Cansortium Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2019 and March 31, 2018

(Expressed in thousands of United States Dollars unless otherwise stated)

	Page(s)
Condensed Interim Consolidated Statements of Financial Position	3
Condensed Interim Consolidated Statements of Operations	4
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Condensed Interim Consolidated Statements of Cash Flows	6
Notes to the Condensed Interim Consolidated Financial Statements	7 - 39

Cansortium Inc.
Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2019 and December 31, 2018
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

			March 31, 2019		December 31, 2018
Assets					
Current assets					
Cash		$	9,859	$	2,026
Accounts receivable			77		62
Inventory	*Note 3*		4,523		2,837
Biological assets	*Note 4*		2,142		2,549
Prepaid expenses and other current assets	*Note 5*		2,691		543
Total current assets			19,292		8,017
Property and equipment, net	*Note 6*		23,886		22,398
Intangible assets, net	*Note 7*		104,993		106,417
Right-of-use assets	*Notes 2, 12*		14,305		-
Goodwill	*Note 9*		10,315		10,315
Other assets			459		721
Total assets		**$**	**173,250**	**$**	**147,868**
Liabilities					
Current liabilities					
Accounts payable		$	6,600	$	4,910
Accrued expenses			3,292		3,936
Derivative liabilities	*Note 10*		12,678		9,242
Current portion of notes payable	*Note 11*		5,965		51,463
Lease obligations	*Notes 2, 12*		1,381		-
Other current liabilities			1,350		1,350
Total current liabilities			31,266		70,901
Notes payable, net of current portion	*Note 11*		12,136		1,910
Lease obligations, net of current portion	*Notes 2, 12*		14,330		-
Other long-term liabilities			687		451
Total liabilities			**58,419**		**73,262**
Shareholders' equity					
Share capital	*Note 13*		160,788		92,000
Share-based compensation reserve	*Note 13*		595		-
Warrants			296		296
Retained earnings (accumulated deficit)			(46,380)		(16,687)
Accumulated other comprehensive income (loss)			(352)		(488)
Non-controlling interests			(116)		(515)
Total shareholders' equity			114,831		74,606
Total liabilities and shareholders' equity		**$**	**173,250**	**$**	**147,868**

Nature of operations *(Note 1)*
Commitments and contingencies *(Note 14)*
Subsequent events *(Note 17)*

Jose Hidalgo
Chief Executive Officer

Henry Batievsky
Chief Financial Officer

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Cansortium Inc.
Condensed Interim Consolidated Statements of Operations
For the three months ended March 31, 2019 and March 31, 2018
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

		For the three months ended March 31,			
			2019		2018
Revenue		$	5,528	$	69
Cost of goods sold			2,561		227
Gross profit (loss) before fair value adjustments			2,967		(158)
Realized fair value of increments on inventory sold	*Note 4*		1,118		-
Unrealized change in fair value of biological assets	*Note 4*		(1,101)		-
Gross profit (loss)			2,950		(158)
Expenses					
General and administrative			10,258		1,709
Sales and marketing			2,917		135
Depreciation and amortization			2,299		152
Total expenses			15,474		1,996
Loss from operations			(12,524)		(2,154)
Other expense (income)					
Interest expense, net	*Notes 10, 11*		4,317		533
Change in fair market value of derivative	*Note 10*		(1,879)		5,934
Income on investment in associate	*Note 7*		-		(947)
Other expense			1,589		26
Total other expense (income)			4,027		5,546
Net loss			(16,551)		(7,700)
Net loss attributable to non-controlling interest			(270)		(247)
Net loss attributable to controlling interest		$	(16,281)	$	(7,453)
Net loss per share					
Basic	*Note 13*	$	(0.10)	$	(0.06)
Diluted	*Note 13*	$	(0.10)	$	(0.06)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Cansortium Inc.
Condensed Interim Consolidated Statements of Changes in Stockholders' Equity
For the three months ended March 31, 2019 and March 31, 2018
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	Share capital			Reserves					
	Number of unrestricted common shares	Number of restricted common shares	Amount	Share-based options compensation	Warrants	Accumulated deficit	Non-controlling interests	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2017	**125,456,808**	**-**	**$ 32,970**	**$ -**	**$ 296**	**$ (21,274)**	**$ (210)**	**$ 5**	**$ 11,787**
Issuance of shares	643,782	-	1,770	-	-	-	-	-	1,770
Shares issued for professional services	16,364	-	45	-	-	-	-	-	45
Foreign currency gain on translation	-	-	-	-	-	-	-	210	210
Net loss	-	-	-	-	-	(7,453)	(247)	-	(7,700)
Balance, March 31, 2018	**126,116,954**	**-**	**$ 34,785**	**$ -**	**$ 296**	**$ (28,727)**	**$ (457)**	**$ 215**	**$ 6,112**
Balance, December 31, 2018	**144,379,176**	**11,166,850**	**$ 92,000**	**$ -**	**$ 296**	**$ (16,687)**	**$ (515)**	**$ (488)**	**$ 74,606**
Adjustment on initial application of IFRS 16	-	-	-	-	-	(741)	-	-	(741)
Issuance of shares	28,089,099	-	56,178	-	-	-	-	-	56,178
Issuance of shares to acquire additional non-controlling interest of subsidiaries	4,364,616	-	12,002	-	-	(12,671)	669	-	-
Shares issued for professional services	208,432	-	600	-	-	-	-	-	600
Vesting of employee compensation shares	-	-	58	-	-	-	-	-	58
Shares forfeited	(66,667)	(50,000)	(50)	-	-	-	-	-	(50)
Issuance of shares, see Note 9(b)	4,124,166	-	-	-	-	-	-	-	-
Issuance of options	-	-	-	595	-	-	-	-	595
Foreign currency gain on translation	-	-	-	-	-	-	-	136	136
Net loss	-	-	-	-	-	(16,281)	(270)	-	(16,551)
Balance, March 31, 2019	**181,098,822**	**11,116,850**	**$ 160,788**	**$ 595**	**$ 296**	**$ (46,380)**	**$ (116)**	**$ (352)**	**$ 114,831**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

Cansortium Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2019 and March 31, 2018
(Amounts expressed in thousands of United States Dollars unless otherwise stated)

	For the three months ended March 31,	
	2019	**2018**
Operating activities		
Net income (loss)	$ (16,551)	$ (7,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,654	178
Loss on disposal of property and equipment	-	-
Amortization of debt discount	1,378	416
Equity based compensation	1,203	-
(Gain) loss from equity method investments	-	(947)
Change in fair market value of derivative	(1,879)	5,934
Unrealized gain on changes in fair value of biological assets	(1,101)	-
Changes in operating assets and liabilities:		
Accounts receivable	(15)	-
Inventory	(1,686)	(282)
Biological assets	1,508	-
Prepaid expenses and other current assets	(2,148)	(163)
Other assets	748	-
Accounts payable	1,690	11
Accrued expenses	(157)	(9)
Lease obligations	338	-
Other current liabilities	236	-
Net cash used in operating activities	(13,782)	(2,562)
Investing activities		
Purchases of property and equipment	(2,718)	(622)
Due from associate	-	(510)
Net cash used in investing activities	(2,718)	(1,132)
Financing activities		
Proceeds from IPO	56,178	-
Proceeds from issuance of shares	-	1,815
Proceeds from issuance of notes payable	13,166	-
Payment of lease obligations	(647)	-
Principal repayments of notes payable	(44,500)	(8)
Net cash provided by financing activities	24,197	1,807
Effect of foreign exchange on cash and cash equivalents	136	210
Net increase in cash and cash equivalents	7,833	(1,677)
Cash and cash equivalents, beginning of period	2,026	3,033
Cash and cash equivalents, end of period	$ 9,859	$ 1,356
Cash paid during the period for interest	$ 2,627	$ 120
Non-cash transactions:		
Issuance of equity for additional interest in consolidated entity	$ 12,002	$ -

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

1. NATURE OF OPERATIONS

Cansortium Inc. (the "Company") was incorporated under the laws of the Province of Ontario, Canada pursuant to the OBCA on August 31, 2018. The Company's registered office is located at 295 The West Mall, Suite 600, Toronto, Ontario, M9C 4Z4 and its head office is located at 82 North East 26th Street, Suite 110, Miami, Florida, United States, 33137.

