VALENS GROWORKS CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTH PERIODS ENDED AUGUST 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	August 31, 2019 $	November 30, 2018 $
ASSETS			
Current			
Cash and cash equivalents		60,375,166	1,726,530
Restricted short-term investments	4	100,000	-
Short-term investments	5	8,857,999	23,505,750
Receivables	12	16,296,458	1,750,609
Prepaid expenses and deposits	6	1,542,740	1,086,544
Promissory note receivable	7	-	1,007,192
Inventory	8	849,652	506,772
		88,022,015	29,583,397
Asset classified as held for sale	9,11	-	2,636,501
		88,022,015	32,219,898
Property, plant and equipment	10,12	23,106,264	7,188,657
Intangible assets	11	13,204,496	14,265,726
TOTAL ASSETS		124,332,775	53,674,281
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	12	3,532,527	961,493
Finder's fee payable	9,14	352,249	-
		3,884,776	961,493
Shareholders' equity			
Share capital	13	148,630,344	65,048,638
Reserves	13	9,955,939	12,770,160
Obligation to issue shares	13	2,384,876	4,414,622
Deficit		(40,523,160)	(29,520,632)
		120,447,999	52,712,788
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		124,332,775	53,674,281

Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

Approved on behalf of the Board on October 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 Income (Loss) and Comprehensive Income (Loss)
(Unaudited, in Canadian Dollars)

		For the three months ended	August 31,	For the nine months ended	August 31,
		2019	**2018**	**2019**	**2018**
	Notes	**$**	**$**	**$**	**$**
Revenue		16,461,626	14,575	27,481,919	37,316
Cost of goods sold	8,10	3,654,636	8,700	8,725,376	22,118
Gross Profit		12,806,990	5,875	18,756,543	15,198
Operating expenses					
Advertising and promotion		598,609	217,331	2,515,139	494,824
Depreciation and amortization	10,11	608,680	436,086	1,883,616	661,839
Foreign exchange (gain) loss		463	(14,162)	1,526	(67,745)
Interest		3,731	1,404	10,818	25,198
Management and consulting fees	12,13	425,354	441,823	1,926,092	2,100,171
Office and miscellaneous		833,971	234,901	2,048,735	630,552
Professional fees		332,123	217,631	678,722	394,461
Rent	12	17,552	62,945	93,357	197,336
Repairs and maintenance		100,876	90,474	181,606	106,548
Share-based payments	12,13	3,393,935	241,514	8,833,329	3,119,707
Travel and business development		171,793	94,791	436,294	331,874
Wages and salaries	12	797,420	404,525	2,368,411	818,467
		7,284,507	2,429,263	20,977,645	8,813,232
		5,522,483	(2,423,388)	(2,221,102)	(8,798,034)
Accretion	7	-	(5,265)	-	(14,718)
Interest income	7	370,401	123,103	688,825	288,527
Impairment of asset held for sale	9	-	-	(3,194,472)	-
Contract termination cost	13,14	-	-	(5,945,000)	-
Unrealized loss on short-term investments	5	(205,722)	-	(536,501)	-
Unrealized gain on finder’s fee payable	9,14	205,722	-	205,722	-
		370,401	117,838	(8,781,426)	273,809
Income (loss) and comprehensive income (loss) for the period		5,892,884	(2,305,550)	(11,002,528)	(8,524,225)
Basic earnings (loss) per common share		0.05	(0.03)	(0.10)	(0.12)
Diluted earnings (loss) per common share		0.05	(0.03)	(0.10)	(0.12)
Weighted average number of common shares outstanding	18				
Basic		122,457,417	72,297,422	107,451,763	69,798,796
Diluted		126,580,551	72,297,422	107,451,763	69,798,796

