license agreement with Tarukino Holdings Inc. (“Tarukino”). Under the agreement, Tarukino granted the Company the exclusive Canadian rights to the production and distribution of its proprietary emulsion technology that transforms cannabis oil and oil-based terpenes into water-soluble forms for use in beverages, edibles, topicals and other consumer products. The agreement also provides the Company with the exclusive rights to produce, sell and distribute, in Canada, when and where permitted, Tarukino branded products including Happy Apple™, a cannabis-infused sparkling cider, and Pearl20™, a cannabis infused food and beverage mixer. In exchange for these exclusive Canadian rights, the Company has issued 4,300,000 shares of the Company on signing the agreement valued at $9,288,000, 1,000,000 warrants valued at $1,958,226 that vest based on certain future milestones and a decreasing royalty on revenue related to the associated products and technologies over the term of the agreement. The warrants are exercisable at prices ranging from $3.50 to $4.00 per share for a five-year term from the date of issuance. The Company accrued a fee to a consultant on signing the Tarukino agreement of 1,650,000 common shares of the Company, valued at $3,019,500. These shares have been issued in the six month period ended May 31, 2019.

The Company valued the exclusive Canadian license agreement based on the fair market value of 4,300,000 common shares on the date the license agreement was executed. In addition, the Company utilized the Black Scholes model to estimate the fair value of the 1,000,000 warrants issued under the agreement utilizing the following assumptions: discount rate of 2.33%, volatility of 159%, expected life of 5 years and exercise prices ranging from $3.50 to $4.00.

Supra THC Services Inc.

The Company originally acquired all of the issued and outstanding shares of Supra for the issuance of 3,000,000 common shares of the Company valued at $3,900,000 on April 5, 2017. The Company has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations. As at the closing date, the only asset held by Supra was the License therefore the full purchase price has been allocated to the License.

The Company has entered into an agreement to sell the asset (Note 8).

11. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors and companies with common directors of the Company. The remuneration of the Company’s directors and other key management personnel are as follows:

	For the three months ended May 31,		**For the six months ended May 31,**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Management fees	120,000	422,790	240,000	1,034,356
Rent	12,860	66,093	75,805	129,133
Wages and salaries	196,370	5,000	421,414	12,500
Share-based payments	1,537,143	-	3,520,071	-
Purchase of equipment	-	-	-	293,331
	1,866,373	493,883	4,257,290	1,469,320

11. RELATED PARTY TRANSACTIONS - *continued*

As at May 31, 2019, accounts payable and accrued liabilities included $167,602 (November 30, 2018 - $9,086) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

As at May 31, 2019, there were $nil receivables due to related parties (November 30, 2018 - $319,029).

12. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue an unlimited number of common and preferred shares with no par value.

Issued shares

Six-month period ended May 31, 2019:

(a) On April 9, 2019, the Company closed a $43,125,000 bought deal financing, pursuant to which the Company issued 14,618,644 units at a price of $2.95 per unit which is comprised of one common share of the Company and one-half share purchase warrant. Each full share purchase warrant is exercisable at a price of $4.00 per share for a period of twenty-four months from the date of closing, subject to acceleration conditions. In connection with the financing, the Company paid a cash commission equal to 6% of the gross proceeds raised and issued 877,119 broker warrants valued at $1,665,814. Each broker warrant entitles the holder to purchase one unit at a price of $2.95 per unit for a period of twenty-four months from the date of closing, subject to acceleration conditions. Each unit is comprised of one common share and one-half share purchase warrant, with each full warrant exercisable at a price of $4.00 per share until April 9, 2021, subject to certain acceleration conditions. The fair value of the warrants was determined using the Black Scholes model utilizing the following assumptions: discount rate of 1.60%, volatility of 106%, expected life of 2 years and exercise price of $2.95.

(b) The Company issued 9,037,252 common shares in connection with the exercise of warrants for gross proceeds of $22,602,014. As a result of the exercise of warrants, the fair value of the warrants amounting to $6,345,237 was reclassified from reserves to share capital;

(c) The Company issued 279,583 common shares in connection with the exercise of options for gross proceeds of $239,436. As a result of the exercise of options, the fair value of the options amounting to $224,224 was reclassified from reserves to share capital;

(d) The Company issued 755,000 common shares in connection with employment, consulting and board of directors' compensation agreements resulting in a reduction in the obligation to issue shares $969,970 an increase in share capital by $1,510,600 and management and consulting fees of $540,630; and

(e) The Company issued 3,800,000 common shares in settlement of a consulting agreement resulting in an increase in share capital by $10,409,500, a reduction in the obligation to issue shares of $4,464,500 and a contract termination expense of $5,945,000 (Note 13).