On March 22, 2019, the Company acquired all member units of Cansortium Holdings LLC, ("Cansortium Holdings"), in connection with the Company's initial public offering and listing on the Canadian Securities Exchange. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the trading symbol "TIUM.U".

The Company, through its various subsidiaries, is licensed to produce and sell medical cannabis in Florida, Texas and Puerto Rico, and is licensed to sell medical cannabis in Pennsylvania.

The Company, through its various subsidiaries, is licensed to produce and sell cannabis in Canada and is licensed and operates an industrial hemp production in Canada.

The Company, through its various subsidiaries, is licensed to operate a seed bank and to produce, sell and export medical cannabis in Colombia and secured a distribution agreement in Brazil.

During 2017, the Company, through Cansortium Holdings and its various subsidiaries, initiated operations in Texas, Puerto Rico and Pennsylvania and began to generate revenue in its investment in Knox Servicing, LLC ("Knox Servicing").

Knox Servicing was formed on July 1, 2015 for the purpose of cultivating, manufacturing and retailing in the cannabis industry and operates cultivation and production facilities in Florida, producing various products ranging from tinctures, capsules, suppositories, topicals and inhalation vaporizers. Knox Servicing owns and operates nine dispensaries in the state of Florida as of March 31, 2019. On August 15, 2018, the Company acquired the remaining interest in Knox Servicing becoming the sole member (see Note 9).

The Company, through its subsidiary, is pursuing a Clinical Registrant License "CR Registrant", which would allow for a vertically integrated operation and permit the Company to cultivate, grow, harvest, process, produce and dispense medical cannabis throughout the entire Commonwealth of Pennsylvania.

Substantially all of the Company's operations are in one segment, the production and sale of medical cannabis. All revenues for the three months ended March 31, 2019 and 2018 were generated in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the years ended December 31, 2018 and 2017, except as described in Note 2(i). These condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the years ended December 31, 2018 and 2017, including the accompanying notes thereto.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on May 30, 2019.

(b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial debt instruments and biological assets that are measured at fair value and the Company's investment in Knox Servicing, which was recorded using the equity method of accounting until August 15, 2018, the date on which the Company became the sole member of Knox Servicing (see Note 9).

(c) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. Non-controlling interests in the equity of consolidated subsidiaries are shown separately in the consolidated statement of operations and in the consolidated statement of changes in members' equity. All intercompany balances and transactions are eliminated on consolidation. The information below lists the Company's subsidiaries that are consolidated in these condensed interim consolidated financial statements and the ownership interest held as of March 31, 2019 and December 31, 2018.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of Consolidation *(Continued)*

	% Ownership March 31, 2019	% Ownership December 31, 2018
Cansortium Holdings LLC	100.00%	100.00%
Cansortium Puerto Rico, LLC (see Note 13)	100.00%	100.00%
Cansortium Texas, LLC (see Note 13)	100.00%	100.00%
Cansortium Canada Holdings Inc.	100.00%	100.00%
1931074 Ontario, Inc.	100.00%	100.00%
Cansortium Canada Servicing, Inc. (see Note 13)	100.00%	60.00%
Cansortium Pennsylvania, LLC (see Note 13)	100.00%	70.00%
Cansortium Brazil, Ltda. (see Note 13)	100.00%	100.00%
Cansortium Australia Pty. Ltd	84.51%	84.51%
Cansortium Health Partners, LLC (see Note 13)	100.00%	100.00%
Cansortium Florida, LLC	100.00%	100.00%
Knox Servicing, LLC (see Note 9)	100.00%	100.00%
Cansortium Colombia S.A.S (see Note 9)	100.00%	100.00%
Arcadia EcoEnergies, Ltd. (see Note 9)	52.00%	52.00%
Spirit Lake Road Nursery, LLC (see Note 9)	100.00%	100.00%
16171 Slater Road Investors LLC	100.00%	100.00%
Cansortium Oregon LLC	100.00%	100.00%
Cansortium Washington, LLC	100.00%	100.00%
Cansortium California LLC	100.00%	100.00%
Cansortium Michigan LLC	100.00%	100.00%
Cloud Nine Capital, LLC	100.00%	100.00%
Cavern Capital Holdings LLC	100.00%	100.00%
Harvest Park Lot 9 Investors LLC	100.00%	100.00%
Harvest Park Lot 9 Investors No. 2 LLC	100.00%	100.00%
Cansortium Property Holdings, Inc.	100.00%	100.00%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statements of loss and comprehensive loss immediately as a gain or loss on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, *Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognized in profit or loss.

(e) Investment in Associate

The Company accounted for its investment in associate using the equity method in accordance with IAS 28, “Investments in Associates and Joint Ventures”. Investments in associates are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company’s share of the net income or loss and other comprehensive income of equity until the date on which significant influence ceases. If the Company’s share of losses in an equity-method investee equals or exceeds its interest in the entity, including any other unsecured long-term receivables, no further losses are recognized, unless it has incurred obligations or made additional investments in or payments on behalf of the other entity.

On August 15, 2018, the Company acquired the remaining ownership of Knox Servicing which has changed the accounting method of its investment in Knox Servicing from equity to full consolidation (see Note 9).

(f) Derivative Liability

The Company uses the fair-value method of accounting for derivative liability and such liability is re-measured at each reporting date with changes in fair value recorded in the period incurred. The fair value is estimated using a Black-Scholes model or the Monte-Carlo simulation model. Critical estimates and assumptions used in the model are discussed in Note 10.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Income Taxes

Certain of the Company's subsidiaries are subject to income taxes, however there were no material current or deferred taxes associated with such entities for the three months years ended March 31, 2019 as the Company was a limited liability company treated as a partnership for federal income tax purposes until March 22, 2019, date of the Company's initial public offering and listing on the CSE (see Note 1). Under federal law, the taxable income or loss of a limited liability company is allocated to its members. Accordingly, no provision has been made for federal income taxes.

(i) New Standards Adopted in Current Year

(i) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaced the previous guidance on leases, IAS 17, *Leases*. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in deficit at January 1, 2019. Accordingly, the comparative information presented for previous periods have not been restated.

The Company has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company's borrowing rates used for IFRS 16 purposes ranged from 8.60% to 8.76% defined based on the underlying countries and asset classes related risks.

The following table summarizes the impacts of adopting IFRS 16 on the Company's condensed interim consolidated financial statements as at January 1, 2019, the date of initial application:

		January 1, 2019
Assets		
Right-of-use assets	$	14,792
Liabilities		
Accrued expenses	$	(487)
Lease liabilty	$	16,020
Shareholders' equity		
Deficit	$	(741)

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) New Standards Adopted in Current Year *(Continued)*

(i) IFRS 16, Leases ("IFRS 16") (Continued)

The following is the Company's policy for accounting for lease contracts in accordance with IFRS 16:

Definition of a lease

Under IFRS 16, a contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Measurement

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, and subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use assets are adjusted for impairment losses, if any.