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 nine months ended August 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)
Shares issued for exercise of warrants	541,905	630,626	-	-	-	-	630,626
Shares issued for consulting services	343,000	429,640	-	(38,000)	-	-	391,640
Share-based payments	-	-	3,119,707	-	-	-	3,119,707
Prior year subscriptions received	-	-	-	-	20,608	-	20,608
Loss for the period	-	-	-	-	-	(8,524,225)	(8,524,225)
Balance, August 31, 2018	**72,557,129**	**31,758,300**	**5,985,119**	**-**	**-**	**(22,133,086)**	**15,610,333**
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	1,177,173	3,164,110	(2,599,673)	-	-	-	564,437
Units issued through bought deal financing	14,618,644	43,125,000	-	-	-	-	43,125,000
Unit issuance costs	-	(4,538,485)	1,665,814	-	-	-	(2,872,671)
Shares issued for settlement of consulting agreement	3,800,000	10,409,500	-	(4,464,500)	-	-	5,945,000
Share-based payments	1,353,000	2,474,330	4,464,875	2,434,754	-	-	9,373,959
Loss for the period	-	-	-	-	-	(11,002,528)	(11,002,528)
Balance, August 31, 2019	**123,199,726**	**148,630,344**	**9,955,939**	**2,384,876**	**-**	**(40,523,160)**	**120,447,999**

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 nine months ended	**August 31, 2019 $**	**August 31, 2018 $**
OPERATING ACTIVITIES		
Loss for the period	(11,002,528)	(8,524,225)
Adjustment for non-cash items:		
Depreciation and amortization	2,369,791	661,839
Share-based payments	8,833,329	3,119,707
Interest on promissory note receivable	(51,164)	(228,783)
Consulting fees	540,630	429,640
Accretion on promissory note receivable	-	14,718
Foreign exchange	-	(79,439)
Loss on disposal of assets	1,906	2,808
Impairment of assets held for sale	3,194,472	-
Contract termination cost	5,945,000	-
Unrealized loss on short-term investments	536,501	-
Unrealized gain on finder's fee payable	(205,722)	-
Working capital adjustments		
Restricted short-term investments	(100,000)	-
Receivables	(15,434,599)	(468,480)
Prepaid expenses and deposits	(456,196)	292,228
Inventory	(342,880)	-
Accounts payable and accrued liabilities	1,915,220	(399,693)
	(4,256,240)	(5,179,680)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(16,572,260)	(4,812,437)
Redemption of short-term investments	15,000,000	-
Repayment of promissory note	1,058,356	-
	(513,904)	(4,812,437)
FINANCING ACTIVITIES		
Proceeds from bought deal, net of share issue costs	40,252,329	-
Proceeds from exercise of warrants	22,602,014	630,626
Proceeds from exercise of stock options	564,437	-
Repayment of promissory notes payable	-	(860,507)
Proceeds from private placement, net of share issue costs	-	12,725,305
Proceeds from subscriptions receivable	-	20,608
	63,418,780	12,516,032
CHANGE IN CASH AND CASH EQUIVALENTS	58,648,636	2,523,915
Cash and cash equivalents, beginning of period	1,726,530	291,623
Cash and cash equivalents, end of period	**60,375,166**	**2,815,538**

Supplemental disclosure with respect to cash flows:

Equipment accrued through accounts payable	762,869	392,994
Settlement of obligation to issue shares	6,398,200	429,640
Finder's fee payable in assets held for sale	557,971	-

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. Subsequent to the end of the period, the Company received an amended license from Health Canada to permit sales directly to Provinces and Territories.

On April 5, 2017, the Company acquired Supra THC Services Inc. ("Supra") (Note 11). 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"). During the period, the Company was advised by Rotogro that they would be unable to close the transaction (Note 9).

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.

Until the current three-month period, the Company has incurred losses since its inception and for the nine months ended August 31, 2019, the Company incurred a loss of $11,002,528 (August 31, 2018 - $8,524,225). As of August 31, 2019, the Company has an accumulated deficit of $40,523,160 (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 October 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
Finder's fee payable	N/A	FVTPL

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. RESTRICTED SHORT-TERM INVESTMENTS

The restricted short-term investment balance consists of a $100,000 guaranteed investment certificate maturing on August 20, 2020 and bearing an annual interest rate of 1.00%. This investment is held by the bank as collateral for a corporate credit card facility.