(Unaudited, in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES - *continued*

Six-month period ended May 31, 2018:

(a) On January 9, 2018, the Company closed the second and final tranche of a non-brokered private placement and issued 1,287,300 units at a price of $1.00 per unit for proceeds of $1,287,300. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.50 until December 27, 2018, subject to acceleration conditions;

(b) On February 9, 2018, the Company closed a two-tranche non-brokered private placement and issued a total of 8,847,050 shares at a price of $1.40 per share for proceeds of $12,385,870. In connection with the financing, the Company paid a finder's fee equal to 8% of the proceeds raised from subscribers introduced by certain finders of which a portion was settled through the issuance of 70,565 common shares valued at $98,791;

(c) On March 29, 2018, the Company issued 73,000 common shares to a consultant of the Company valued at $129,940;

(d) On April 18, 2018, the Company entered into a consulting agreement with a Director of the Company. Under the terms of the agreement, the Company is to issue 20,000 common shares of the Company. At May 31, 2018, $35,800 was recognized as an obligation to issue shares; and

(e) During the six-month period ended May 31, 2018, the Company issued 541,905 common shares in connection with the exercise of warrants for gross proceeds of $630,626.

Obligation to issue shares

The Company has entered into agreements with directors, officers, employees and consultants, to issue the following shares:

	Number of shares to be issued						Total Value $	Amount Recognized $
	2019	2020	2021	2022	2023	Total		
Directors	108,000	-	-	-	-	108,000	214,380	142,284
Officers and employees	850,000	1,200,000	650,000	600,000	450,000	3,750,000	6,247,500	2,378,843
Total	958,000	1,200,000	650,000	600,000	450,000	3,858,000	6,461,880	2,521,127

Of the amount recognized for the obligation to issue shares, $1,324,692 and $3,540,974 was recorded as share-based payments expense for the three- and six-month periods ended May 31, 2019 (May 31, 2018 - $nil and $nil). During the six-month period ended May 31, 2019, $5,434,469 was reclassified to share capital.

Upon termination of the services, the entitlement to the shares may be forfeited. Any share-based payments previously recognized related to the remaining unvested tranches will be reversed against profit and loss.

Escrow shares

In connection with the RTO, 39,675,000 common shares were placed into escrow with 10% released upon closing of the Acquisition and 15% released every six months thereafter. As at May 31, 2019, 5,951,250 shares were held in escrow (November 30, 2018 – 11,902,500).

(Unaudited, in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES – *continued*

Warrants

The following table summarizes warrant activity during the six-month period ended May 31, 2019 and the fiscal year ended November 30, 2018:

	Number of Warrants	Weighted Average Exercise Price $
Balance outstanding, November 30, 2017	3,111,753	1.38
Issued	9,876,297	2.54
Exercised	(735,405)	1.25
Expired	(2,492,348)	1.42
Balance outstanding, November 30, 2018	9,760,297	2.55
Issued	8,814,495	3.82
Exercised	(9,037,252)	2.50
Expired	(548,730)	1.55
Balance outstanding, May 31, 2019	8,988,810	3.91

The following table summarizes the warrants outstanding as at May 31, 2019:

Warrants Outstanding	Warrants Exercisable	Exercise price $	Expiry date
7,506,951	7,506,951	4.00	April 9, 2021[(1)]
481,859	481,859	2.95	April 9, 2021[(2)]
400,000	-	3.50	October 26, 2023
300,000	-	3.75	October 26, 2023
300,000	-	4.00	October 26, 2023
8,988,810	7,988,810		

[(1)] The Company is entitled to accelerate the expiry date of these outstanding warrants. The warrants with an exercise price of $4.00 can be accelerated to the date that is 30 days following the date the Company issues a news release announcing that the published closing price of the common shares on the TSX Venture Exchange has been equal to or greater than $6.00 for any 10 consecutive trading days.

[(2)] The broker warrants entitle the holder to purchase one unit at a price of $2.95 per unit, comprised of one common share and one-half share purchase warrant. Each full warrant has an exercise price of $4.00 and can be accelerated to the date that is 30 days following the date the Company issues a news release announcing that the published closing price of the common shares on the TSX Venture Exchange has been equal to or greater than $6.00 for any 10 consecutive trading days.

Stock options

The Company has an incentive stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Company at fair market value on the date of approval by the Board of Directors. A portion of the stock options vests immediately on the grant date and the balance vests over a period of up to five years from grant date.

