Condensed Consolidated Interim Financial Statements (Unaudited)
Expressed in Canadian dollars

Rubicon Organics Inc.
For the Three and Nine Months Ended September 30, 2018

Notice to Reader

These unaudited condensed consolidated interim financial statements have been prepared by management and have not been reviewed by the Company's auditor.

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED)
Expressed in Canadian dollars

	Notes	September 30 2018	December 31 2017 (restated)*	January 1 2017 (restated)*
ASSETS				
Current				
Cash		**2,544,861**	2,921,051	3,628,434
Accounts receivable	6	**1,298,523**	37,910	38,713
Inventory	7	**459,471**	237,440	666,261
Other assets		**225,796**	88,244	21,293
		4,528,651	3,284,645	4,354,701
Non-Current				
Property, plant and equipment	8	**24,034,118**	16,319,798	6,958,528
Intangible asset	9	**1,881,749**	1,881,749	—
Goodwill	5	**578,183**	—	—
Investment	10	**129,450**	125,450	—
Due from related parties	15	—	306,826	1,770,760
		31,152,151	21,918,468	13,083,989
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	11	**3,137,186**	2,020,618	854,992
Due to related parties	15	**162,874**	135,132	77,557
Mortgage payable	12	**101,009**	—	—
Capital lease		**17,458**	—	—
Corporate tax payable		—	74,407	—
		3,418,527	2,230,157	932,549
Non-Current				
Mortgage payable	12	**2,869,428**	3,000,000	—
Capital lease		**69,929**	—	107,962
		2,939,357	3,000,000	107,962
Shareholders' equity				
Share capital	13	**47,455,268**	26,317,209	16,075,088
Special warrants	13	**10,619,950**	—	—
Reserves	14	**5,184,764**	3,834,404	2,902,399
Deficit		**(37,393,315)**	(12,190,932)	(6,426,905)
Accumulated other comprehensive loss		**(1,072,400)**	(1,272,370)	(507,104)
Total shareholders' equity		**24,794,267**	16,688,311	12,043,478
		31,152,151	21,918,468	**13,083,989**

**Restated for change in presentation currency (note 2).*

Approved on behalf of the Board: (Signed) *"Bryan Disher"* Director — (Signed) *"Jesse McConnell"* Director and CEO

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited).

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)
Expressed in Canadian dollars

	Notes	For the three months ended		For the nine months ended	
		September 30 2018	September 30 2017 (restated)*	September 30 2018	September 30 2017 (restated)*
REVNEUE					
Sales		**753,875**	240,079	**1,944,885**	626,504
Cost of sales	7	**(841,133)**	(228,722)	**(1,738,006)**	(604,684)
Loss on inventory write-off	7	**(53,841)**	—	**(203,110)**	—
Gross profit (loss)		**(141,099)**	11,357	**3,769**	21,820
EXPENSES					
Consulting, salaries and wages		**1,193,292**	454,195	**2,782,114**	1,532,991
Professional fees		**632,712**	167,286	**1,687,072**	344,657
Share-based compensation	14	**828,871**	277,235	**1,096,758**	1,245,811
General and administrative expenses		**63,156**	115,578	**1,067,258**	259,506
Sales and marketing expense		**312,788**	51,676	**842,577**	247,650
Rent		**66,091**	69,484	**215,276**	170,959
Travel expenses		**87,614**	17,599	**200,008**	120,318
Investor relations		**167,385**	—	**167,385**	—
Amortization of intangibles	9	**31,297**	—	**154,625**	—
Insurance		**22,382**	11,572	**129,984**	31,552
Depreciation	8	**39,032**	35,189	**121,595**	113,313
Property taxes		**40,643**	3,389	**103,467**	4,403
Information technology expense		**13,553**	8,188	**69,498**	14,425
		3,498,816	1,211,391	**8,637,617**	4,085,585
Net loss from operations		**(3,639,915)**	(1,200,034)	**(8,633,848)**	(4,063,765)
OTHER EXPENSE (INCOME)					
Interest on loans	12	**35,573**	1,711	**100,305**	12,130
Realized foreign exchange		**(171,439)**	(15,909)	**(11,350)**	(11,555)
Impairment of land	8	—	—	**751,781**	—
Reverse takeover costs	4	—	—	**15,727,799**	—
		(135,866)	(14,198)	**16,568,535**	575
Loss before income tax		**(3,504,049)**	(1,185,836)	**(25,202,383)**	(4,064,340)
Income tax expense		**—**	1,076	**—**	5,985
Net loss		**(3,504,049)**	(1,186,912)	**(25,202,383)**	(4,070,325)
Other comprehensive income					
Exchange rate differences on translation of foreign operations[1]		195,588	553,398	199,970	1,097,586
Total comprehensive loss		**(3,308,461)**	(633,514)	**(25,002,413)**	(2,972,739)
Basic and diluted loss per share		**(0.11)**	(0.04)	**(0.77)**	(0.15)
Weighted average shares		**33,129,930**	27,851,349	**32,698,516**	27,028,604

**Restated for change in presentation currency (note 2).*
[1] *Item may be subsequently reclassified to profit or loss*

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited)

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
Expressed in Canadian dollars

