Consolidated Financial Statements
Expressed in Canadian dollars

Rubicon Organics Inc.
For the Years Ended December 31, 2018 and 2017

Independent Auditor's Report

To the Shareholders and the Board of Directors of
Rubicon Organics Inc.

OPINION

We have audited the consolidated financial statements of Rubicon Organics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and January 1, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017 and January 1,2017 and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 in the consolidated financial statements which indicates that the Company has not achieved profitable operations and has incurred cumulative losses from inception in the amount of $42,066,019 at December 31, 2018. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jayana Darras.

/s/ Deloitte LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 26, 2019

RUBICON ORGANICS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Expressed in Canadian dollars

	Notes	December 31 2018	December 31 2017 (restated)*	January 1 2017 (restated)*
ASSETS				
Current				
Cash		**232,420**	2,921,051	3,628,434
Accounts receivable	7	**490,564**	37,910	38,713
Inventory	8	**352,145**	237,440	666,261
Available for sale land	9	**826,301**	—	—
Other assets		**389,016**	88,243	21,293
		2,290,446	3,284,644	4,354,701
Non-Current				
Property, plant and equipment	10	**24,020,048**	16,319,799	6,958,528
Intangible asset	11	**1,881,749**	1,881,749	—
Investment	12	**136,420**	125,450	—
Due from related parties	18	—	306,826	1,770,760
Total assets		**28,328,663**	21,918,468	13,083,989
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	13, 18	**2,904,811**	2,020,618	832,501
Current portion of capital lease	19	**17,579**	—	—
Current portion of mortgage payable	14	**100,390**	53,278	—
Due to related parties	18	**332,750**	135,132	77,557
Corporate tax payable	17	—	74,407	—
		3,355,530	2,283,435	910,058
Non-Current				
Non-current portion of capital lease		**65,488**	—	107,962
Non-current portion of mortgage payable	14	**2,846,332**	2,946,722	—
Total liabilities		**6,267,350**	5,230,157	1,018,020
Shareholders' equity				
Share capital	15	**56,728,191**	26,317,209	16,075,088
Reserves	16	**7,520,299**	3,834,404	2,902,398
Deficit		**(42,066,019)**	(12,190,932)	(6,340,453)
Accumulated other comprehensive loss		**(121,158)**	(1,272,370)	(571,064)
Total shareholders' equity		**22,061,313**	16,688,311	12,065,969
Total liabilities and shareholders' equity		**28,328,663**	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) "*Margaret Brodie*" Director and CFO

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

RUBICON ORGANICS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Expressed in Canadian dollars

	Notes	For the year ended December 31 2018	December 31 2017 (restated)*
REVENUE			
Sales		**2,028,945**	884,364
Cost of sales	8	**(1,862,278)**	(859,076)
Loss on inventory write-off	8	**(219,075)**	(325,698)
Gross loss		**(52,408)**	(300,410)
EXPENSES			
Consulting, salaries and wages		**3,648,062**	2,184,336
Share-based compensation	16	**2,365,952**	1,136,213
Professional fees		**2,092,239**	355,012
Sales and marketing expense		**1,728,479**	637,309
General and administrative expenses		**1,228,798**	312,737
License acquisition costs	6	**732,808**	—
Investor relations		**364,152**	—
Travel expenses		**354,475**	152,113
Rent		**286,703**	300,492
Insurance		**229,760**	81,096
Depreciation	10	**184,751**	103,655
Information technology expense		**80,892**	16,973
Property taxes		**18,978**	26,853
		13,316,049	5,306,789
Net loss from operations		**(13,368,457)**	(5,607,199)
OTHER EXPENSES			
Reverse takeover costs	5	**15,598,083**	—
Impairment of land	10	**751,781**	—
Interest on loans	14	**135,067**	64,345
Net realized foreign exchange		**21,699**	101,992
		16,506,630	166,336
Loss before income tax		**(29,875,087)**	(5,773,535)
Income tax expense	17	—	76,944
Net loss		**(29,875,087)**	(5,850,479)
Other comprehensive income			
Exchange rate differences on translation of foreign operations[1]		**1,151,212**	(701,306)
Total comprehensive loss		**(28,723,875)**	(6,551,785)
Basic and diluted loss per share		**(0.89)**	(0.21)
Weighted average number of shares		**33,644,977**	27,597,645

**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 consolidated financial statements.

RUBICON ORGANICS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Expressed in Canadian dollars