The estimated useful lives and recoverable amounts of right-of-use assets are determined on the same basis as those of property and equipment. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. INVENTORY

As of March 31, 2019 and December 31, 2018, inventories consisted of the following:

	March 31, 2019	December 31, 2018
Supplies, packaging and materials	$ 993	$ 956
Finished goods	3,880	2,231
Inventory reserve	(350)	(350)
Balance at end of period	**$ 4,523**	**$ 2,837**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

4. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

		March 31, 2019		December 31, 2018
Balance at beginning of period	$	2,549	$	-
Purchased as part of business acquisition		-		1,445
Cost incurred until harvest		932		333
Effect of unrealized change in fair value of biological assets		1,101		2,866
Transferred to inventory upon harvest		(2,440)		(2,095)
Balance at end of period	**$**	**2,142**	**$**	**2,549**

As of March 31, 2019, all biological assets were live plants.

The Company initially values its cannabis plants as biological assets approximately 3 weeks into the growing stage until the point of harvest. On average the growing time for a full harvest approximates 14 weeks. The Company has determined the fair value less cost to sell of harvested cannabis to be $0.052 per milligram. As of March 31, 2019 and December 31, 2018, the Company's biological assets were on average 51.9% and 49.1% complete, respectively. As of March 31, 2019 and December 31, 2018, the Company had 39,896 and 39,692 plants that were classified as biological assets, respectively.

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to certain changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest and those costs incurred from the point of harvest.

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

(a) Estimated wholesale price of $ $0.052 per active milligram during the three months ended March 31, 2019;

(b) The Company measures the yield of cannabis in active milligrams extracted from a plant. The average yield from each cannabis plant is 2,300 milligrams;

(c) Wastage of cannabis plants is 20.2%.

(d) Average of 98 days to grow.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

4. BIOLOGICAL ASSETS *(Continued)*

The Company has quantified the sensitivity of the inputs in relation to the biological assets for the period ended March 31, 2019 and December 31, 2018 and determined the following:

(a) A 5% increase or decrease in the selling price per active milligram would increase or decrease the fair value of biological assets by approximately $103 and $123, respectively.

(b) A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by approximately $103 and $123 respectively.

(c) A 5% increase or decrease in the estimated wastage of cannabis plants would increase or decrease the fair value of biological assets by approximately $20 and $22, respectively.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of March 31, 2019 and December 31, 2018, prepaid expenses and other current assets consisted of the following:

	March 31, 2019	December 31, 2018
Prepaid expenses	$ 133	$ 172
Security deposits held	355	135
Deferred royaties (a)	1,966	-
Other current assets	237	236
Balance at end of period	**$ 2,691**	**$ 543**

(a) Deferred Royalties

Knox Servicing was previously party to an agreement with Sage Investing, LLC ("Sage Investing") pursuant to which Sage Investing provided advice and assistance to Knox Servicing in connection with the development, marketing, promotion, management and operation of the Knox Servicing's business in the northwest territory of Florida, in exchange for 40% of the gross revenue derived from dispensary sales within the territory (the "Dispensary Agreement"). As of December 31, 2018, the lone dispensary in the territory was the Company's Ft. Walton Beach location. On January 1, 2019, Knox Servicing and Sage Investing entered into a termination agreement (the "Dispensary Termination Agreement"), terminating the Dispensary Agreement and the revenue sharing arrangement therein, in exchange for the payment of $2,000 and certain accrued expenses to Sage Investing.

Amortization of the deferred royalties associated with the Dispensary Termination Agreement consideration paid is performed based on 40% of the gross revenue derived from the Company's Ft. Walton Beach dispensary location.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

6. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment for three months ended March 31, 2019 and 2018 is as follows:

	Land	Furniture and fixtures	Computer equipment	Manufacturing equipment	Leasehold improvement	Buildings	Construction in progress	Vehicles	Total
Balance as of January 1, 2018									
Cost	$ -	$ 219	$ 103	$ 1,053	$ 2,576	$ -	$ 74	$ 67	$ 4,092
Additions	-	2	30	201	350	-	39	-	622
Balance as of March 31, 2018	-	221	133	1,254	2,926	-	113	67	4,714
Balance as of January 1, 2018									
Accumulated depreciation	-	24	13	96	129	-	-	1	263
Additions	-	8	8	40	60	-	-	2	118
Balance as of March 31, 2018	-	32	21	136	189	-	-	3	381
Property and equipment, net	**$ -**	**$ 189**	**$ 112**	**$ 1,118**	**$ 2,737**	**$ -**	**$ 113**	**$ 64**	**$ 4,333**
Balance as of January 1, 2019									
Cost	$ 764	$ 475	$ 464	$ 4,560	$ 12,826	$ 3,224	$ 1,585	$ 492	$ 24,390
Additions	-	44	123	172	1,397	54	928	-	2,718
Balance as of March 31, 2019	764	519	587	4,732	14,223	3,278	2,513	492	27,108
Balance as of January 1, 2019									
Accumulated depreciation	-	68	106	417	1,362	16	-	23	1,992
Additions	-	18	50	165	964	19	-	14	1,230
Balance as of March 31, 2019	-	86	156	582	2,326	35	-	37	3,222
Property and equipment, net	**$ 764**	**$ 433**	**$ 431**	**$ 4,150**	**$ 11,897**	**$ 3,243**	**$ 2,513**	**$ 455**	**$ 23,886**

For the three months ended March 31, 2019 and March 31, 2018, the Company charged $355 and $26 of depreciation to the production of inventory, respectively.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

7. INTANGIBLE ASSETS

Intangible assets consist of cannabis licenses, acquired intellectual property at 1931074 Ontario, Inc, customer relationships, non-compete agreements and trademarks and brands. A reconciliation of the beginning and ending balances of intangible assets for the three months ended March 31, 2019 and 2018 is as follows:

	Licenses	Intellectual property	Customer relationships	Non-compete agreements	Trademarks and brands	Total
Balance as of January 1, 2018						
Cost	$ 518	$ 596	$ -	$ -	$ -	$ 1,114
Balance as of March 31, 2018	518	596	-	-	-	1,114
Balance as of January 1, 2018						
Accumulated amortization	81	-	-	-	-	81
Additions	60	-	-	-	-	60
Balance as of March 31, 2018	141	-	-	-	-	141
Intangible assets, net	**$ 377**	**$ 596**	**$ -**	**$ -**	**$ -**	**$ 973**
Balance as of January 1, 2019						
Cost	$ 89,568	$ 596	$ 3,070	$ 30	$ 15,550	$ 108,814
Additions	-	-	-	-	-	-
Balance as of March 31, 2019	89,568	596	3,070	30	15,550	108,814
Balance as of January 1, 2019						
Accumulated amortization	351	-	229	2	1,815	2,397
Additions	60	-	153	2	1,209	1,424
Balance as of March 31, 2019	411	-	382	4	3,024	3,821
Intangible assets, net	**$ 89,157**	**$ 596**	**$ 2,688**	**$ 26**	**$ 12,526**	**$ 104,993**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

8. INVESTMENT IN ASSOCIATE

The Company's investment in Knox Servicing was accounted for as an equity method investment, as the Company has determined that it had significant influence over the investee but did not have control until August 15, 2018, the date on which the Company acquired the remaining interest in Knox Servicing and became the sole member (see Note 9).