	Notes	Number of Shares	Share Capital (Net of Financing Costs)	Special Warrants (Net of Financing Costs)	Share-Based Reserves	Warrant Reserve	Reserves	Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity
Balance, December 31, 2016 (restated)*		26,463,179	16,075,089	—	1,676,574	1,225,824	2,902,398	(571,064)	(6,340,453)	**12,065,970**
Restricted share award conversion	14	97,333	193,073	—	—	—	—	—	—	**193,073**
Share issuances – Vintages acquisition	9	999,999	1,881,749	—	—	—	—	—	—	**1,881,749**
Share issuance – financing	13	616,182	1,539,531	—	—	—	—	—	—	**1,539,531**
Share-based compensation		—	—	—	717,079	—	717,079	—	—	**717,079**
Net loss		—	—	—	—	—	—	—	(4,070,328)	**(4,070,328)**
Other comprehensive income		—	—	—	—	—	—	1,097,586	—	**1,097,586**
Balance, September 30, 2017 (restated)*		**28,176,693**	**19,689,442**	**—**	**2,393,653**	**1,225,824**	**3,619,477**	**526,522**	**(10,410,781)**	**13,424,660**
Balance, December 31, 2017 (restated)*		**31,000,366**	**26,317,209**	**—**	**2,608,580**	**1,225,824**	**3,834,404**	**(1,272,370)**	**(12,190,932)**	**16,688,311**
Share issuance – financing	13	1,852,239	4,672,680	—	—	121,597	121,597	—	—	**4,794,277**
Shares for agreement with KG Inc.	13	300,000	737,580	—	—	—	—	—	—	**737,580**
Deemed equity consideration of RTO	4,13	—	15,727,799	—	—	—	—	—	—	**15,727,799**
Special warrants	13	—	—	10,619,950	—	—	—	—	—	**10,619,950**
Broker warrants issued	13, 14	—	—	—	—	132,005	132,005	—	—	**132,005**
Share-based compensation	14	—	—	—	1,096,758	—	1,096,758	—	—	**1,096,758**
Net loss		—	—	—	—	—	—	—	(25,202,383)	**(25,202,383)**
Other comprehensive income		—	—	—	—	—	—	199,970	—	**199,970**
Balance, September 30, 2018		**33,152,605**	**47,455,268**	**10,619,950**	**3,705,338**	**1,479,426**	**5,184,764**	**(1,072,400)**	**(37,393,515)**	**24,794,267**

**Restated for change in presentation currency (note 2).*

The accompanying notes form an integral part of these condensed consolidated interim financial statements (unaudited)

RUBICON ORGANICS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED)
Expressed in Canadian dollars

	Note	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017 (restated)*
OPERATING ACTIVITIES			
Net loss		**(25,202,383)**	(4,070,330)
Adjustments to reconcile net loss to net cash used in operating activities			
Reverse takeover costs	4	**15,727,799**	—
Share based compensation	14	**1,096,758**	705,152
Impairment of land	8	**751,781**	—
Inventory write-down	7	**203,110**	—
Depreciation	8	**178,509**	113,313
Amortization of intangible asset	9	**154,625**	—
Broker warrant costs	13	**132,005**	—
Non-cash consulting fees		**110,317**	—
Unrealized foreign exchange (gain)/loss		**(131,071)**	505,531
Changes in non-cash working capital items	16	**291,775**	2,010,796
Cash used in operating activities		**(6,686,775)**	(735,538)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(8,929,392)**	(4,867,321)
Investments	5	**14,927**	(124,800)
Cash acquired from acquisitions	4	**2,255**	—
Purchase of Bridge View Greenhouses Ltd.		—	(4,018,391)
Cash used in investing activities		**(8,912,210)**	(9,010,512)
FINANCING ACTIVITIES			
Special warrants	13	**10,619,950**	—
Proceeds from share issuances (net of financing costs)	13	**4,683,960**	1,764,510
Proceeds from shareholder loan		**27,742**	1,522,453
Proceeds from mortgage	12	—	3,000,000
Repayment on mortgage	12	**(29,563)**	—
Capital lease financing		**(10,867)**	(80,501)
Loans from related parties		**—**	1,513,109
Cash provided by financing activities		**15,291,222**	7,719,571
Effect of exchange rate changes on cash		**(68,427)**	788,993
Increase (decrease) in cash during the period		**(376,190)**	(1,237,486)
Cash, beginning of period		**2,921,051**	3,631,754
Cash, end of period		**2,544,861**	2,394,268

**Restated for change in presentation currency (note 2).*

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

1. NATURE OF OPERATIONS

Rubicon Organics Inc. ("ROI") is a British Columbia registered company incorporated on May 15, 2015. ROI was incorporated as an investor vehicle into Rubicon Holdings, Inc. ("RHI") for certain Canadian shareholders and, in its first year of incorporation, performed certain management services for RHI.

During May 2018, ROI and RHI undertook a re-organization (the "Re-Organization") whereby pursuant to a share exchange, RHI undertook a reverse takeover of ROI.

As part of the Re-Organization, on May 15, 2018, ROI entered into a share exchange transaction (the "Share Exchange") with RHI whereby each shareholder of RHI, other than ROI, exchanged its common shares in RHI on a 1:1 basis for common shares of ROI. Furthermore, on May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options in ROI on substantially similar terms to their original options in RHI (note 4). The group of companies with ROI as the parent of all consolidated subsidiaries identified in note 2 is collectively known as "the Company".