	Notes	Number of Shares	Share Capital (Net of Financing Costs)	Share-Based Reserves	Warrant Reserve	Reserves Total	Accumulated other comprehensive loss	Deficit	Total Shareholders' Equity
Balance, January 1, 2017 (restated)*		26,463,179	16,075,088	1,676,574	1,225,824	2,902,398	(571,064)	(6,340,453)	**12,065,969**
Restricted share award conversion	16	97,333	193,073	—	—	—	—	—	**193,073**
Share issuances – Vintages acquisition	11	999,999	1,881,749	—	—	—	—	—	**1,881,749**
Share issuance – financing	15	3,429,855	8,149,435	—	—	—	—	—	**8,149,435**
Option exercise		10,000	17,864	—	—	—	—	—	**17,864**
Share-based compensation		—	—	932,006	—	932,006	—	—	**932,006**
Net loss		—	—	—	—	—	—	(5,850,479)	**(5,850,479)**
Other comprehensive income		—	—	—	—	—	(701,306)	—	**(701,306)**
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	15	5,511,059	14,294,367	—	1,187,938	1,187,938	—	—	**15,482,305**
Share issuance for agreement with KG Inc.	15	300,000	737,580	—	—	—	—	—	**737,580**
Deemed equity consideration of RTO	5,15	—	15,379,035	—	—	—	—	—	**15,379,035**
Broker warrants issued	15, 16	—	—	—	132,005	132,005	—	—	**132,005**
Share-based compensation	16	—	—	2,365,952	—	2,365,952	—	—	**2,365,952**
Net loss		—	—	—	—	—	—	(29,875,087)	**(29,875,087)**
Other comprehensive income		—	—	—	—	—	1,151,212	—	**1,151,212**
Balance, December 31, 2018		**36,811,425**	**56,728,191**	**4,974,532**	**2,545,767**	**7,520,299**	**(121,158)**	**(42,066,019)**	**22,061,313**

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

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

RUBICON ORGANICS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Expressed in Canadian dollars

	Note	For the year ended December 31, 2018	For the year ended December 31, 2017 (restated)*
OPERATING ACTIVITIES			
Net loss		**(29,875,087)**	(5,850,479)
Adjustments to reconcile net loss to net cash used in operating activities			
Deemed equity consideration of RTO	5	**15,379,035**	—
Share based compensation	16	**2,365,952**	932,005
Impairment of land	10	**751,781**	—
License acquisition costs	6	**732,808**	—
Depreciation	10	**258,361**	175,589
Inventory write-down	8	**219,075**	—
Broker warrant costs	15	**132,007**	—
Non-cash consulting fees		**104,746**	—
Unrealized foreign exchange (gain)/loss		**(126,187)**	27,783
Changes in non-cash working capital items	20	**760,767**	519,724
Cash used in operating activities		**(9,296,742)**	(4,195,378)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(9,097,977)**	(4,876,710)
Investments	6, 12	**14,927**	(125,450)
Cash acquired from acquisitions	5	**2,237**	—
Purchase of Bridge View Greenhouses Ltd.	10	—	(4,018,391)
Cash used in investing activities		**(9,080,813)**	(9,020,551)
FINANCING ACTIVITIES			
Proceeds from share issuances (net of financing costs)	15	**15,377,559**	8,360,372
Proceeds from shareholder loans	18	**197,619**	—
Proceeds from mortgage	14	—	3,000,000
Repayment on mortgage	14	**(53,278)**	—
Repayment of capital lease		**(15,186)**	(107,962)
Loans from related parties	18	**—**	1,521,508
Cash provided by financing activities		**15,506,714**	12,773,918
Effect of exchange rate changes on cash		**182,209**	(268,692)
Decrease in cash during the year		**(2,688,631)**	(710,703)
Cash, beginning of year		**2,921,051**	3,631,754
Cash, end of year		**232,420**	2,921,051

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

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

1. NATURE OF OPERATIONS AND CONTINUANCE 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 5). 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 principal business is the production and sale of cannabis in Canada as well as leasing custom built facilities and providing brand licensing to cannabis producers and processors in Washington and California. The Company intends to produce organic cannabis to process and sell under its wholly owned and other licensed brands. In Canada, the Company expects to grow and sell cannabis directly from its wholly owned, federally licensed 125,000 square foot facility in British Columbia. In the state of Washington, the Company leases its 40,000 square foot facility to a state licensed operator and provides its brands under license to various licensed operators.

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

On January 7, 2019 the Company's common shares commenced trading on the OTCQX Best Market under the symbol "ROMJF".

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. The Company's head office is unit 505, 744 West Hastings Street, Vancouver, British Columbia V6C 1A5.