Summarized financial information of Knox Servicing for the three months ended March 31, 2018 and seven and a half months ended August 15, 2018 is as follows:

	August 15, 2018
Current assets	$ 6,944
Non-current assets	$ 8,541
Current liabilities	$ 7,062
Non-current liabilities	$ -

	Seven and a half months ended August 15, 2018	Three months ended March 31, 2018
Revenue	$ 10,789	$ 3,273
Net income	$ 6,312	$ 2,152

A reconciliation of the beginning and ending balances of the investment in associate for three months ended March 31, 2018 and seven and a half months ended August 15, 2018 is as follows:

	Seven and a Half Months Ended August 15, 2018	Three months ended March 31, 2018
Beginning balance	$ 7,441	$ 4,231
Company's share of income	2,761	947
Consolidation of entity at acquisition	(10,202)	-
Ending balance	$ -	$ 5,178

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

9. BUSINESS ACQUISITIONS AND GOODWILL

During the year ended December 31, 2018 the Company made the following acquisitions, and has preliminary allocated each purchase price as follows:

	(a) Knox Servicing, LLC	(b) Cansortium Colombia	(c) Spirit Lake Road Nursery, LLC	(d) Arcadia EcoEnergies Ltd.	Total
Cash	$ 2,463	$ 116	$ 3	$ 45	$ 2,627
Accounts receivable	-	-	-	32	32
Inventory	2,674	-	-	102	2,776
Biological assets	1,445	-	-	-	1,445
Prepaid expenses and other current assets	362	207	-	96	665
Property and equipment	8,541	2,503	50	190	11,284
Intangible assets - Licenses	79,870	8,660	71	230	88,831
Intangible assets - Customer relationship	3,030	-	-	40	3,070
Intangible assets - Trademarks and brands	15,550	-	-	-	15,550
Intangible assets - Non-compete agreements	-	-	-	30	30
Goodwill	7,346	2,840	-	129	10,315
Accounts payable	(1,303)	(485)	-	(230)	(2,018)
Accrued expenses	(547)	-	-	(51)	(598)
Due to related party	(4,996)	-	-	-	(4,996)
Current portion of notes payable	(216)	-	-	(16)	(232)
Notes payable, net of current portion	-	-	-	(37)	(37)
Net assets	114,219	13,841	124	560	128,744
Controlling interests	(10,201)	-	-	-	(10,201)
Non-controlling interests	-	-	-	(63)	(63)
Gain on fair market value of investment	(31,849)	-	-	-	(31,849)
Net assets acquired	$ 72,169	$ 13,841	$ 124	$ 497	$ 86,631
Consideration paid in cash	$ 2,400	$ -	$ 124	$ 191	$ 2,715
Future cash consideration	52,008	2,500	-	-	54,508
Consideration paid in equity	14,200	-	-	306	14,506
Future equity price guarantee	3,561	-	-	-	3,561
Future equity consideration	-	11,341	-	-	11,341
Total purchase consideration	$ 72,169	$ 13,841	$ 124	$ 497	$ 86,631

9. BUSINESS ACQUISITIONS AND GOODWILL *(Continued)*

The consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The purchases have been accounted for by the acquisition method, with the results included in the Company's net earnings from the date of acquisition. The fair value of the assets acquired, and the liabilities assumed have been determined on a provisional basis utilizing information available at the time of the acquisition. Additional information is being gathered to finalize these provisional measurements, particularly with respect to intangible and tangible assets. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation that is currently being performed by a third-party company engaged by the Company, both of which are expected to occur no later than one year from the acquisition date.

(a) Acquisition of Knox Servicing, LLC

On August 15, 2018, the Company acquired the remaining interest in Knox Servicing becoming the sole member of Knox Servicing. The purchase price was $72,169 facilitated by (i) a $2,400 cash payment; (ii) issuance of a promissory note in the amount of $40,783; (iii) issuance of a promissory note in the amount of $11,225, (iv) issuance of 5,163,636 of membership units of Cansortium Holdings LLC valued at $2.75 dollars per unit, and issuance of a share price guarantee instrument fair valued at $3,561 (see Note 10 and Note 11).

The difference of $31,849 between the Company's equity interest previously held in Knox Servicing before the acquisition date fair value of $42,050 and book value of $10,201 was recorded as a gain in fair market value of investment in associate in the Statement of Operations for the year ended on December 31, 2018. Subsequent to the acquisition and during the measurement period, the Company revised its estimate of the purchase price consideration and will revise the gain upon completion of the purchase price allocation.

This acquisition provided the Company full control of Knox Servicing and allowed the Company to transfer the MMTC License that was originally issued to Knox Nursery Inc. to Spirit Lake Road Nursery, LLC, a wholly-owned subsidiary of the Company.

Net loss and comprehensive loss for the Company for the three months ended March 31, 2018 would have been lower by approximately $2,152 if the acquisition had taken place on January 1, 2018.

9. BUSINESS ACQUISITIONS AND GOODWILL *(Continued)*

(b) Acquisition of Cansortium Colombia S.A.S.

On August 24, 2018, the Company acquired 100% of the issued and outstanding shares of a company in Colombia, Cansortium Colombia S.A.S. ("Cansortium Colombia") for a purchase price of $13,841 wherein the Company agreed to issue concurrently with the listing of the Company on the Canadian Securities Exchange 4,124,166 common shares at $2.75 per share in satisfaction of the obligations of Cansortium Canada and the Company under the Share Swap Agreement and Share Issuance Covenant Agreement and agreed to pay $2,500 for a real property located in Colombia with an initial payment of $1,150 in August, 2018. In connection with this transaction, the Company agreed that the president of Cansortium Colombia would be entitled to 5% of the net profit of Cansortium Colombia, if any, for the fiscal years of 2019, 2020 and 2021, subject to his continued employment.

Through this acquisition, the Company has secured licenses for the cultivation, production, research and development in Colombia and domestic sales and export of medical cannabis, which is anticipated to provide substantial first mover advantage in Colombia and to other Latin America countries.

Net loss and comprehensive loss for the Company for the three months ended March 31, 2018 would have zero impact if the acquisition had taken place on January 1, 2018.

(c) Acquisition of Spirit Lake Road Nursery, LLC

On August 20, 2018, the Company acquired 100% of the issued and outstanding member units of Spirit Lake Road Nursery, LLC, ("Spirit Lake Nursery") for a total cash consideration of $124.

Florida law requires that an MMTC License be held by a commercial nursery or stock dealer registered with the Florida Department of Agriculture and Consumer Services. Spirit Lake Nursery, which possesses such registration, was acquired by the Company for purposes of transferring the MMTC License held by Knox Nursery Inc. to Spirit Lake Nursery, in connection with the Knox Servicing acquisition (see Note 9(a)).

Net loss and comprehensive loss for the Company for the three months ended March 31, 2018 would have been lower by approximately $18 if the acquisition had taken place on January 1, 2018.

(d) Acquisition of Arcadia EcoEnergies Ltd.

On September 1, 2018, the Company, through its wholly-owned subsidiary Cansortium Canada Holdings, Inc. acquired 52% of the issued and outstanding shares of Arcadia EcoEnergies, an existing licensed operation for industrial hemp production for a combined purchase price of CAD $650 ($498), satisfied through a cash payment of CAD $250 ($191) and the issuance of 111,384 member units of Cansortium Holdings LLC at a price equal to $2.75 per unit.

Net loss and comprehensive net loss for the Company for the three months ended March 31, 2018 would have been higher by approximately $32 if the acquisition had taken place on January 1, 2018.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

9. BUSINESS ACQUISITIONS AND GOODWILL *(Continued)*

(d) Acquisition of Arcadia EcoEnergies Ltd. *(Continued)*

In connection with this acquisition, the Company also entered into a purchase agreement with Arcadia EcoEnergies to secure a right of first refusal for all harvest production from the 2018 anticipated harvest. This purchase agreement is for cold pressed hemp oil, protein powder and flower and leaf for extraction procedures. This extraction process will be carried out by the anticipated limited partner of Cansortium Canada at the Grimsby Location. Cansortium Canada Holdings, Inc. has agreed to a minimum purchase agreement equal to $500 Canadian dollars per acre to ensure all costs of planting and harvest are covered (see Note 14).