5. SHORT-TERM INVESTMENTS

	August 31, 2019 $	November 30, 2018 $
Shares in Rotogro	352,249	-
Guaranteed investment certificates	8,505,750	23,505,750
	8,857,999	23,505,750

Guaranteed investment certificates 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%.

(Unaudited, in Canadian Dollars)

5. SHORT-TERM INVESTMENTS - *continued*

During the nine months ended August 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 9). The shares in Rotogro were recorded at fair value with any changes in fair value recorded through profit and loss. For the three and nine months ended August 31, 2019, the fair value of the Rotogro shares decreased by $205,722 and $536,501, respectively, resulting in an unrealized loss on short term investments through loss and comprehensive loss.

6. PREPAID EXPENSES AND DEPOSITS

	August 31, 2019 $	**November 30, 2018 $**
Deposits – extraction equipment	700,316	686,959
Prepaid insurance, advertising and promotion and other	842,424	399,585
	1,542,740	1,086,544

7. 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	51,164	-	51,164
Repayment	(1,058,356)	-	(1,058,356)
Balance, August 31, 2019	-	-	-

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 accrued 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 11) dated September 21, 2018 will be held in escrow. On August 6, 2019, the Company received full payment of principal and accrued interest on the promissory note and released the remaining 2,150,000 shares held under the share pledge agreement.

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.

(Unaudited, in Canadian Dollars)

7. PROMISSORY NOTE RECEIVABLE - *continued*

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.

8. INVENTORY

	August 31, 2019 $	November 30, 2018 $
Dried cannabis and hemp	486,524	466,656
Oils	197,643	-
Packaging and supplies	165,485	40,116
	849,652	506,772

Inventory expensed to cost of goods sold in the three and nine months ended August 31, 2019 were $3,119,311 and $7,792,451, respectively (August 31, 2018 - $nil and $nil).

9. 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.

During the period, the Company was advised by Rotogro that they would 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 during the nine months ended August 31, 2019.

	August 31, 2019 $	November 30, 2018 $
Opening designation of asset as held for sale (Note 11)	2,636,501	3,725,301
Allocation of installments (1)	-	(1,088,800)
Allocation of finder's fee	557,971	-
Impairment loss	(3,194,472)	-
Carrying amount of asset held for sale	-	2,636,501

(Unaudited, in Canadian Dollars)

9. ASSET CLASSIFIED AS HELD FOR SALE - *continued*

(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.

In lieu of a finder's fee associated with the proposed sale of the License, 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 14). During the period, the Company was advised by Rotogro that they would be unable to close the transaction. As a result, the Company is only obligated to transfer the 2,250,000 ordinary shares in Rotogro already received by the Company valued at $557,971. As at August 31, 2019, the Company has yet to transfer the 2,250,000 ordinary shares of Rotogro to Straight Fire Consulting LLC, and as such, were recorded as finder's fee payable. As at August 31, 2019, the fair value of these shares amounted to $352,249, with changes in fair value of $205,722 reflected in income for the period.

10. 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	6,367,728	101,615	30,704	349,491	6,670,702	17,219,155
Transfers	-	4,730,587	(4,730,587)	-	-	-	-
Disposals	-	-	-	(829)	-	(2,118)	(2,947)
Balance, August 31, 2019	3,698,915	11,098,315	-	463,777	711,611	9,392,374	25,364,992
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	-	121,740	205,843	67,023	129,105	775,931	1,299,642
Transfers	-	536,484	(536,484)	-	-	-	-
Disposals	-	-	-	(829)	-	(212)	(1,041)
Balance, August 31, 2019	-	658,224	-	271,163	239,442	1,089,899	2,258,728
Carrying Value							
November 30, 2018	-	-	4,298,331	228,933	251,783	2,409,610	7,188,657
August 31, 2019	3,698,915	10,440,091	-	192,614	472,169	8,302,475	23,106,264

During the three and nine months ended August 31, 2019, the Company allocated $242,950 and $486,175 respectively (August 31, 2018 - $nil and $nil) of depreciation to cost of goods sold.