The Financial Statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2018, the Company had not achieved profitable operations and had accumulated losses of $42,066,019 since its inception. The continuing operations of the Company are dependent upon its ability to obtain debt or equity financing until it achieves profitable operations.

The Company has recently received its Cultivation and Processing licenses from Health Canada for its facility in British Columbia and commencing in December 2018 its Washington facility has been leased to a state licensed tenant. The Company has not yet generated revenue from either of these primary assets but expects that crops will be harvested from both these facilities in 2019. Since December 31, 2018 the Company has completed two debt financings totalling $8,355,000, as disclosed in note 24.

As the Company has not yet achieved profitable operations this may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance
These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") in effect for the year ended December 31, 2018.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on April 26, 2019.

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 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 consolidated 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 consolidated 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 consolidated financial statements include the 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 financial statements of each subsidiary are included in the consolidated 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 consolidated 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 5), 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 consolidated 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 consolidated financial statements in accordance with IFRS 10.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Functional and presentation currency

These consolidated financial statements are presented in Canadian Dollars ("$"). The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which it operates. The functional currency of all the Company's operations is $ with the exception of West Coast Property Holdings, Inc., Rubicon Property 1 LLC, Rubicon Property 2 LLC, Rubicon California LLC, Great Pacific Brands, LLC, Red Dog Operations, Inc., Seymour Soils, Inc., Vega and KG Inc., where the functional currency is United States Dollars ("US$"). Once the Company determines the functional currency of an entity it is not changed unless there is a change in the relevant underlying transactions, events and circumstances. Any change in an entity's functional currency is accounted for prospectively from the date of the change, and the consolidated statements of financial performance are translated using the exchange rate at that date. Refer to note 2 of these consolidated financial statements for further information.

b. Asset acquisitions

Asset acquisitions are accounted for using the fair value of the consideration. Any transaction costs associated with asset acquisitions are capitalized.

c. Cash

Cash consists of deposits held in banks.

d. Inventory

Inventories of purchased cannabis product and packaging materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Any subsequent costs incurred to bring raw materials to saleable form are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. When cannabis is transformed into alternate products (i.e., oil), it is valued at the cost incurred to bring it into such form, which consists of the cost of the cannabis, direct labour and an overhead allocation.

e. Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over its useful life as outlined below:

Computer equipment and Software	3 years
Greenhouse equipment	5-7 years
Extraction lab equipment	7 years
Security equipment	7 years
Vehicles	5-15 years
Greenhouse and improvements	20 years
Residential building and improvements	30 years

An asset's residual value, useful life and depreciation method are reviewed at each reporting period and adjusted if appropriate. Land and construction in progress are stated at cost. Once available for service, depreciation will be provided over the estimated useful life of each class of depreciable asset. Improvements which increase the useful life of property and equipment and replacements of major components of property and equipment will be capitalized, while maintenance, repairs, and minor replacements will be expensed as incurred.

An asset is classified as under construction if the Company is currently constructing it and it is not yet ready to be used for its final intended purpose. Assets under construction are measured at cost with no depreciation. Once an item is ready for its intended use, it will be reclassified to its appropriate asset category and it will be depreciated accordingly.

Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

Long-lived assets, including property, plant and equipment are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

f. Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. The Health Canada license was measured at fair value at the time of acquisition. The Health Canada license has an indefinite life and is tested for impairment on an annual basis or when there is an indicator of impairment.

g. Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net identifiable assets acquired. Goodwill is tested for impairment on an annual basis or when there is an indicator of impairment.

h. Leases

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, in which case the lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

For finance leases, the amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest element is charged to the consolidated statements of net loss and comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

i. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares are shown as a deduction, net of tax, from the proceeds. Incremental costs associated to common shares issued with attached share purchase warrants are allocated based on the relative fair value of each component of equity.

In calculating the fair value of the warrants, the Company uses the Black-Scholes Option Value and included key estimates such as the volatility of the Company's stock price and the risk-free interest rate.

j. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from the sale of goods is recognized when control is transferred to the customer, which is on delivery.

k. Share-based compensation

The Company has an employee equity award plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For stock options granted to non-employees the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

l. Income taxes

Income tax expense includes current and deferred taxes.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount to be expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax related to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax filings with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m. Related party transactions
Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

n. Financial instruments
All financial instruments are initially recorded at fair value at the time of acquisition. The Company aggregates financial instruments in accordance with IFRS 9, *Financial Instruments*, into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of transaction.