Selected line items from the Company's consolidated financial statements adjusted for the acquisitions above for the three months ended March 31, 2018 are as follows:

	Cansortium Inc. three months ended March, 31 2018	Pro-forma adjustments three months ended March, 31 2018	Pro-forma results three months ended March, 31 2018
Revenue	$ 69	$ 3,336	$ 3,405
Gross Profit	$ (158)	$ 4,596	$ 4,438
Net Income (Loss)	$ (7,700)	$ 2,114	$ (5,586)

10. DERIVATIVE LIABILITY

A reconciliation of the beginning and ending balances of the derivative liabilities from the time of issuance and for three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

	Convertible debentures	Warrants	Equity price guarantee	Derivative liability total
As of January 1, 2018	$ 1,014	$ -	$ -	$ 1,014
Fair Value of Derivative Liabilities Value on Issuance Date	-	4,102	3,560	7,662
Fair Value Change in Derivative Liability	2,939	1,824	(244)	4,519
Conversion of Convertible Debentures to Equity	(3,953)	-	-	(3,953)
As of December 31, 2018	**$ -**	**$ 5,926**	**$ 3,316**	**$ 9,242**
As of January 1, 2019	-	5,926	3,316	9,242
Fair Value of Derivative Liabilities Value on Issuance Date	4,932	383	-	5,315
Fair Value Change in Derivative Liability	518	(4,330)	1,933	(1,879)
As of March 31, 2019	**$ 5,450**	**$ 1,979**	**$ 5,249**	**$ 12,678**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

10. DERIVATIVE LIABILITY *(Continued)*

(a) Convertible Debentures

During the year ended December 31, 2017, the Company completed a brokered private placement financing by issuing convertible notes payable ("Convertible Debentures") (see Note 11) which contained down round protection on the conversion feature. If the down round protection is enacted, there would be variability in the number of member units of Cansortium Holdings issuable on conversion. In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable, and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes option-pricing model to estimate fair value of the derivative liability at each reporting date. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's member units and the expected life of the convertible debentures.

The following range of assumptions were used to value the derivative liability during the three months ended March 31, 2019:

	2019
Volatility	60.00%
Risk-free interest rate	2.43% - 2.55%
Expected life (years)	0 - 0.25 years
Share price	$2.75
Exercise price	$1.50

During the three months ended March 31, 2018, the Company recorded a loss of $5,934 on revaluation of the derivative liability.

Pursuant to the above brokered private placement financing by issuing Convertible Debentures, each subscriber of the Convertible Debenture will be entitled to one-half of a share purchase warrant for each $1 of the Convertible Debenture ("Debenture Warrant"). In addition, upon conversion of the Convertible Debentures, each subscriber will also receive one-half of a share purchase warrant for each unit for each $1 principal amount of the Convertible Debentures converted ("Conversion Warrant"). All these warrants will be exercisable for a period for 24 months from the date of closing of the Convertible Debentures financing at a price that is 125% of the conversion price. Accordingly, the Company issued 2,372,071 Debenture Warrants and 3,162,761 Conversion Warrants. The Company used the Black-Scholes option-pricing model to estimate fair values of these warrants amounting to $1,596 and $5,926 at March 31, 2019 and December 31, 2018, respectively. These warrants are classified as a derivative liability. The net change in fair values were expensed in the statement of operations with a corresponding credit to derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value as at March 31, 2019 and March 31, 2018 are the expected future volatility of 60% in the price of the Company's shares of $2.75 and the expected remaining life of the convertible debentures of 24 months from the date of issuance of the Convertible Debentures.

10. DERIVATIVE LIABILITY *(Continued)*

(a) Equity Price Guarantee

In connection with the acquisition of the remaining interest of Knox Servicing performed on August 15, 2018 (see Note 9), the Company issued 5,163,636 of membership units of Cansortium Holdings valued at $2.75 dollars per unit subject to a price floor of $2.75 ("Equity Price Guarantee"). The Equity Price Guarantee shall expire two (2) years after public trading of the Company begins. If during that time period, the holder of the Equity Price Guarantee elects to sell some or all of its shares and the purchase price is less than $2.75 per share, then the Company shall have the obligation to pay the holder the difference between $2.75 and the actual sale price of shares. The Equity Price Guarantee shall be cancelled if the value of the shares of the Company close at $4.13 per share for more than twenty (20) consecutive trading days while maintaining a trading volume of at least three (3) million shares each trading day of such period.

The Company used a Monte-Carlo simulation model to estimate fair value of the Equity Price Guarantee derivative liability. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility of 60% in the price of the Company's shares and the expected life of the Equity Price Guarantee ranging from 2-2.5 years.

(c) Convertible Debentures – Bridge Loan Agreement

On February 8, 2019 the Company completed a brokered private placement financing by issuing convertible notes payable (the "Bridge Loan Agreement") in the amount of $1,830 bearing interest of 3% per month (see Note 11).

The Bridge Loan Agreement, when repaid on the IPO Closing Date, had a conversion feature that the Lender could exercise for a period of no more then 30 days from the IPO Closing Date to convert the loan amount into common shares of the Company at a price per common share equal to a 25% discount on the IPO closing price.

In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company's equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable, and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes option-pricing model to estimate fair value of the derivative liability at each reporting date. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company's member units and the expected life of the convertible debentures.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

10. DERIVATIVE LIABILITY *(Continued)*

(c) Convertible Debentures – Bridge Loan Agreement *(Continued)*

The following range of assumptions were used to value the derivative liability during the three months ended March 31, 2019:

	2019
Volatility	60.00%
Risk-free interest rate	2.43%
Expected life (years)	0.12 years
Share price	$2.00
Exercise price	$1.50

Upon initial recognition, the Company recorded a derivative liability and debt discount of $631 in relation to the derivative liability portion of the Bridge Loan Agreement. See note 11 for further details. During the three months ended March 31, 2019, the Company recorded a gain of $370 on revaluation of the derivative liability.

Pursuant to the above Bridge Loan Agreement, each subscriber was entitled to one-fourth of a share purchase warrants for each $1 dollars of the Bridge Loan Agreement at the IPO closing price. The Company used the Black-Scholes option-pricing model to estimate fair values of these warrants amounting to $383 at March 31, 2019. These warrants are classified as a derivative liability.

(d) Convertible Debentures - $10M Convertible Note

On February 15, 2019 the Company completed a brokered private placement financing by issuing convertible notes payable (the “Convertible Note”) in the amount of $10,000 bearing interest of 12% per annum (see Note 11), which contained a conversion feature with variability in the number of common shares issuable on conversion. Pursuant to the above Convertible Note, each subscriber was entitled to one-half of a share purchase warrants for each $1 of the Convertible Note at a price 30% above the IPO closing price

In accordance with IFRS, a contract to issue a variable number of equity shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations at each period-end. The derivative liability will ultimately be converted into the Company’s equity when the convertible notes payable is converted or will be extinguished on the repayment of the convertible notes payable, and will not result in the outlay of any additional cash by the Company.

The Company used the Black-Scholes option-pricing model to estimate fair value of the derivative liability at each reporting date. This is a Level 3 recurring fair value measurement. The key Level 3 inputs used by management to determine the fair value are the expected future volatility in the price of the Company’s common shares and the expected life of the convertible notes payable.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

10. DERIVATIVE LIABILITY *(Continued)*

(d) Convertible Debentures - $10M Convertible Note *(Continued)*

The following range of assumptions were used to value the derivative liability during the three months ended March 31, 2019:

	2019
Volatility	60.00%
Risk-free interest rate	2.43%
Expected life (years)	1.5 -2 years
Share price	$2.00
Exercise price	$2.00

Upon initial recognition, the Company recorded a derivative liability and debt discount of $4,302 in relation to the derivative liability portion of the Convertible Note. See note 11 for further details. During the three months ended March 31, 2019, the Company recorded a gain of $888 on revaluation of the derivative liability.