(Unaudited, in Canadian Dollars)

11. INTANGIBLE ASSETS

Cost	Tarukino Holdings Inc. $	Supra License $	Website Development $	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 9)	-	(3,900,000)	-	(3,900,000)
Balance, November 30, 2018	14,265,726	-	-	14,265,726
Additions	-	-	8,919	8,919
Balance, August 31, 2019	14,265,726	-	8,919	14,274,645
Accumulated amortization				
Balance, November 30, 2017	-	-	-	-
Additions	-	174,699	-	174,699
Transfer to held for sale assets (Note 9)	-	(174,699)	-	(174,699)
Balance, November 30, 2018	-	-	-	-
Additions	1,069,929	-	220	1,070,149
Balance, August 31, 2019	1,069,929	-	220	1,070,149
Carrying value				
November 30, 2018	14,265,726	-	-	14,265,726
August 31, 2019	13,195,797	-	8,699	13,204,496

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 nine month period ended August 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 had entered into an agreement to sell the asset to Rotogro which during the period Rotogro advised the Company that they would be unable to close the transaction (Note 9).

(Unaudited, in Canadian Dollars)

12. 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	August 31,	For the nine months ended	August 31,
	2019	2018	2019	2018
	$	$	$	$
Management fees	120,000	181,400	360,000	1,022,721
Rent	-	62,945	75,805	197,336
Wages and salaries	296,000	52,500	717,413	65,000
Share-based payments	2,248,640	194,744	5,768,712	194,744
Purchase of equipment	-	-	-	293,331
	2,664,640	491,589	6,921,930	1,773,132

As at August 31, 2019, accounts payable and accrued liabilities included $78,478 (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 August 31, 2019, there were $267,000 receivables due from related parties (November 30, 2018 - $319,029).

13. 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

Nine-month period ended August 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 1,177,173 common shares in connection with the exercise of options for gross proceeds of $564,437. As a result of the exercise of options, the fair value of the options amounting to $2,599,673 was reclassified from reserves to share capital;

(Unaudited, in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – *continued*

(d) The Company issued 1,353,000 common shares in connection with employment, consulting and board of directors' compensation agreements resulting in a reduction in the obligation to issue shares $1,933,700 an increase in share capital by $2,474,330 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 14).

Nine-month period ended August 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 issued 20,000 common shares of the Company and recognized a corresponding expense of $25,000;

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

(f) On January 1, 2018, the Company entered into a one-year consulting agreement for provision of investor relations and market awareness services. On July 31, 2018, under the terms of the agreement, the Company issued 250,000 common shares of the Company and recognized a corresponding expense of $277,500.

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	60,000	-	-	-	-	60,000	135,150	211,889
Officers and employees	300,000	1,200,000	650,000	600,000	450,000	3,200,000	5,363,000	2,995,564
Total	360,000	1,200,000	650,000	600,000	450,000	3,260,000	5,498,150	3,207,453

Of the amount recognized for the obligation to issue shares, $827,479 and $4,368,454 was recorded as share-based payments expense for the three- and nine-month periods ended August 31, 2019 (August 31, 2018 - $nil and $nil). During the nine-month period ended August 31, 2019, $6,398,200 was reclassified to share capital. There were no new commitments entered into by the Company during the three months ended August 31, 2019 to issue shares to directors, officer, employees or consultants.

(Unaudited, in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – *continued*

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 reverse takeover transaction in fiscal 2016, 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 August 31, 2019, 5,951,250 shares were held in escrow (November 30, 2018 – 11,902,500).

Warrants

The following table summarizes warrant activity during the nine-month period ended August 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, August 31, 2019	8,988,810	3.91

The following table summarizes the warrants outstanding as at August 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.

(Unaudited, in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – *continued*

Stock options

Under the Company's stock option plan, options may be granted for up to 10% of the issued and outstanding common shares, as approved by the Company's Board of Directors. The exercise price of any option may not be less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V. The maximum exercise period after the grant of an option is 10 years. When an employee's service ends, the expiry date of their options is accelerated to 90 days thereafter, or less, depending on the terms of the related option agreement.