The Company's business plan is to obtain licenses to grow and sell cannabis directly in Canada and indirectly through leasing facilities and brand licensing arrangements with state license holders in Washington and California and is planning to seek licenses in other jurisdictions. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands.

On October 10, 2018, the Company's common shares began trading on the Canadian Securities Exchange ("CSE") under the trading symbol "ROMJ".

The address of the Company's registered office and records is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2.

2. BASIS OF PREPARATION

Statement of compliance
These condensed consolidated interim financial statements have been prepared in compliance 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 year ended December 31, 2017, other than as disclosed in note 3. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on November 29, 2018.

Change in presentation currency and change in functional currency
Effective January 1, 2018, the Company changed its presentation currency from United States Dollars ("US$") to Canadian Dollars ("$"). The change in presentation currency is to better reflect the Company's business activities and to improve comparability of the Company's financial results with other publicly traded cannabis companies.

In making the change to the Canadian dollar, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency.

Following this change in accounting policy, the comparative balances in the interim condensed consolidated financial statements are represented in $ using the procedures outlined below:

- All assets and liabilities have been translated from their functional currency into the new $ presentation currency using the applicable closing exchange rate;
- Income and expenses for each condensed consolidated interim statement of loss and comprehensive loss presented have been translated at average exchange rates prevailing during each reporting period;

- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income.

The functional currency of ROI and West Coast Marketing Corporation has changed from US$ to $ effective from July 1, 2018. The change in functional currency was determined based on the following factors:
- Restructuring of the Company to have a Canadian parent company which raised funds in Canadian dollars;
- Significant increase of Canadian operations and therefore, increased Canadian dollar spend; and
- Increase in Canadian dollar salaries from increased hiring in the corporate function.

This change was accounted for prospectively from July 1, 2018.

Basis of measurement
The condensed consolidated interim financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation
These condensed consolidated interim financial statements include the condensed interim financial statements of ROI and its controlled subsidiaries. Control exists when ROI has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The condensed interim financial statements of each subsidiary are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

The results of subsidiaries acquired or disposed of during the period are included in the condensed consolidated interim statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

Effective May 15, 2018 as a result of the reverse takeover transaction ("RTO") (note 4), RHI was considered the continuing entity for accounting purposes. The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. ROI's subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings, Inc.	WA, United States	100%
West Coast Property Holdings, Inc.	WA, United States	100%
Rubicon Property 1 LLC	WA, United States	100%
Rubicon Property 2 LLC	WA, United States	100%
Rubicon California LLC	CA, United States	100%
Great Pacific Brands, LLC	WA, United States	100%
Red Dog Operations, Inc.	WA, United States	100%
Seymour Soils, Inc.	WA, United States	100%
West Coast Marketing Corporation	BC, Canada	100%
1113603 B.C Ltd.	BC, Canada	100%
Bridge View Greenhouses Ltd.	BC, Canada	100%
Vintages Organic Cannabis Company Inc	BC, Canada	100%
Vega Ventures LLC (1)	WA, United States	0%
Kool Gildea, Inc (2)	CA, United States	0%

(1) The Company controls a licensed cannabis company, Vega Ventures LLC ("Vega"), in Washington state by way of a contractual agreement. Vega is fully consolidated in these condensed consolidated interim financial statements in accordance with IFRS 10.

(2) On January 30, 2018, an agreement (the "Agreement") was executed between the Company and Kool Gildea, Inc ("KG Inc."), a California non-profit mutual benefit corporation granting the Company the power to direct relevant activities of KG Inc., in particular the appointment and removal of governing members. As a result of this control, KG Inc. is consolidated in these condensed consolidated financial statements in accordance with IFRS 10.

Comparative figures
Certain comparative figures have been reclassified to conform to current period's presentation.

3. CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS

- IFRS 9 – *Financial Instruments* ("**IFRS 9**")

The Company has adopted IFRS 9 effective January 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost, or financial assets measured at fair value.

The Company will continue to hold all loans and other liabilities at amortized cost and cash and investments at fair value through profit or loss. However, the Company will no longer be able to apply the cost exception for certain investments previously permitted under IAS 39. The Company has elected not to restate prior period numbers.

Financial Instruments	Classification under IAS 39	Measurement under IAS 39	Measurement under IFRS 9
Accounts	Loans and receivables	Amortized cost	Amortized cost
Accounts	Other financial liabilities	Amortized cost	Amortized cost
Investments	Other financial assets	Available for sale	Fair value through profit or loss

The Company's investment in Thirty Three Health (note 10) is held at fair value using level 3 inputs under IFRS 13. Management has performed an assessment of this change in policy and determined there is no financial impact on the Company's financial statements for the three and nine months ended September 30, 2018 in respect of IFRS 9.

- IFRS 15 – *Revenue from Contracts with Customers* ("**IFRS 15**")

The Company has adopted IFRS 15 effective January 1, 2018, which replaces IAS 18, Revenue. The core principle of the new standard is to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds in respect of collectability of income have been introduced, which may affect the amount and/or timing of revenue recognized. Management has applied the five-step analysis to all revenue contracts and determined that there is no change to the amount or timing of revenue recognized during the period.