11. NOTES PAYABLE

As of March 31, 2019 and December 31, 2018 notes payable consisted of the following:

	March 31, 2019	December 31, 2018
Machinery and equipment loan (a)	$ 42	$ 46
Automobile loan (b)	128	134
Notes payable (c)	12,561	53,193
Convertible debentures (d)	5,370	-
Total notes payable	18,101	53,373
Less current portion of notes payable	(5,965)	(51,463)
Notes payable, net of current portion	**$ 12,136**	**$ 1,910**

(a) Machinery and Equipment Loan

Machinery and equipment lease agreements bearing interest ranging from of 11.75% to 11.95% per annum, maturing through December 2021.

(b) Automobile Loan

Notes payable collateralized by vehicles purchased, bearing interest ranging from 4.09% to 6.54% per annum, maturing through September 2023.

11. NOTES PAYABLE *(Continued)*

(c) Notes Payable

On September 1, 2018, the Company issued a promissory note in the amount of $40,783 in connection with the acquisition of Knox Servicing member units, bearing interest of 12% per annum until November 30, 2018 with a 6% per annum monthly rate increase up to 24% per annum until the February 28, 2019 maturity date with minimum monthly payments of $500 from September 30, 2018 to December 31, 2018 and minimum monthly payments of $1,000 on January 1, 2019 and February 28, 2019 (see Note 9). The outstanding promissory note balance was repaid by the Company in March, 2019.

On August 14, 2018, the Company issued a promissory note in the amount of $11,225 in connection with the acquisition of Knox Servicing member units, bearing interest of 6% per annum to be repaid in monthly installments over a period of one year from January 1, 2019 to December 1, 2019, if such payments do not exceed a cap of 25% of the monthly net profits of Knox Servicing in the full calendar month prior to the date a monthly payment is due. In the event the payments are not performed in full during the first year, the remaining principal will bear interest of 10% per annum to be repaid in equal payments over a period of up to 12 additional months until all sums are paid in full (see Note 9).

On January 1, 2019, the Company executed an amendment to the August 14, 2018 promissory note, adjusting the aggregate principal amount of the new promissory note to $12,561, including among other amounts, $261 of accrued interest from August 14, 2018 to December 31, 2018 and bearing interest of 10% per annum for the first year and interest of 12% per annum for the second year to be repaid in four monthly installments of $1,000 over a period from September 1, 2019 to December 1, 2020 and twelve monthly installments of $863 over a period from January 1, 2020 to December 1, 2020. In connection with the issuance of the new promissory note, the Company recorded a loss on debt extinguishment of $1,134.

On November 30, 2018, the Company entered into a note payable agreement in the amount of $1,800, in exchange for cash receipts of $1,495,000 maturing the earlier of March 25, 2019 or 30 days after the completion of the Company's initial public offering listing on the Canadian Securities Exchange (the “Go Public Transaction”). The outstanding note payable balance was repaid by the Company on February 15, 2019.

On January 15, 2019, the Company entered into a note payable agreement in the amount of $1,100 in exchange for cash receipts of $1,000 maturing the earlier of March 25, 2019 or 30 days after the Go Public Transaction. This outstanding note payable balance was repaid by the Company on February 15, 2019.

11. NOTES PAYABLE *(Continued)*

(d) Convertible Debentures

October and November 2017 Convertible Debentures

In October and November of 2017, the Company issued Convertible Debentures in exchange for cash proceeds of $4,744. The Convertible Debentures bear interest at an annualized rate of 10 percent, calculated daily, and mature eight months after the issuance. The holders of the Convertible Debentures could convert, in whole or in part, the principal and any outstanding accrued interest into member units of Cansortium Holdings LLC.

At the subscription of the Convertible Debentures, each investor was also issued a ½ warrant "Subscription Warrants" to be utilized for the future purchase of shares of the Company post a Go Public Transaction. The total number of Subscription Warrants issued were 2,372. These Subscription Warrants were issued based on the original amount invested into the Convertible Debentures. The strike price of the warrant is to be set at 125% of the future conversion price of the Convertible Debentures as described above. The expiry of the Subscription Warrants is 2 years from the issue date of the Convertible Debentures, subject to an accelerator clause. Once the Company has 20 straight trading days at or above 2x the strike price, the Company may elect to notify the holders of a 30-day expiry notice from that point.

Once a Convertible Debenture holder elected to convert their Convertible Debenture, on or before the expiry of the original eight-month term, the holder would earn an additional ½ warrant "Conversion Warrants" carrying the same rights and definitions as the Subscription Warrants.

In connection with issuance of the Convertible Debentures, the Company paid cash of $529 for debt issuance fees and incurred transaction costs of $109 related to 457,940 warrants issued. The portion of the debt issuance fees paid in cash that was attributed to the derivative liability were expensed at the time of the transaction and the remainder of $489 balance has been amortized over the term of Convertible Debentures.

The warrants were valued by the Company based on substantially the same inputs used for the valuation of the derivative liability as noted in Note 10. Each broker warrant entitles the holder to acquire one conversion unit at an exercise price of $1.50 any time until the 24th month anniversary.

On June 30, 2018, the Company Convertible Debentures of $3,944 were converted into 2,629,429 member units and the accrued interest of $262 was converted into 174,814 units, each at $1.50 dollars per unit. On July 22, 2018, the Company Convertible Debentures of $800 were converted into 533,333 member units and the accrued interest of $53 was converted into 35,458 units, each at $1.50 dollars per unit.

February 2019 Convertible Debentures

On February 8, 2019 the Company issued Convertible Debentures in exchange for cash proceeds of $1,830. The Convertible Debentures bear interest at a monthly rate of 3 percent, maturing at the IPO Closing Date. The holders of the Convertible Debentures may convert the principal into shares of the Company up to 30 days after the maturity date at a price per share equal to a 25% discount on the IPO closing price.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

11. NOTES PAYABLE *(Continued)*

(d) Convertible Debentures *(Continued)*

February 2019 Convertible Debentures *(Continued)*

In March, 2019, the Company repaid the outstanding balance of $1,830, which was returned to the Company on April 22, 2019 as the lender of the Bridge Loan Agreement exercised its right to convert the principal amount due thereunder to 1,220,000 shares of the Company's stock (see Note 17).

In connection with the issuance of the above Convertible Debentures, the Company paid cash of $92 for debt issuance fees and recorded interest expense of $25 and accretion expense of $1,014 for the three months ended March 31, 2019.

On February 15, 2019 the Company issued Convertible Debentures in exchange for cash proceeds of $10,000. The Convertible Debentures bear interest at an annual rate of 12 percent, maturing 18 months after issuance. The holders of the Convertible Debentures may convert, in whole or in part, the principal and any outstanding accrued interest into shares of the Company at the IPO price. The Convertible Debentures automatically lose the conversion privilege twenty-four months from issue. Pursuant to the terms of the above Convertible Debentures, subject to an accelerator clause. Provided that four months have elapsed after the date of the IPO and the Company has 10 straight trading days at a price that is 50% greater tan the IPO price, the Company may elect to convert the principal into shares of the Company at the IPO price and convert the accrued interest into shares of the Company at a price equal to the closing trading price on the day prior to the conversion.

In connection with the issuance of the above Convertible Debentures, the Company paid cash of $600 for debt issuance fees and recorded interest expense of $150 and accretion expense of $364 for the three months ended March 31, 2019.