The following table summarizes stock option activity during the nine-month period ended August 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	3,250,000	4.29
Exercised	(1,779,583)	1.72
Cancelled	(108,751)	2.82
Expired	(4,166)	1.95
Balance outstanding, August 31, 2019	7,964,629	2.57
Options exercisable, August 31, 2019	3,003,379	1.13

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

Options outstanding	Options exercisable	Exercise price $	Expiry date
100,000	100,000	1.95	October 31, 2019
66,667	66,667	0.30	August 31, 2020
50,000	50,000	0.30	September 22, 2020
25,000	25,000	1.25	November 27, 2020
1,438,462	1,438,462	0.65	November 30, 2021
600,000	600,000	1.07	July 9, 2023
2,474,500	660,750	1.95	October 13, 2023
750,000	62,500	4.21	May 26, 2024
2,460,000	-	4.32	July 15, 2024
7,964,629	3,003,379		

(Unaudited, in Canadian Dollars)

13. SHARE CAPITAL AND RESERVES – *continued*

Stock-based compensation

For the three and nine months ended August 31, 2019, the Company recorded $2,566,456 and $4,464,875, respectively (August 31, 2018 - $241,514 and $3,119,707) 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:

	August 31, 2019	August 31, 2018
Average dividend per share	-	-
Average forecasted volatility	150%	136%
Average risk-free interest rate	1.50%	2.06%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	$ 3.91	$ 1.65

14. 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.

In lieu of a finder's fee associated with the proposed sale of the License, the Company 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 9). During the period, the Company was advised by Rotogro that they would be unable to close the transaction. As a result, the Company is only obligated to transfer the 2,250,000 ordinary shares in Rotogro already received by the Company valued at $557,971. As at August 31, 2019, the Company has yet to transfer the 2,250,000 ordinary shares of Rotogro to Straight Fire Consulting LLC, and as such, were recorded as finder's fee payable. As at August 31, 2019, the fair value of these shares amounted to $352,249, with changes in fair value of $205,722 reflected in income for the period.

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.

15. 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.

(Unaudited, in Canadian Dollars)

15. CAPITAL MANAGEMENT – *continued*

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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	Amortized cost $	Financial assets/liabilities designated as fair value through profit and loss $	Total $
Assets			
Cash and cash equivalents	-	60,375,166	60,375,166
Restricted short-term investments	-	100,000	100,000
Short-term investments	-	8,857,999	8,857,999
Receivables	16,296,458	-	16,296,458
Liabilities			
Accounts payable and accrued liabilities	3,532,527	-	3,532,527
Finder's fee payable	-	352,249	352,249

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 August 31, 2019, the Company had cash and cash equivalents, restricted short-term investments, and short-term investments of $69,333,165. At August 31, 2019, a 1% decrease in interest rates would result in a reduction in interest income by $693,332 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, restricted short-term investments, short-term investments and receivables. 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 carrying amount of cash and cash equivalents, restricted short-term investments, short-term investments and receivables represent the maximum exposure to credit risk, and as at August 31, 2019, this amounted to $85,629,623.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - *continued*

The Company has $227,070 in trade accounts receivable outstanding over 60 days at August 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 August 31, 2019, the Company has $69,333,165 of cash and cash equivalents, restricted short-term investments, and short-term investments. The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount of $3,532,527 and a finder's fee payable with a carrying amount of $352,249.

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 August 31, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have increased net financial assets by approximately $3,288 (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.

17. 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 corporate growth activities, administration, financial and other support to other business units.