The Company has elected to apply the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. With no change to the amount or timing of revenue recognized, no adjustment was required under this approach.

The Company disaggregates revenue from contracts with customers according to the geographic location of the revenue. This is presented in note 19 Segment Information.

- IFRS 2 – *Share-based payments* ("**IFRS 2**")

IFRS 2 has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes.

The standard requires entities to recognise all share-based payment awards in the financial statements based on fair value when the goods and services are received, which is determined at the grant date for share-based payments issued to employees. The Company does not have any cash-settled share-based payment transactions, nor share-based payment transactions with cash alternatives. For equity-settled awards, the Company measures the fair value of goods or services received and recognises a corresponding increase in equity. If the Company cannot reliably estimate the fair value of the goods or services received, the Company must measure its fair value indirectly using the fair value of the equity instruments granted.

This new standard does not bring about any changes to the financial position or performance of the Company other than additional disclosure.

The following standards have been issued, but are not yet effective:

- IFRS 16 – *Leases* ("**IFRS 16**")

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or, alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The impact on the Company's condensed consolidated interim financial statements of adopting this standard has not yet been determined.

4. REVERSE TAKEOVER

As part of the Re-Organization on May 15, 2018, ROI entered into a share exchange transaction (the "Share Exchange") with RHI whereby each shareholder of RHI, other than ROI, exchanged its common shares in RHI on a 1:1 basis with the common shares of ROI. Furthermore, on May 30, 2018, in connection with the Share Exchange, all former option holders of RHI exchanged their options on a 1:1 basis for new options in ROI, on substantially similar terms to their original options in RHI.

After the Re-Organization, the former shareholders of RHI own all of the common shares in ROI. Consequently, the Re-Organization has been accounted for as an RTO and the condensed consolidated interim financial statements of ROI present the historical results, assets and liabilities of the Company on the consummation of the reverse take over as if RHI was the acquirer.

The value of net identifiable assets of ROI (legal parent) acquired by RHI (legal subsidiary) is as follows:

At May 15, 2018 (restated)	$
Cash	2,255
Accounts payable and accrued liabilities	(16,649)
	(14,394)

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all the goods or services received in return. Under the share exchange, ROI issued equity instruments to RHI, and thus IFRS 2 was used to determine the fair value of the ROI assets acquired. In accordance with IFRS 2, the amount

assigned to the reverse acquisition transaction costs in these condensed consolidated interim financial statements of operations and comprehensive loss is $15,727,799 being the difference between the estimated fair value of ROI shares prior to the RTO and the fair value of the net assets acquired plus transaction costs. The fair value of the 4,732,011 outstanding ROI common shares prior to the RTO of $3.25 per common share is determined based on the share price of the Company's private placement in July 2018.

At May 15, 2018 (restated)	$
Fair value of shares of ROI	15,506,930
Less: fair value of net assets acquired of ROI	14,394
Subtotal before transaction costs	15,521,324
RTO transaction costs:	
Professional fees	220,712
Forgiveness of intercompany debt to ROI	(14,237)
Total RTO costs	**15,727,799**

5. BUSINESS ACQUISITIONS

On January 30, 2018, the Company entered into an agreement to obtain the right to control KG Inc., an entity who held licensing associated with the Company's California land development site and associated municipal permit (the "KG Inc. Purchase"). In consideration the Company issued 300,000 common shares of the Company at a price of US$2.00 per common share and paid US$20,000 cash. The US$20,000 cash was paid in 2017.

The following table summarizes the balance sheet impact on the acquisition date of the Company's business acquisition that occurred during the period ended September 30, 2018:

	Preliminary assessment as at January 30, 2018[1]	**Adjustments[2]**	**Estimated fair value as at September 30, 2018**
	$	**$**	**$**
Cash	14,927	—	14,927
Accounts receivable	6,790	—	6,790
Inventory	175,718	—	175,718
Intangible asset	732,808	(578,183)	154,625
Goodwill	—	578,183	578,183
Total assets	**930,243**	**—**	**930,243**
Accounts payable	58,217	—	58,217
Total liabilities	**58,217**	**—**	**58,217**

[1] As previously reported in the Company's first quarter condensed consolidated interim financial statements.
[2] The Company recorded adjustments to the preliminary fair value in the second quarter of 2018 to reflect facts and circumstances in existence as at the date of acquisition. These changes related to the value assigned to the intangible asset. The adjustment was offset against goodwill.

Goodwill arose from the acquisition of KG Inc. as the consideration paid included amounts relating to future expected revenue growth and market development. With the ability to lawfully sell product in California using the temporary state license, the Company was able to develop its brand and build recognition which is anticipated to benefit the Company beyond the life of the license. Management has determined there was no impairment to goodwill as at September 30, 2018.