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: amortized cost and fair value through profit or loss ("FVTPL").

Financial assets classified as amortized cost are initially recognized at fair value plus directly attributed transaction costs. After initial recognition, these financial assets are subsequently measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Regular purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to the settlement date.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Financial instrument classification
The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Cash	FVTPL
Accounts receivable and other assets	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Mortgage	Amortized cost
Investment	FVTPL

The fair values of accounts receivable, other assets, amounts due from related parties, accounts payable and accrued liabilities, and amounts due to a related party approximate their carrying amounts due to the short-term maturity of those instruments.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction, discounted cash flow analysis or other valuation models. Investments in equity instruments with no reliable fair value measurement are measured at cost.

o. Impairment of financial assets
The Company makes an assessment at each reporting date whether a financial asset is impaired. The Company applies the simplified approach under IFRS 9 to its trade receivables and calculates expected credit losses based on lifetime expected losses taking into consideration historical credit loss experience and financial factors specific to the debtors and general economic conditions.

p. Segment information
Operating segments are components of the Company that engages in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Company), the operations of which can be clearly distinguished, and the operating results of which are regularly reviewed by the chief operating decision maker ("CODM") for the purposes of resource allocation and assessing its performance. The Company's CODMs are the Chief Executive Officer, the Chief Financial Officer and the President, North America.

The Company's operating results are divided into four operating segments; Canada, Washington, California and Corporate.

q. Changes to accounting standards and interpretations
During the year ended December 31, 2018, amendments to IAS 7 – *Statement of Cash Flows* and IAS 12 – *Income Taxes* came into effect. These amendments did not have a significant impact on the Company's financial reporting.

- 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 has applied IFRS 9 retrospectively and continues to hold all loans and other financial liabilities at amortized cost and cash and investments at fair value through profit or loss. 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 receivable	Loans and receivables	Amortized cost	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost	Amortized cost
Investments	Other financial assets	Available for sale	FVTPL

The Company's investment in Thirty Three Health (note 12) is held at fair value using level 3 inputs under IFRS 13 – *Fair Value Measurement*. 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 year ended December 31, 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 23 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 recognize 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 recognizes 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 standards and interpretations that are issued, but not yet effective, up to the date of authorization of these financial statements are disclosed below. Management has not chosen to early adopt these pronouncements and anticipates that they will be adopted in the first period beginning after the effective date of the pronouncements.

- IFRS 16 – *Leases* ("**IFRS 16**")

In January 2016, the IASB issued IFRS 16, which specifies how an entity 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 - *Leases*. 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.

Management has performed an assessment of all leases and preliminarily determined that there will be no significant changes to the financial position and financial performance of the Company when this standard is applied but there will be additional disclosure. All leases of the Company have lease teams of 12 months or less with no explicit options to extend.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Certain estimates by their nature are uncertain. The impacts of such estimates could be pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following accounting policies are subject to such judgements and because of the uncertainty associated with the estimation process they could have the most significant impact on the reported results and financial position:

a. Estimated useful lives and depreciation of property and equipment and intangible assets
Amortization of property and equipment and intangible assets are dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment.

b. Valuation of share-based transactions
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 16.

5. REVERSE TAKEOVER

As described in note 1, as part of the Re-Organization on May 15, 2018, ROI entered into a 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 consolidated financial statements of ROI present the historical results, assets and liabilities of the Company on the consummation of the RTO 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 – note 2*)	$
Cash	2,237
Accounts payable and accrued liabilities	(16,513)
	(14,276)

IFRS 2 applies to transactions where an entity grants equity instruments and cannot specifically identify some or all the goods or services received in return. Under the Share Exchange, ROI issued equity instruments in RHI, and thus IFRS 2 was used to determine the fair value of the ROI assets acquired. In accordance with IFRS 2, the amount ascribed to the RTO is $15,598,083, being the difference between the estimated fair value of the 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 was determined based on the share price of the Company's private placement in July 2018.

At May 15, 2018 (*restated – note 2*)	$
Fair value of shares of ROI	15,379,035
Less: fair value of net assets acquired of ROI	14,276
Subtotal before transaction costs	15,393,311
RTO transaction costs:	
Professional fees	218,892
Forgiveness of intercompany debt to ROI	(14,120)
Total RTO costs	**15,598,083**

6. 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 statement of financial position impact on the acquisition date of the Company's business acquisition that occurred during the year ended December 31, 2018:

	Estimated fair value as at January 30, 2018 $
Cash	14,927
Accounts receivable	6,790
Inventory	175,718
Intangible asset	154,625
Goodwill	578,183
Total assets	**930,243**
Accounts payable	58,217
Total liabilities	**58,217**

Goodwill arose from the acquisition of KG Inc. as the excess of consideration over the identifiable net assets received and was attributable to future expected revenue growth and market development. Given the license was temporary in nature and the California business did not record operating profit, the amounts attributable to goodwill and intangible asset have been expensed as license acquisition costs for the year ended December 31, 2018 totaling $732,808.

7. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017 (*restated – note 2*)
	$	$
CMX receivable	219,890	—
Sales taxes recoverable	101,062	9,888
Corporate tax receivable	96,589	—
Trade receivables	73,023	28,022
Total accounts receivable (note 21)	**490,564**	**37,910**

On August 14, 2018, the Company entered into an arrangement with CMX Distribution, Inc. ("CMX") to package and distribute 1964 Supply Co.™ branded cannabis products under CMX's state license in California. As part of the arrangement, the Company provides working capital and sells branded packaging to CMX. Upon expiration of KG Inc.'s distribution license on August 15, 2018, all cannabis products were transferred to CMX and KG Inc. now holds no cannabis products in California. The cannabis products and working capital transferred to CMX form a working capital receivable balance on the Company's statement of financial position as at December 31, 2018. Packaging inventory held on CMX's site and work in progress costs borne by the Company for inventory not yet sold but held on CMX's site is included in the Company's inventory and reflected in note 8.

8. INVENTORY

	December 31, 2018	December 31, 2017 (*restated – note 2*)
	$	$
Packaging supplies and consumables	197,905	45,808
Work in progress - CMX (note 7)	84,013	—
Cannabis inventory	70,227	191,632
Total inventory	**352,145**	**237,440**

Cannabis inventory contains both bulk and packaged goods. During the year ended December 31, 2018, cannabis and packaging inventory recognized as an expense in cost of sales amounted to $1,230,553 (December 31, 2017: $656,302).

Inventory write-downs have occurred in 2018 due to regular moisture loss, product deterioration and changes made by regulators on packaging requirements making packaging obsolete. During the year ended December 31, 2018, $219,075 (December 31, 2017: $325,698) of inventory was written off.

9. AVAILABLE FOR SALE LAND

The asset classified as available for sale relates to a 3-acre plot of land in Monterey County, California with an appraised value of US$600,000 ($826,301) and was transferred from property, plant and equipment (note 10). The property has been listed for sale since December 17, 2018.

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (*restated – note 2*)	393,569	1,021,344	7,909,707	7,217,633	16,542,253
Additions	936,474	618,252	31,005	6,924,298	8,510,029
Disposal	—	(2,505)	—	—	(2,505)
Transfers and reclassifications	9,522,587	733,395	(4,116,887)	(6,139,095)	—
Impairment on land	—	—	(751,781)	—	(751,781)
Transferred to available for sale land (note 9)	—	—	(826,301)	—	(826,301)
Foreign exchange	10,022	67,116	487,141	493,666	1,057,945
At December 31, 2018	**10,862,652**	**2,437,602**	**2,732,884**	**8,496,502**	**24,529,640**

Accumulated depreciation	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (*restated – note 2*)	81,754	140,700	—	—	222,454
Depreciation	67,004	191,357	—	—	258,361
Foreign exchange	9,951	18,826	—	—	28,777
At December 31, 2018	**158,709**	**350,883**	**—**	**—**	**509,592**

Net book value	Buildings and leasehold improvements	Equipment and vehicles	Land	Construction in progress	Total
	$	$	$	$	$
At December 31, 2017 (*restated – note 2*)	311,815	880,644	7,909,707	7,217,633	16,319,799
At December 31, 2018	**10,703,943**	**2,086,719**	**2,732,884**	**8,496,502**	**24,020,048**

For the year ended December 31, 2018, depreciation of $73,610 was allocated to cost of goods sold (December 31, 2017: $57,779).

In May 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 ($826,301). In December 2018, this land was listed for sale and has subsequently been reclassified as available for sale, refer to note 9.

In December 2018, the Washington greenhouse received its occupancy permit and was commissioned for use. Post commissioning the assets were transferred from 'Construction in Progress' and 'Land' into 'Buildings' and 'Equipment'.

Bridge View Greenhouses Ltd.
On September 15, 2017, 1113603 BC Ltd, acquired all the outstanding common shares of Bridge View for a purchase price of CDN$4,000,000. The assets were acquired in connection with the purchase include land, greenhouse, building and various pieces of equipment. There were no intangible assets acquired. Costs associated with this transaction consist of legal fees of $21,126 which have been capitalized above.