A reconciliation of the beginning and ending balances of the Convertible debentures, derivative liability and warrants from the time of issuance and for the three months ended March 31, 2019 and year ended December 31, 2018 is as follows:

	Convertible debentures	Derivative liability	Warrants	Expense
As of January 1, 2018	$ 3,849	$ 1,014	$ 296	$ -
Accretion expense	895	-	-	(895)
Fair value change in derivative liability	-	2,939	-	(2,939)
Conversion of convertible debentures to equity	(4,744)	(3,953)	-	-
As of December 31, 2018	**$ -**	**$ -**	**$ 296**	**$ (3,834)**
As of January 1, 2019	$ -	$ -	$ 296	$ -
Fair value of convertible debentures on issuance date	11,830	-	-	-
Fair value of derivative liabilities value on issuance date	(5,315)	4,932	-	-
Cash paid for debt issuance fees	(692)	-	-	-
Accretion expense	1,378	-		(1,378)
Fair value change in derivative liability	-	518	-	-
Convertible debentures repayment	(1,830)	-	-	-
As of March 31, 2019	**$ 5,370**	**$ 5,450**	**$ 296**	**$ (1,378)**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

12. LEASES

The Company's leasing activities include the lease of cultivation and manufacturing facilities used in the production of cannabis and related products and office premises.

(a) Right-of-use Assets

A reconciliation of the beginning and ending balances of right-of-use assets for three months ended March 31, 2019 is as follows:

	Manufacturing equipment	Buildings	Total
Balance as of December 31, 2018	$ -	$ -	$ -
Additions (IFRS 16)	347	17,081	17,428
Balance as of March 31, 2019	347	17,081	17,428
Balance as of December 31, 2018	$ -	$ -	$ -
Accumulated depreciation (IFRS 16)	54	2,582	2,636
Additions	23	464	487
Balance as of March 31, 2019	77	3,046	3,123
Right-of-use-assets	**$ 270**	**$ 14,035**	**$ 14,305**

(b) Lease Liabilities

A reconciliation of the beginning and ending balances of lease liabilities for three months ended March 31, 2019 is as follows:

	March 31, 2019
Balance as of December 31, 2018	$ -
Effect of adoption of IFRS 16, January 1, 2019	16,020
Interest on lease liabilities	338
Interest payments on lease obligations	(338)
Principal payments on lease obligations	(309)
Balance as of March 31, 2019	**$ 15,711**
Less current portion of lease obligations	(1,381)
Lease obligations, net of current portion	**$ 14,330**

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

12. LEASES *(Continued)*

(c) Future Minimum Lease Payments

The Company leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2029 and contain certain renewal provisions. The Company's rent expense for the three months ended March 31, 2019, and 2018 was $919 and $70 respectively. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

For the twelve months period ending March 31,		Scheduled payments
2020	$	3,037
2021		2,421
2022		2,366
2023		2,153
2024		1,832
Thereafter		7,706
Total future minimum lease payments	$	**19,515**

13. SHAREHOLDERS' EQUITY

On February 7, 2019, the Company issued 512,536 member units of Cansortium Holdings to acquire the remaining 30 percent ownership of Cansortium Pennsylvania, LLC. The fair market value of the member units issued was $1,409. As a result of the acquisition of the remaining membership units of Cansortium Pennsylvania, LLC, the Company is now the sole owner. As a result of the transaction, the Company adjusted its carrying interest by $219 for the non-controlling's interest in Cansortium Pennsylvania, LLC and recognized directly to equity the difference of $1,628 between the non-controlling interest and the fair value of the units issued.

On March 22, 2019, the Company issued 3,852,080 shares of the Company to acquire the remaining 40 percent ownership of Cansortium Canada Servicing. The fair market value of the shares issued was $10,593. As a result of the acquisition of the remaining interest in Cansortium Canada Servicing, the Company is now the sole owner. As a result of the transaction, the Company adjusted its carrying interest by $450 for the non-controlling's interest in Cansortium Canada Servicing and recognized directly to equity the difference of $11,043 between the non-controlling interest and the fair value of the units issued.

In March 22, 2019, the Company acquired all member units of Cansortium Holdings, in connection with the Company's initial public offering and listing on the Canadian Securities Exchange and issued 28,089,099 common shares of the Company for cash proceeds of $56,178.

During the three months ended March 31, 2019, the Company issued 208,432 member units of Cansortium Holdings valued at $600 for third-party related services. During the three months ended March 31, 2018, the Company issued 16,364 member units of Cansortium Holdings valued at $45 for third-party related services.

During the three months ended March 31, 2018, the Company issued 643,782 member units for cash proceeds of $1,770.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

13. SHAREHOLDERS' EQUITY *(Continued)*

Share capital

The share capital of the Company is comprised of 62,348,561 common shares, 13,164,377 proportionate voting shares (each proportionate voting share is convertible into ten common shares), 29,369,795 warrants and convertible debt allotments and 1,182,106 stock options as of March 31, 2019.

Earnings per share have been calculated using the weighted average number of shares outstanding during the year on a total outstanding and fully dilutive basis. The potential conversion of warrants, convertible debt and stock options into common shares, have a dilutive effect on earnings per share. The weighted average number of basic and diluted shares are presented in the table below:

	Three months ended	
	March 31, 2019	March 31, 2018
Weighted average number of shares - basic	159,484,381	125,786,881
Weighted average warrants	6,009,884	2,372,071
Weighted average convertible debt allotment	3,135,783	-
Weighted average options	118,211	-
Weighted average number of shares - diluted	168,630,049	128,158,952

Restricted Shares

Restricted shares are issued and outstanding shares that are subject to a Company escrow agreement requiring achievement of certain performance or service metrics to release such restrictions. Restricted shares activity for the Company for the three months ended March 31, 2019 is as follows:

	Restricted shares	Grant date fair Value per unit	Aggregate intrinsic value
Balance as of December 31, 2018	11,166,850	$ 2.75	$ 30,708,838
Granted	-	-	-
Vested	-	-	-
Forfeited	50,000	2.75	137,500
Balance as of March 31, 2019	11,116,850	$ 2.75	$ 30,571,338

As of March 31, 2019, there was approximately $375 of total unrecognized employee compensation cost related to non-vested time-based restricted shares should be recognized as expense over a period between 1 and 2 years.

As of March 31, 2019, there was approximately $7,462 of total unrecognized compensation cost related to non-vested restricted member units issued for professional services that are expected to be recognized as expense over a period between 6 months and 2 years.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

13. SHAREHOLDERS' EQUITY *(Continued)*

Restricted Shares *(Continued)*

As of March 31, 2019, there was approximately $13,300 and $1,783 non-vested restricted member units issued for the acquisition of the remaining membership units of Cansortium Health Partners, LLC and Cansortium Puerto Rico, LLC, respectively, that expected to be vest over a period of 3.5 years.

As of March 31, 2019, there was approximately $7,500 non-vested restricted member units issued for the acquisition of Green Standard Holdings LLC and Green Standard Cultivation LLC future production and retail dispensary licenses.

No restricted member units vested during the three months ended March 31, 2019.

Stock Option Plan

On March 14, 2019, the Board of Directors (the "Board") of the Company approved a Stock Option Plan (the "Plan"). Under the Plan, the Board may grant options to acquire common shares of the Company to officers, employees and consultants, to a limit of 10% of the outstanding common shares of the Company. The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified Executives, Employees and Consultants to contribute toward the long-term goals of the Company, and to encourage such individuals to acquire Shares of the Company as long-term investments.

The term of an option grant is determined by the Board up to a maximum of 5 years from the grant date. Stock options granted generally vest over two to five years.

Pursuant to the above Plan, on March 21, 2019, the Company granted 1,182,106 options to various officers, employees and consultants. The fair value of these options of $838,963 were measured at the date of grant using the Black-Scholes option pricing model, using the following assumptions:

Stock price	$2
Exercise price	$2
Original term	2 to 5 years
Dividend yield	0%
US treasury rate	2.34%
Volatility	60%
Forfeiture rate	0%

During the quarter ended March 31, 2019, the Company recognized $596,328 as stock-based compensation in the statement of operations with corresponding credit to equity (share-based compensation option reserve). This expense was calculated based on the vesting conditions of each grant.