6. ACCOUNTS RECEIVABLE

	September 30, 2018	December 31, 2017 (restated)
	$	$
Trade receivables	354,979	30,480
CMX receivable	728,512	—
Sales taxes recoverable	184,246	7,430
Other receivables	30,786	—
Total accounts receivable	**1,298,523**	**37,910**

On August 14, 2018, ROI entered into an arrangement with CMX Distribution, Inc. ("CMX") to package and distribute Supplied by 1964™ branded cannabis products under CMX's state license in California. As part of the arrangement, ROI provides working capital and sells branded packaging to CMX. Upon expiration of KG Inc.'s distribution license on August 15, 2018, all cannabis product was transferred to CMX and KG Inc. now holds no cannabis product in California. The cannabis product and working capital transferred to CMX form a working capital receivable balance on ROI's balance sheet in the quarter ended September 30, 2018. Packaging inventory held on CMX's site and work in progress costs borne by ROI for inventory not yet sold but held on CMX's site is included in ROI's inventory and reflected in note 7.

California sales revenue shown in these interim condensed consolidated statements relates to branded packaging sales and cannabis product sales up until KG Inc.'s license expiry and from August 15, 2018, revenue relates exclusively to branded packaging sales. Refer to the segment note for further information on revenue.

7. INVENTORY

	September 30, 2018	December 31, 2017 (restated)
	$	$
Cannabis inventory	84,291	191,632
Packaging supplies and consumables	248,966	45,808
Work in progress - CMX (note 6)	126,214	—
Total inventory	**459,471**	**237,440**

Cannabis inventory contains both bulk and packaged goods. During the three and nine months ended September 30, 2018, cannabis and packaging inventory recognized as an expense in cost of sales amounted to $721,778 and $1,339,613 (September 30, 2017: $178,753 and $465,537).

Inventory write-downs have occurred in 2018 due to regular moisture loss, product deterioration and unforeseen changes made by regulators on packaging requirements making packaging obsolete. During the three and nine months ended September 30, 2018, $53,841 and $203,110 (the three and nine months to September 30, 2017: nil and nil) of inventory was written off.

8. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (restated)	393,569	1,021,342	7,909,706	7,217,635	16,542,252
Additions	—	341,449	36,707	8,009,005	8,387,161
Disposal	—	(2,505)	—	—	(2,505)
Impairment on land	—	—	(751,781)	—	(751,781)
Foreign exchange	3,654	24,472	187,133	50,068	265,327
At September 30, 2018	**397,223**	**1,384,758**	**7,381,765**	**15,276,708**	**24,440,454**

Accumulated depreciation	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (restated)	78,672	143,782	—	—	222,454
Depreciation	44,052	134,457	—	—	178,509
Foreign exchange	(4,466)	9,839	—	—	5,373
At September 30, 2018	**118,258**	**288,078**	**—**	**—**	**406,336**

Net book value	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (restated)	314,897	877,560	7,909,706	7,217,635	16,319,798
At September 30, 2018	**278,965**	**1,096,680**	**7,381,765**	**15,276,708**	**24,034,118**

For the three and nine months ended September 30, 2018, depreciation of $18,291 and $56,914 was allocated to cost of goods sold (September 30, 2017 – nil).

During the nine months ended September 30, 2018, a third-party appraisal of the California land asset was obtained for tax purposes, resulting in a fair-value assessment of US$600,000 ($776,700). An impairment loss of US$580,750 ($751,781) was recognized during the period. The impairment reflects a reduction in land prices in Greenfield as more municipalities have allowed for cannabis activities.

9. INTANGIBLE ASSETS

Cost	Health Canada License Application	California Distribution License	Total
	$	$	$
At January 1, 2017 (restated)	—	—	—
Additions	1,881,749	—	1,881,749
At December 31, 2017 (restated)	1,881,749	—	1,881,749
Additions (note 5)	—	154,625	154,625
Amortization	—	(154,625)	(154,625)
At September 30, 2018	**1,881,749**	**—**	**1,881,749**

In 2017, 1113603 B.C. Ltd, acquired all the outstanding common shares of Vintages Organic Cannabis Company Inc. ("Vintages") from related parties in exchange for $3.00 and 999,999 common shares of the Company. Management determined that it was appropriate to value the consideration at US$1,499,999 ($1,881,749), representing 999,999 common shares of the Company at US$1.50. As the only identifiable asset held by Vintages at the date of acquisition was the Health Canada license application, the application was valued at the amount of the consideration.

On January 30, 2018, as part of the KG Inc. Purchase, the Company obtained a temporary state distribution license issued by the Bureau of Cannabis Control in California. This intangible asset was valued at the present value of the future cash flows up until the license expiry of August 15, 2018. As at September 30, 2018, the intangible asset has been fully amortized.

10. INVESTMENT

In 2017, the Company entered into a simple agreement for future equity ("SAFE") with Thirty Three Health. The investment was valued at US$100,000 ($129,450 as at September 30, 2018) which is the consideration paid for the SAFE. The Company is entitled to certain shares of Thirty Three Health's capital stock, subject to certain events. Thirty Three Health owns the California brand and operations of cannabis chocolatier brand Défoncé.

In the event that Thirty Three Health has an equity financing before the expiration of the SAFE, the Company will automatically be awarded equity from that round. In the event that Thirty Three Health has a liquidity or dissolution event the Company will be paid out at least the value of its investment. The instrument will expire and terminate upon either (i) the issuance of stock to the Company or (ii) the payment of amounts due to the Company.