(Unaudited, in Canadian Dollars)

17. SEGMENTED INFORMATION - *continued*

The operating segments for the three-month periods ended:

				August 31, 2019				**August 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	16,363,331	217,400	(119,105)	**16,461,626**	-	18,910	(4,335)	**14,575**
Cost of goods sold	3,711,183	71,559	(128,106)	**3,654,636**	-	4,537	4,163	**8,700**
	12,652,148	145,841	9,001	**12,806,990**	-	14,373	(8,498)	**5,875**
Other operating expenses	1,160,442	194,279	5,929,786	**7,284,507**	917,570	356,315	1,155,378	**2,429,263**
	11,491,706	(48,438)	(5,920,785)	**5,522,483**	(917,570)	(341,942)	(1,163,876)	**(2,423,388)**
Non-operating income	10	-	370,391	**370,401**	-	-	117,838	**117,838**
Net income (loss)	11,491,716	(48,438)	(5,550,394)	**5,892,884**	(917,570)	(341,942)	(1,046,038)	**(2,305,550)**
Total assets	14,232,500	1,220,245	108,880,030	**124,332,775**	6,925,360	4,473,260	5,033,332	**16,431,952**
Total liabilities	2,776,788	39,321	1,068,667	**3,884,776**	489,828	61,367	270,424	**821,619**

The operating segments for the nine-month periods ended:

				August 31, 2019				**August 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	27,261,816	544,678	(324,575)	**27,481,919**	-	67,781	(30,465)	**37,316**
Cost of goods sold	8,766,922	193,234	(234,780)	**8,725,376**	-	34,618	(12,500)	**22,118**
	18,494,894	351,444	(89,795)	**18,756,543**		33,163	(17,965)	**15,198**
Other operating expenses	3,643,681	488,771	16,845,193	**20,977,645**	2,345,161	541,105	5,926,966	**8,813,232**
	14,851,213	(137,327)	(16,934,988)	**(2,221,102)**	(2,345,161)	(507,942)	(5,944,931)	**(8,798,034)**
Non-operating income (loss)	499	(3,194,383)	(5,587,542)	**(8,781,426)**	-	-	273,809	**273,809**
Net income (loss)	14,851,712	(3,331,710)	(22,522,530)	**(11,002,528)**	(2,345,161)	(507,942)	(5,671,122)	**(8,524,225)**
Total assets	14,232,500	1,220,245	108,880,030	**124,332,775**	6,925,360	4,473,260	5,033,332	**16,431,952**
Total liabilities	2,776,788	39,321	1,068,667	**3,884,776**	489,828	61,367	270,424	**821,619**

(Unaudited, in Canadian Dollars)

18. EARNINGS PER COMMON SHARE

The following table provide the computation of basic and diluted earnings per common share for the three and nine months ended August 31, 2019 and 2018:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Weighted Average Shares Outstanding during the period – Basic Earnings Per Share	122,457,417	72,297,422	107,451,763	69,798,796
Add:				
Incremental shares - stock options	2,759,048	-	-	-
Incremental shares – unvested stock-based compensation plan	1,364,086	-	-	-
Weighted Average Shares Outstanding during the period – Diluted Earnings Per Share	126,580,551	72,297,422	107,451,763	69,798,796

Stock options to purchase 3,210,000 shares and warrants to purchase 8,988,810 shares were outstanding as of August 31, 2019, but were not included in the computation of diluted earnings per share because the options' exercise price during the respective period was greater than the average market price of the common shares, and, therefore, the effect would have been antidilutive.

19. SUBSEQUENT EVENTS

Subsequent to the end of the period, the Company issued 372,266 common shares in connection with the exercise of options for gross proceeds of $204,500.

Subsequent to the end of the period, the Company entered into an agreement with a licensed hemp cultivator to purchase a portion of the hemp cultivator’s current harvest to support current and anticipated future white label contract obligations. The hemp to be purchased under the agreement has an expected purchase price of at least $35,000,000 with delivery starting in October 2019 and continuing through May 2020.

On October 15, 2019, the Company granted 445,000 options to purchase common shares of the Company exercisable at a price of $2.79 per share and expiring on October 14, 2024, to certain new employees as the Company continues to strategically build out its leadership team. The options vest quarterly over a three-year period and are granted pursuant to the terms of the Company’s stock option plan, subject to regulatory approval.