As at March 31, 2019, there were 1,182,106 options outstanding, comprising of 807,106 options vested and 375,000 options were non-vested, with remaining contractual lives ranging from 1.98 years to 4.98 years.

14. COMMITMENTS AND CONTINGENCIES

(a) Purchase Commitments

In connection with the Arcadia EcoEnergies acquisition (Note 9), the Company agreed to a minimum purchase commitment equal to $500 Canadian dollars per acre of the harvest production from the 2018 anticipated harvest for cold pressed hemp oil, protein powder and flower and leaf for extraction procedures.

(b) Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of March 31, 2019, medical marijuana regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

(c) Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of March 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

15. RELATED-PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities for the Company, directly and indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the three months ended March 31, 2019 and 2018, the Company's expenses included $675 and $332, respectively, for salary and/or consulting fees paid to key management personnel. The Company maintains employment agreements with certain key management personnel which includes separation or severance payments.

The Company leases one of its cultivation and production facilities from Knox Nursery Inc., a company owned by a member of Knox Servicing until August 15, 2018. The lease began October 2017 and continues for five years and automatically renews for an additional five years. The monthly rental fee is $1.5 per month.

The Company purchases material from Knox Nursery Inc., a company owned by a member of the Company until August 15, 2018. Total purchases during the three months ended March 31, 2019 and 2018 were approximately $77 and $32, respectively. The balances due to this entity as of March 31, 2019 and December 31, 2018 were approximately $215 and $144, respectively, and were included in accounts payable.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The Company's financial instruments consist of cash, due from associate, accounts payables and accrued liabilities, derivative liability, and notes payable.

Financial Assets

(i) Cash is comprised of deposits held in financial institutions and cash on hand.

(ii) Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(iii) Compound financial instruments issued by the Company comprise convertible notes payable that are convertible to share capital at either the option of the holder or upon consummation of a qualifying go-public transaction. The liability component of the compound financial instruments is initially recognized as the difference between the fair value of the derivative liability (i.e., conversion feature) and the fair value of the convertible notes payable. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method and the derivate liability is re-measured with subsequent changes in fair market value.

Financial Liabilities

(i) Other financial liabilities include the Company's accounts payable and accrued liabilities and long-term debt. The effective interest method is used to calculate the amortized cost of a financial liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Instruments *(Continued)*

	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash	$ 9,859	$ -	$ -	$ 9,859
Accounts receivable	$ 77	$ -	$ -	$ 77
Accounts payable	$ 6,600	$ -	$ -	$ 6,600
Accrued expenses	$ 3,292	$ -	$ -	$ 3,292
Derivative liabilities	$ -	$ 12,678	$ -	$ 12,678
Current portion of notes payable	$ -	$ -	$ 5,965	$ 5,965
Lease obligations	$ 1,381	$ -	$ -	$ 1,381
Other current liabilities	$ 1,350	$ -	$ -	$ 1,350
Notes payable, net of current portion	$ 12,136	$ -	$ -	$ 12,136
Lease obligations, net of current portion	$ 14,330	$ -	$ -	$ 14,330
Other long-term liabilities	$ 687	$ -	$ -	$ 687

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash	$ 2,026	$ -	$ -	$ 2,026
Accounts receivable	$ 62	$ -	$ -	$ 62
Accounts payable	$ 4,910	$ -	$ -	$ 4,910
Accrued expenses	$ 3,936	$ -	$ -	$ 3,936
Derivative liabilities	$ -	$ 9,242	$ -	$ 9,242
Current portion of notes payable	$ -	$ -	$ 51,463	$ 51,463
Other current liabilities	$ 1,350	$ -	$ -	$ 1,350
Notes payable, net of current portion	$ 1,910	$ -	$ -	$ 1,910
Other long-term liabilities	$ 451	$ -	$ -	$ 451

There have been no transfers between fair value levels during the year.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Instruments *(Continued)*

The following table summarizes the Company's financial instruments as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets:				
Amortized cost				
Cash	$ 9,859	$ 9,859	$ 2,026	$ 2,026
Accounts receivable	$ 77	$ 77	$ 62	$ 62
Financial liabilities:				
Amortized cost				
Accounts payable	$ 6,600	$ 6,600	$ 4,910	$ 4,910
Accrued expenses	$ 3,292	$ 3,292	$ 3,936	$ 3,936
Current portion of notes payable	$ 5,965	$ 5,965	$ 51,463	$ 51,463
Lease obligations	$ 1,381	$ 1,381	$ -	$ -
Other current liabilities	$ 1,350	$ 1,350	$ 1,350	$ 1,350
Notes payable, net of current portion	$ 12,136	$ 12,136	$ 1,910	$ 1,910
Lease obligations, net of current portion	$ 14,330	$ 14,330	$ -	$ -
Other long-term liabilities	$ 687	$ 687	$ 451	$ 451
Derivative liabilities	$ 12,678	$ 12,678	$ 9,242	$ 9,242

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(a) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at March 31, 2019 is the carrying amount of cash and accounts receivable. All cash is placed with major U.S. financial institutions. Credit risk from due from accounts receivable arises from the possibility that amounts due become uncollectible.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

(Amounts expressed in thousands of United States Dollars unless otherwise stated)

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Instruments *(Continued)*

(b) Liquidity Risk *(Continued)*

In addition to the commitments outlined in Note 12 and Note 14, the Company had the following contractual obligations as of March 31, 2019:

	< 1 year	1 to 3 years	3 to 5 years	Total
Accounts payable	$ 6,600	$ -	$ -	$ 6,600
Accrued expenses	$ 3,292	$ -	$ -	$ 3,292

In addition to the commitments outlined in Note 12 and Note 14, the Company had the following contractual obligations as of December 31, 2018:

	< 1 year	1 to 3 years	3 to 5 years	Total
Accounts payable	$ 4,910	$ -	$ -	$ 4,910
Accrued expenses	$ 3,936	$ -	$ -	$ 3,936

(c) Market Risk

(i) Currency Risk

The consolidated operating results and consolidated financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks.

As of March 31, 2019 and December 31, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

(iii) Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(Continued)*

Financial Risk Management *(Continued)*

(d) Banking Risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and leaves their cash holdings vulnerable.

(e) Asset Forfeiture Risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 30, 2019, which is the date this consolidated financial statements were issued.

On November 23, 2017, the Company entered into an agreement of purchase and sale for the acquisition of land for a 54-acre property on which the Grimsby Facility will be expanded to for a purchase price of $750 thousands of Canadian dollars. This acquisition closed on March 15, 2019. To allow for the best and most efficient use for its Canadian operations, the Company also entered into a lease agreement for 130,000 square feet of existing greenhouses for a base rent of $81 thousands of Canadian dollars plus taxes per month and has an option to purchase such property for $3,100 thousands of Canadian dollars. This option is expected to close on or around November 29, 2019, unless extended.

On April 22, 2019, the lender of the Bridge Loan Agreement exercised its right to convert the principal amount due thereunder to 1,220,000 shares of the Company’s common stock. As a result, $1,830 was returned to the Company.

On May 3, 2019, the Company was granted a license under the *Cannabis Act* (Canada) that allows for the cultivation, production and sale of cannabis in Canada.

17. SUBSEQUENT EVENTS *(Continued)*

On May 23, 2019, the Company issued secured convertible debentures ("Secured Convertible Debentures") in exchange for gross proceeds of $27,144, bearing interest of 12% per annum, with quarterly 6% interest payments of remaining accrued interest paid at the maturity date of 24 months from issuance. The holders of the Secured Convertible Debentures may convert the principal amount into shares of the Company at a price of $2.10 per share. At the subscription of the Secured Convertible Debentures, each investor was also issued 292 common share purchase warrants for each one thousand dollars of the principal amount, to be utilized for future purchase of shares at a price of $2.40 per share at any time prior to March 21, 2021.