This investment is carried at its fair value under IFRS 9 using level 3 inputs permitted under IFRS 13. As at September 30, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	**December 31, 2017 (restated)**
	$	**$**
Trade payables	1,629,413	1,545,578
Accrued liabilities	1,013,770	—
Other payables	494,003	475,040
	3,137,186	**2,020,618**

12. MORTGAGE

As at September 30, 2018 the Company had a mortgage payable of $2,970,437. The floating interest rate is 4.7% with a term of 5 years starting in October 2017 and a 20-year amortization period. Total interest paid for the three and nine months ended September 30, 2018 was $35,573 and $100,305 (2017 – nil).

The Company received an eight month principle payment holiday and did not start paying principle until June 2018.

	$
Balance, December 31, 2017	3,000,000
Principle payments	(29,563)
Balance, September 30, 2018	**2,970,437**
Less: current portion	101,009
Long term	**2,869,428**

Total long-term debt and interest payments are as follows:

	$
Less than 1 year	234,404
1-3 years	704,202
4-5 years	469,468
After 5 years	3,051,543

13. SHARE CAPITAL

(a) Authorized

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

(b) Issued and fully paid

At September 30, 2018, there were 33,152,605 (2017 – 31,000,366) issued and fully paid common shares outstanding.

Common share	Outstanding shares #	Value $
December 31, 2017 (net of finance costs)	31,000,366	26,317,209
Financing (net of financing costs)	1,852,239	4,672,680
Shares issued for acquisition – KG Inc.	300,000	737,580
Reverse takeover	—	15,727,799
September 30, 2018	**33,152,605**	**47,455,268**

On January 25, 2018, 1,372,517 common shares were issued as part of the 2017 financing for total proceeds of US$2,745,034. Financing costs associated with this issuance totaled US$55,836.
On January 30, 2018, the Company issued 300,000 common shares with respect to the KG Inc. Purchase (note 5).

On February 13, 2018, 62,500 common shares were issued at the Super Subscription Right ("SSR") price of US$1.60 per common share issuable to existing shareholders under the Company's investor rights agreement. These shares were settled against accounts payable owed to a related party for total proceeds of US$100,000.

On May 15, 2018, the Company completed the RTO with a deemed equity consideration of $15,727,799, representing the fair value of the 4,732,011 outstanding ROI common shares exchanged in the RTO.

On July 5, 2018, the Company completed a non-brokered private placement of 417,222 units at $3.25 per Unit for gross proceeds of $1,355,972. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $4.20 per common share until July 5, 2020, subject to adjustment in certain events.

(c) Special warrants

On July 5, 2018 the Company completed a brokered private placement offering of 3,658,820 special warrants for aggregate gross proceeds of $11,891,165. Each special warrant is exercisable, for no additional consideration and with no further action on the part of the holder, into units of the Company. Each unit will consist of one common share of the Company and one-half of one common share purchase warrant (a "Unit"). Each warrant will entitle the holder to purchase one common share at an exercise price of $4.20 per common share until July 5, 2020, subject to adjustment in certain events. The Company paid the agents 23,076 special warrants, 183,431 broker warrants and cash agent fees of $835,459 and legal fees of $229,419.

14. RESERVES

(a) Options

Under the Company's equity incentive plan (the "Plan"), the Board of Directors may grant stock options and restricted share awards ("Equity Awards") pursuant and subject to the terms and conditions of the Plan to provide eligible directors, officers, employees, and consultants of the Company and any of its subsidiaries with the opportunity to acquire an ownership interest in the Company and is the basis for the Company's long-term incentive scheme.

The Plan provides for the issuance of Equity Awards that shall not at any time exceed 20% of the total number of issued and outstanding common shares of the Company at the date of grant of the Equity Awards. The exercise price

of each option is determined by the Board of Directors but cannot be lower than the fair market value of the common shares subject to option. The options vest and become exercisable as determined by the Board of Directors at the time of the grant. Vesting terms vary from immediately to over three years, or in one case, are based on valuation. Unless determined otherwise by the Board of Directors, the options expire within five years from the date of grant.

The Company has granted the following options to purchase common shares under the Plan as follows:

	September 30, 2018		December 31, 2017	
	Number of options #	Weighted average exercise price $	Number of options #	Weighted average exercise price $
Balance, start of period	2,384,000	$1.53	2,009,000	$1.36
Granted	2,949,500	$3.82	590,000	$2.30
Exercised	—	—	(20,000)	$1.31
Forfeited	(20,000)	$2.55	(195,000)	$2.10
Balance, end of period	**5,313,500**	**$2.80**	**2,384,000**	**$1.53**

The following table provides information on stock options outstanding and exercisable as at September 30, 2018:

		Options outstanding		Options exercisable	
Grant Date	Exercise Price	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
December 17, 2015	US$1.00	1,375,000	2.22	1,375,000	2.22
March 21, 2016	US$1.00	24,000	2.47	24,000	2.47
June 30, 2016	US$1.00	90,000	2.75	90,000	2.75
August 17, 2016	US$1.00	500,000	2.88	125,000	2.88
January 12, 2017	US$1.50	80,000	3.29	65,000	3.29
July 31, 2017	US$2.00	290,000	3.84	245,000	3.84
November 15, 2017	US$2.00	5,000	4.13	—	—
January 21, 2018	US$2.00	52,000	4.31	—	—
July 31, 2018	$3.25	2,432,500	4.84	47,500	4.84
September 24, 2018	$3.25	115,000	4.99	—	—
September 24, 2018	$8.15	350,000	4.99	—	—
		5,313,500	**3.86**	**1,971,500**	**2.59**