(Unaudited, in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES-*continued*

The following table summarizes stock option activity during the six-month period ended May 31, 2019 and the fiscal year ended November 30, 2018:

	Number of Options	Weighted Average Exercise Price $
Balance outstanding, November 30, 2017	4,451,667	0.80
Issued	4,327,000	1.94
Exercised	(2,086,538)	0.92
Cancelled	(25,000)	0.30
Expired	(60,000)	3.00
Balance outstanding, November 30, 2018	6,607,129	1.49
Issued	750,000	4.21
Exercised	(279,583)	0.86
Cancelled	(68,751)	1.95
Expired	(4,166)	1.95
Balance outstanding, May 31, 2019	7,004,629	1.81
Options exercisable, May 31, 2019	4,085,787	1.32

The following table summarizes the options outstanding as at May 31, 2019:

Options outstanding	Options exercisable	Exercise price $	Expiry date
66,667	66,667	0.30	August 31, 2020
50,000	50,000	0.30	September 22, 2020
1,938,462	1,938,462	0.65	November 30, 2021
100,000	100,000	1.95	October 31, 2019
1,000,000	1,000,000	2.50	February 23, 2023
600,000	450,000	1.07	July 9, 2023
2,474,500	455,658	1.95	October 13, 2023
25,000	25,000	1.25	November 27, 2020
750,000	-	4.21	May 26, 2024
7,004,629	4,085,787		

Stock-based compensation

For the three and six months ended May 31, 2019, the Company recorded $796,415 and $1,898,420, respectively (May 31, 2018 - $579,067 and $2,878,193) in stock-based compensation expense related to vested options, which are measured at fair value at the date of grant and are expensed over the vesting period. The Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following weighted average assumptions:

	May 31, 2019	May 31, 2018
Average dividend per share	-	-
Average forecasted volatility	153%	118%
Average risk-free interest rate	1.48%	2.05%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	$ 3.86	$ 2.05

(Unaudited, in Canadian Dollars)

13. ACQUISITION OF STRAIGHT FIRE CONSULTING LLC

On April 23, 2019, the Company entered into an agreement with a consultant to acquire all of the shares of Straight Fire Consulting LLC ("Agreement"), an entity through which the consultant had been providing services to the Company, by issuing 3,800,000 common shares. To the date of the Agreement, the Company recorded an obligation to issue 2,350,000 common shares for services rendered, valued at $4,464,500. The remaining 1,450,000 shares issued, valued at $5,945,000, were attributed to the acquisition of Straight Fire Consulting LLC to facilitate the termination of the consulting agreement and all obligations to the consultant except as noted below.

The acquisition was strictly a result of the consultant's tax planning strategy, thus reducing the number of shares the Company was required to issue to terminate the consulting agreement. On the date of acquisition, Straight Fire Consulting LLC did not have any assets or liabilities. The Company is in the process of dissolving Straight Fire Consulting LLC.

The Company also agreed to transfer a maximum of 4,000,000 ordinary shares in Rotogro to the consultant upon receipt of Rotogro ordinary shares by the Company pursuant to the SPA (Note 8). As the Company received notice that Rotogro would be unable to close the transaction, the Company is only obligated to transfer the 2,250,000 ordinary shares in Rotogro already received by the Company valued at $557,971.

The consultant has agreed, as part of this transaction, to terminate the consulting agreement and all further obligations by the Company under the agreement, other than the change of control provisions which provide for an additional 3,000,000 common shares of the Company should a change of control occur within two years of the Agreement.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders equity.

The Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying values of the financial instruments as at May 31, 2019 are summarized in the following table:

	Amortized cost $	Financial assets designated as fair value through profit and loss $	Total $
Assets			
Cash and cash equivalents	-	57,016,387	57,016,387
Short-term investments	-	8,505,750	8,505,750
Receivables	7,925,813	-	7,925,813
Promissory note receivable	1,044,589	-	1,044,589
Liabilities			
Accounts payable and accrued liabilities	1,456,963	-	1,456,963

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT-*continued*

The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Interest risk

The Company's exposure to interest risk only relates to its investment of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity and would accumulate interest at prevailing rates for such investments. At May 31, 2019, the Company had cash and cash equivalents and short term investments of $65,522,137. At May 31, 2019, a 1% decrease in interest rates would result in a reduction in interest income by $655,221 compared to a 1% increase in interest rates which would have an equal but opposite effect.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, receivables and promissory note receivable. The Company's cash and cash equivalents and short-term investments are held through large Canadian financial institutions. The Company's receivables are comprised of trade accounts receivable, GST ITC's, and interest on short-term investments. The promissory note receivable from Tarukino is secured by a share pledge agreement, under which 2,150,000 shares of the Company issuable to Tarukino under the manufacturing and sales license agreement will be held in escrow. The carrying amount of cash and cash equivalents, short-term investments, receivables and promissory note receivable represent the maximum exposure to credit risk, and as at May 31, 2019, this amounted to $74,492,539.