11. INTANGIBLE ASSETS

Cost	Health Canada License Application $
At January 1, 2017 (*restated – note 2*)	—
Additions	1,881,749
At December 31, 2017 (*restated – note 2*)	1,881,749
Additions (note 6)	—
Amortization	—
At December 31, 2018	**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 and is considered an indefinite life asset.

12. 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 ($136,420 as at December 31, 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 December 31, 2018, this SAFE has not been subject to any of the events described above and therefore is still in place.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018 $	December 31, 2017 (*restated – note 2*) $
Trade payables (note 18)	2,020,734	1,619,985
Accrued liabilities (note 18)	625,997	43,907
Other payables	258,080	356,726
	2,904,811	**2,020,618**

14. MORTGAGE

As at December 31, 2018, the Company had a mortgage payable of $2,946,722. The 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 year ended December 31, 2018 was $135,067 (December 31, 2017: $26,689).
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	(53,278)
Balance, December 31, 2018	**2,946,722**
Less: current portion	100,390
Long term	**2,846,332**

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

	$
Less than 1 year	235,041
1-3 years	704,865
4-5 years	469,910
After 5 years	2,995,676

15. 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 December 31, 2018, there were 36,811,425 (December 31, 2017: 31,000,366) issued and fully paid common shares outstanding.

Common shares	#	$
December 31, 2017 (net of finance costs)	31,000,366	26,317,209
Financing (net of financing costs)	5,511,059	14,294,367
Shares issued for acquisition – KG Inc.	300,000	737,580
Reverse takeover	—	15,379,035
December 31, 2018	**36,811,425**	**56,728,191**

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 6).

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 $15,379,035, 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.

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 was exercisable, for no additional consideration and with no further action on the part of the holder, into units of the Company. Each unit consisted 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.

On October 9, 2018, with the filing of the Final Prospectus with the British Columbia Securities Commission ("BCSC"), 3,658,820 special warrants were automatically converted into 3,658,820 common shares and 1,829,398 warrants. The Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") on October 10, 2018 under the symbol "ROMJ".

16. 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:

	December 31, 2018		**December 31, 2017**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Balance, start of year	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	(155,000)	$3.06	(195,000)	$2.10
Balance, end of year	**5,178,500**	**$2.79**	**2,384,000**	**$1.53**

The following table provides information on stock options outstanding and exercisable as at December 31, 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	1.96	1,375,000	1.96
March 21, 2016	US$1.00	24,000	2.22	24,000	2.22
June 30, 2016	US$1.00	90,000	2.50	90,000	2.50
August 17, 2016	US$1.00	500,000	2.63	125,000	2.63
January 12, 2017	US$1.50	80,000	3.04	65,000	3.04
July 31, 2017	US$2.00	270,000	3.58	235,000	3.58
November 15, 2017	US$2.00	5,000	3.88	2,500	3.88
January 21, 2018	US$2.00	52,000	4.06	—	—
July 31, 2018	$3.25	2,417,500	4.58	55,000	4.58
September 24, 2018	$3.25	15,000	4.73	—	—
September 24, 2018	$8.15	350,000	4.73	87,500	4.73
		5,178,500	**3.58**	**2,059,000**	**2.44**

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

	December 31, 2018	**December 31, 2017 (*restated – note 2*)**
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%

The Black-Scholes value of each option is between $1.81 - $2.15 (December 31, 2017: $1.58 - $1.99).

During the year ended December 31, 2018, the Company recognized $2,241,853 (December 31, 2017: $686,260) 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 $124,099 (December 31, 2017: $245,746).

(b) Warrants

During the year ended December 31, 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.

On October 9, 2018, the Company issued 1,829,398 warrants pursuant to the special warrant conversion.

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 warrants**
July 5, 2018	July 5, 2020	Broker Warrants	$3.25	183,431
July 5, 2018	July 5, 2020	Warrants	$4.20	208,611
October 10, 2018	July 5, 2020	Warrants	$4.20	1,829,410
				2,221,452

(c) Restricted stock awards & restricted stock units

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. The market conditions for these RSUs have not been met and are now expired and cancelled.