The fair value of the options containing service vesting conditions were determined using the Black-Scholes options pricing model, using the following assumptions:

	September 30, 2018	December 31, 2017 (restated)
Grant date share price	$2.49 - $3.25	$1.97 - $2.55
Risk-free interest rate	1.95% - 2.96%	1.87% - 2.04%
Expected life of options	5 years	5 years
Expected annualized volatility	103% - 130%	136% - 137%
Black-Scholes value of each option	$1.81 - $2.15	$1.58 - $1.99

During the three and nine months ended September 30, 2018, the Company recognized $795,008 and $1,023,395 (September 30, 2017: $157,089 and $717,079) in stock-based compensation expense pertaining to option awards. The remaining share-based awards expense is made up of Restricted Stock Awards ("RSAs") and Restricted Stock Units ("RSUs") totaling $33,863 and $73,363 (September 30, 2017: $61,436 and $184,309).

(b) Warrants

During the nine months ended September 30, 2018, the Company issued 183,431 broker warrants as compensation to agents associated with the July 2018 brokered private placement. In addition, the Company issued 208,611 warrants in connection with the July 2018 non-brokered private placement of 417,222 units. Each warrant is exercisable into one common share of the Company upon payment of the exercise price:

Issue Date	Expiry Date	Type	Exercise Price	Number of options
July 5, 2018	July 5, 2020	Broker Warrants	$3.25	183,431
July 5, 2018	July 5, 2020	Warrants	$4.20	208,611
				392,042

(c) Restricted stock awards & restricted stock units

(i) On January 12, 2017, the Company awarded 5,000 and 39,000 RSAs to a vendor for services rendered. The vendor is owned by a previously contracted executive of the Company. These RSAs vested immediately.
(ii) On April 12, 2017, the Company awarded 53,333 RSAs to a consultant of the Company pursuant to the Plan. These RSAs vested immediately.
(iii) On July 31, 2018, the Company awarded 50,000 RSUs to a consultant pursuant to the Plan. 25,000 of these RSUs vest if the Company's 30-day volume-weighted average price ("VWAP") reaches $4.00 per share by December 31, 2018. The remaining 25,000 of these RSUs vest if the Company's 30-day VWAP reaches $5.50 per share by December 31, 2018.

15. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In May 2018, a director of the Company provided a US$500,000 revolving credit line to the Company at a rate of 10% to be repaid on the earlier of the completion of the next equity financing or September 30, 2018. The Company drew down US$400,000 of this facility and it was fully repaid in July 2018.

In June 2018, two executive officers of the Company provided a total of $800,000 in revolving credit lines to the Company at a rate of 10% to be repaid on the earlier of completion of the next equity financing or September 30, 2018. The Company drew down $500,000 from these facilities. The officers were fully repaid in July 2018.

As at September 30, 2018, $162,874 (December 31, 2017: $135,132) was owed to officers of the Company for expenses paid on behalf of the Company in the normal course of operations.

(b) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Key management personnel compensation was comprised of:

For the nine months ended	September 30, 2018	September 30, 2017 (restated)
	$	$
Salaries	555,291	421,194
Share based compensation	491,057	448,838
Total compensation of key management personnel	**1,046,348**	**870,032**

16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

	September 30, 2018	September 30, 2017 (restated)
	$	$
Accounts receivable	(1,253,823)	205,536
Inventory	(249,424)	(214,174)
Other assets	(162,210)	(57,180)
Corporate tax payable	(74,407)	—
Accounts payable and accrued liabilities	1,820,008	2,076,614
Due from related parties	211,631	—
	291,775	**2,010,796**

Supplemental disclosure of non-cash activities:
(i) As at September 30, 2018, accounts payable includes $607,178 (December 31, 2017: $1,385,482) of capital asset additions.
(ii) All items were adjusted for the working capital acquired from the KG Inc. purchase.

17. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The main types of risk are credit risk, liquidity risk and market risk. These risks arise throughout the normal course of operations and all transactions are undertaken as a going concern. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk on its cash and accounts receivable. The carrying amount of these assets represent the maximum credit exposure. The Company limits exposure to credit risk by maintaining its cash with institutions of high credit worthiness. The Company's largest receivable balance is with CMX and management is in the process of assessing the recoverability of this receivable.

Institution	$
National banks	2,459,810
Money management service	85,051

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash. The Company manages its capital in order to meet short term business requirements, after taking into account cash flows, capital expenditures and cash holdings. The Company believes that these sources should be sufficient to cover the likely short-term requirements. In the long term, the Company may have to issue debt or additional common shares to ensure that there is cash available for its programs.

All current liabilities, being accounts payable, accrued liabilities, taxation payable, the current portion of the mortgage payable and amounts payable to related parties, are payable within one year and are to be funded from cash. Long term liabilities consist of the mortgage payable.

Interest rate risk

Interest rate risk is the risk the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds a variable rate mortgage. A 1% change in interest rate would result in a $30,000 change in interest payments per annum.