The Company has $208,200 in trade accounts receivable outstanding over 60 days at May 31, 2019. The expected loss rate for overdue balances is estimated to be nominal based on subsequent collections, discussions with associated customers and analysis of the credit worthiness of the customer.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at May 31, 2019, the Company has $65,522,137 of cash and cash equivalents and short-term investments. The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount of $1,456,963.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US dollars. As at May 31, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $3,463 (November 30, 2018 - $3,914). A 10% depreciation of the Canadian dollar relative to the US dollar would have had the equal but opposite effect.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

(Unaudited, in Canadian Dollars)

16. SEGMENTED INFORMATION

The Company has three reportable segments, extraction and post processing, analytical testing and corporate, which is the way the Company reports information to its Board of Directors.

The extraction and post processing segment includes the legal processing and business to business sales transactions under the standard processing and standard cultivation license issued by Health Canada. Segment assets include cash, inventories, and equipment relating to the Company's extraction and post processing facility in Kelowna, BC.

The analytical testing segment includes the provision of testing services for cannabis products under an analytical testing license provided by Health Canada. Segment assets include cash, inventories, and equipment relating to the Company's laboratory facility located in Kelowna, BC.

The corporate segment includes our corporate growth activities, administration, financial and other support to our business units.

The operating segments for the three-month periods ended:

				May 31, 2019				**May 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	8,744,115	192,403	(136,425)	**8,800,093**	-	48,871	(26,130)	**22,741**
Cost of goods sold	3,676,157	80,773	(55,865)	**3,701,065**	-	30,081	(16,663)	**13,418**
	5,067,958	111,630	(80,560)	**5,099,028**	**-**	18,790	(9,467)	**9,323**
Other operating expenses	1,437,080	152,690	5,110,434	**6,700,204**	132,461	120,474	2,281,100	**2,534,035**
	3,630,878	(41,060)	(5,190,994)	**(1,601,176)**	(132,461)	(101,684)	(2,290,567)	**(2,524,712)**
Non-operating expenses (income)	-	3,194,458	5,733,528	**8,927,986**	-	-	(83,483)	**(83,483)**
Net income (loss)	3,630,878	(3,235,518)	(10,924,522)	**(10,529,162)**	(132,461)	(101,684)	(2,207,084)	**(2,441,229)**
Total assets	17,698,415	761,953	93,836,629	**112,296,997**	6,412,543	4,526,871	7,443,400	**18,382,814**
Total liabilities	581,629	37,330	838,004	**1,456,963**	465,302	19,999	244,544	**729,845**

(Unaudited, in Canadian Dollars)

16. SEGMENTED INFORMATION *-continued*

The operating segments for the six-month periods ended:

				May 31, 2019				**May 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	10,898,485	327,278	(205,470)	**11,020,293**	-	48,871	(26,130)	**22,741**
Cost of goods sold	5,055,738	121,675	(106,673)	**5,070,740**	-	30,081	(16,663)	**13,418**
	5,842,747	205,603	(98,797)	**5,949,553**		18,790	(9,467)	**9,323**
Other operating expenses	2,483,239	294,492	10,915,407	**13,693,138**	1,427,591	184,790	4,771,588	**6,383,969**
	3,359,508	(88,889)	(11,014,204)	**(7,743,585)**	(1,427,591)	(166,000)	(4,781,055)	**(6,374,646)**
Non-operating expenses (income)	(489)	3,194,383	5,957,933	**9,151,827**	-	-	(155,971)	**(155,971)**
Net income (loss)	3,359,997	(3,283,272)	(16,972,137)	**(16,895,412)**	(1,427,591)	(166,000)	(4,625,084)	**(6,218,675)**
Total assets	17,698,415	761,953	93,836,629	**112,296,997**	6,412,543	4,526,871	7,443,400	**18,382,814**
Total liabilities	581,629	37,330	838,004	**1,456,963**	465,302	19,999	244,544	**729,845**

17. COMMITMENTS AND CONTINGENCIES

Claims and Litigation

Subsequent to the end of the quarter, a claim was commenced against the Company regarding a finder's fee the plaintiff claims is payable associated with the Rotogro share purchase agreement. The total amount of the claim is $500,000 to be satisfied through the issuance of common shares of the Company. The plaintiff is currently claiming 87,966 shares of the Company, representing a quarter of the total amount the plaintiff claims will be owed. The Company believes the actions to be without merit and intends to defend this claim vigorously. Due to the uncertainty of the timing and amount of estimated future outflows relating to this claim, no provision has been recognized.

18. SUBSEQUENT EVENTS

On June 14, 2019, the Company issued 298,000 common shares to settle obligations to issue shares to certain directors and officers of the Company.

On July 3, 2019, the Company issued 397,590 common shares related to the cashless exercise of 1,000,000 options with an exercise price of $2.50.

On July 15, 2019, the Company granted 2,500,000 options to purchase common shares of the Company exercisable at a price of $4.32 per share and expiring on July 14, 2024 to employees, officers and directors of the Company. The options vest quarterly over a three-year period and are granted pursuant to the terms of the Company's stock option plan.