17. INCOME TAXES AND DEFERRED INCOME TAX

(a) Temporary differences

As at December 31, 2018, the deferred tax assets are not recognized on the following temporary differences as it is not probable that sufficient taxable profits will be available to utilize such assets:

	December 31, 2018	**December 31, 2017 (*restated – note 2*)**
	$	**$**
Property plant and equipment	—	21,345
Tax loss carry forwards	23,632,061	7,562,126
Deductible finance cost	259,860	—
	23,891,921	7,588,471

There are deferred tax liabilities totaling $559,264 (December 31, 2017: nil) which are eligible to be offset against the existing deferred tax assets and therefore not recorded.

(b) Income tax expense

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the combined federal and state statutory income tax rates as follows:

	December 31, 2018	**December 31, 2017 (*restated – note 2*)**
	$	**$**
Loss for the year	29,875,087	5,773,535
Current statutory income tax rate	27%	35%
Expected income tax expense based on statutory rate	8,066,273	2,020,737
Differences between statutory and foreign tax rate	(408,430)	8,024
Differences between statutory and future tax rates	—	1,363
Tax losses not recognized in the period that the benefit arose	(2,909,134)	(1,736,839)
Non-deductible expenses	(4,748,432)	(467,721)
Other	(277)	97,492
	—	(76,944)

Before the Re-Organization (note 5) in May 2018, the Company was a US registered company with a US statutory income tax rate in 2017 of 35%. The Company is now a Canadian registered company with a current statutory income tax rate of 27%.

In December 2017, the United States government proposed changes to the Federal corporate income tax rate to reduce the rate from 35% to 21% effective January 1, 2018 and onwards. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rates applicable to the Company's US subsidiaries.

(c) Income tax loss carryforwards

As of December 31, 2018, the Company has US tax loss carryforwards of US$19,417,000 (2017 – US$9,250,000) and Canadian tax loss carry-forwards of $4,215,000 (2017 – $76,000) available to reduce future years' taxable income. The tax loss carryforwards expire at various times between 2037 and 2038.

18. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Prior to the RTO (note 5), ROI held $1,521,508 in trust for RHI as part of the December 2016 warrant exercise. These funds were transferred to RHI in January 2017.

In May 2018, a shareholder 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.

In December 2018, two executive officers of the Company provided a total of $150,000 in revolving credit lines to the Company at a rate of 11% to be repaid on the earlier of completion of the next equity financing or by March 31, 2019. As at December 31, 2018, this facility was fully drawn down. This credit facility was amended subsequent to December 31, 2018 (note 23).

In December 2018, a shareholder of the Company provided a $100,000 revolving credit line to the Company at a rate of 11% to be repaid on the earlier of the completion of the next equity financing or by March 31, 2019. As at December 31, 2018, no funds had been drawn down. This credit facility was amended subsequent to December 31, 2018 (note 23).

As at December 31, 2018, $181,360 (December 31, 2017: $135,132) was owed to officers and directors of the Company for expenses paid on behalf of the Company in the normal course of operations. Included in accounts payable at December 31, 2018 is $103,126 in accrued salaries to executives (December 31, 2017: $43,907).

(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:

	December 31, 2018	**December 31, 2017 (*restated – note 2*)**
	$	$
Salaries	681,614	539,435
Share based compensation	937,224	678,546
Total compensation of key management personnel	**1,618,838**	**1,217,981**

19. COMMITMENTS

Operating leases
The Company has a number of operating lease agreements involving office facilities and a capital lease. Future minimum lease payments required to meet obligations that have initial or remaining least terms in excess of one year are as follows:

	2018 $	2017 $
Within 1 year	80,380	122,508
Between 1 - 3 years	58,975	40,143
Greater than 3 years	6,513	
	145,868	**162,651**

20. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items:

	December 31, 2018 $	December 31, 2017 (*restated – note 2*) $
Accounts payable and accrued liabilities	1,553,019	83,063
Due from related parties	211,514	—
Accounts receivable	(445,866)	384
Other assets	(325,432)	(66,951)
Inventory	(158,061)	428,821
Corporate tax payable	(74,407)	74,407
	760,767	**519,724**

Supplemental disclosure of non-cash activities:
(i) As at December 31, 2018, accounts payable includes $641,926 (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.

21. 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.

Institution	$
National banks	147,756
Money management service	84,664

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses credit quality of the counterparties, taking into account their financial position, past experience and other factors. Credit risk is mitigated by entering into arrangements with reputable and stable counterparties and frequent reviews of exposure to individual entities.

An impairment analysis of receivables is performed at each reporting date and the balances are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a change in the commercial terms associated with the balance held. The Company's largest receivable balance is a working capital loan with CMX totalling $219,890 (45%).