Foreign exchange risk

The Company and its subsidiaries conduct business in foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (Euros and United States dollars) or one of its subsidiaries conducting the business. Foreign currency transactions are exposed to currency risk due to fluctuations in foreign exchange rates.

For the three and nine months ended September 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		September 30, 2018		September 30, 2017 (restated)
Cash		272,825		688,657
Accounts payable and accrued liabilities		(1,091,473)		(1,394,419)
	US$	**(818,648)**	**US$**	**(705,762)**

** Restated for change in presentation currency (note 2)*

For the three and nine months ended September 30, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

		September 30, 2018		September 30, 2017 (restated)
Cash		—		—
Accounts payable and accrued liabilities		(11,220)		(90,503)
	EUR	**(11,220)**	**EUR**	**(90,503)**

A 10% change of the US$ against the $ at September 30, 2018 would have decreased net loss by $105,974 (September 30, 2017: $88,079) or increased net loss by $105,974 (September 30, 2017: $88,079). A 10% change of the EUR against the $ at September 30, 2018 would have decreased the net loss by $679 (September 30, 2017: $5,581) or increased net loss by $830 (September 30, 2017: $6,821).

Fair value
The Company classifies its fair value measurements with a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 13 – *Financial Instruments; Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3 – Unobservable inputs which are supported by little or no market activity. As required by IFRS 13, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Cash is classified as a Level 1 financial instrument. Accounts receivables, the mortgage, due from related party, and accounts payable and accrued liabilities are classified as Level 2 financial instruments and are carried at amortized costs.

The Company's investment in Thirty Three Health was measured at fair value based on unobservable inputs and was considered a level 3 financial instrument. As at September 30, 2018, the SAFE was valued at $129,450 (December 31, 2017: $125,450).

There were no transfers within the fair value hierarchy during the three and nine months ended September 30, 2018.

18. CAPITAL MANAGEMENT

It is management's objective to safeguard its capital in order that it will be able to continue as a going concern in the best interests of all stakeholders.

The Company currently has limited sources of revenues. As such, the Company is dependent upon external financings to fund activities. In order to finance future projects and to pay for administrative activities, the Company will spend its existing working capital and raise additional funds through debt, equity, or a combination thereof as needed. Management reviews its capital management practices on an ongoing basis and believes that their approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management program during the three and nine months ended September 30, 2018.

19. SEGMENT INFORMATION

The Company has four operating segments. Balances by operating segment are displayed below:

As at and for the nine months ended September 30, 2018

$	Canada	Washington	California	Corporate	Total
Sales	174,313	1,030,800	739,366	406	**1,944,885**
Expenses	(495,178)	(3,232,805)	(1,886,851)	(21,532,434)	**(27,147,268)**
Net loss	(320,865)	(2,202,005)	(1,147,485)	(21,532,028)	**(25,202,383)**
Assets	13,359,937	13,439,602	1,521,070	2,831,542	**31,152,151**
Liabilities	(3,616,292)	(810,685)	(12,851)	(1,918,056)	**(6,357,884)**

As at and for the nine months ended September 30, 2017

$	Canada	Washington	California	Corporate	Total
Sales	—	626,504	—	—	**626,504**
Expenses	(36,153)	(1,338,034)	(129,747)	(3,186,910)	**(4,690,844)**
Net loss	(36,153)	(711,530)	(129,747)	(3,186,910)	**(4,064,340)**
Assets	—	10,385,556	1,437,673	2,229,075	**14,052,304**
Liabilities	—	(1,741,228)	(32,963)	(1,896,373)	**(3,670,564)**

Sales revenue by segment
Sales in Canada relate to project consulting services provided to a greenhouse construction firm for $170,939 and lease revenue from the Canadian property for $5,000.

Sales in Washington relate to Vega's sale of Doctor & Crook Co.™ branded cannabis product. Sales in California relate to the sale of 1964 Supply Co.™ branded cannabis product to distributors and branded packaging sales.

20. SUBSEQUENT EVENTS

On October 2, 2018 the Company filed its Final Prospectus with the British Columbia Securities Commission ("BCSC") to qualify the distribution of 3,658,820 common shares and 1,829,398 common share purchase warrants underlying the Special Warrants issued as part of the July 2018 Offering. Concurrent with the filing of the Final Prospectus, the Company also received conditional listing approval for its common shares from the CSE.

On October 9, 2018, pursuant to the Special Warrant Indenture, 3,658,820 special warrants were automatically converted into 3,658,820 common shares and 1,829,398 warrants. Each warrant entitles the holder to purchase one common share at an exercise price of $4.20 per common share until July 5, 2020.

On October 10, 2018, the Company's common shares commenced trading on the CSE under the symbol "ROMJ".

On October 15, 2018, 115,000 stock options issued to a service provider and employees of the Company were cancelled.

On November 12, 2018, the tenant of the Company's Washington Greenhouse facility received the marijuana producer and processor license under I-502 regulations. With the receipt of the license, the tenant of the 40,000 sq. ft. high-tech greenhouse is set to commence cultivation and will utilize Rubicon Organics' proprietary growing methodology. Rubicon Organics expects lease payments from the facility to commence in 2019.