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 year ended December 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in US$:

		December 31, 2018		**December 31, 2017**
Cash		97,863		2,292,378
Accounts payable and accrued liabilities		(610,936)		(1,145,057)
	US$	**(513,073)**	**US$**	**1,147,321**

For the year ended December 31, 2018 the Company was exposed to currency risk through the following assets and liabilities denominated in Euros ("EUR"):

		December 31, 2018		**December 31, 2017**
Cash		—		—
Accounts payable and accrued liabilities		(249)		(87,937)
	EUR	**(249)**	**EUR**	**(87,937)**

A 10% change of the US$ against the $ at December 31, 2018 would have decreased net loss by $69,993 (December 31, 2017: $143,931) or increased net loss by $69,993 (December 31, 2017: $143,931).

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.

There were no transfers within the fair value hierarchy during the year ended December 31, 2018.

22. 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 year ended December 31, 2018.

23. SEGMENT INFORMATION

The Company's business activities are conducted through four reportable segments corresponding with its business model. The segments are as follows: (a) Canadian development of facilities for production and sale of cannabis and revenue derived from related consulting services; (b) Washington development of facilities for production of cannabis to be leased to state licensed producer and operating result of Vega; (c) California sale of branded cannabis packaging and brand development, operating results of KGI and land held for sale; and (d) corporate costs.

Results of operations and balances by operating segment are displayed below:

As at and for the year ended December 31, 2018

$	Canada	Washington	California	Corporate	Total
Sales	176,364	1,228,976	623,605	—	**2,028,945**
Expenses	(697,524)	(4,461,586)	(2,238,119)	(24,506,803)	**(31,904,032)**
Net loss	(521,160)	(3,232,610)	(1,614,514)	(24,506,803)	**(29,875,087)**
Assets	13,322,123	13,524,552	826,302	655,686	**28,328,663**
Liabilities	(3,215,522)	(539,038)	(22,019)	(2,490,771)	**(6,267,350)**

As at and for the year ended December 31, 2017

$	Canada	Washington	California	Corporate	Total
Sales	—	884,364	—	—	**884,364**
Expenses	(71,165)	(4,860,612)	(140,364)	(1,585,758)	**(6,657,899)**
Net loss	(71,165)	(3,976,248)	(140,364)	(1,585,758)	**(5,773,535)**
Assets	—	10,631,581	1,475,159	3,744,206	**21,918,468**
Liabilities	—	(1,262,794)	(59,524)	(887,119)	**(5,230,157)**

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 California relate to the sale of 1964 Supply Co.™ branded cannabis product to distributors and branded packaging sales up until KG Inc.'s license expiry on August 15, 2018. Effective from August 14, 2018, revenue relates exclusively to branded packaging sales.

One customer accounts for 19 percent of total sales. The sales volume of this customer is driven solely by their market share, as compared to other customers.

Sales in Washington relate to Vega's sale of Doctor & Crook Co.™ branded cannabis product.

24. SUBSEQUENT EVENTS

a. Effective January 1, 2019 the Company allowed its contractual agreement with Vega, the state licensed tenant who operated Rubicon's leased extraction laboratory in the state of Washington to expire. As a result, from January 1, 2019 the cannabis sales revenues, results of operations, and assets and liabilities of Vega will no longer be consolidated in the Financial Statements of the Company. The results of Vega's operations are included in the Washington segment in note 23. The Company will continue to earn revenue from Vega in the form of lease payments and packaging sales.

b. On January 11, 2019 the Company drew down $100,000 from the credit line provided by related parties. On January 21, 2019, the two executive officers and one significant shareholder of the Company increased their total revolving credit line to $600,000. On February 28, 2019 these credit facilities were consolidated and increased up to a total of $2,100,000 to be repaid on the earlier of completion of the next debt or equity financing or by April 30, 2019. The annual interest rate applicable to these loans is 11%. As at April 26, 2019, the Company had drawn down a total of $1,359,196 from the amended and aggregated revolving credit line and on April 26, 2019 this full amount was rolled into the loans identified below and the credit line is therefore no longer outstanding.

c. On January 17, 2019, 57,500 stock options of the Company were forfeited and cancelled due to the departure of certain employees.

d. On February 1, 2019, Cultivation & Processing Licenses were awarded from Health Canada to the Company's facility in British Columbia.

e. On March 20, 2019, the Company completed a $6,000,000 mortgage financing loan (the "Mortgage") from Romspen Investment Corporation. On March 25, 2019, the Company drew $5,000,000 under the Mortgage, $2,964,830 was used to settle the original mortgage on the property (note 13). The Mortgage is collateralized by the Company's British Columbia facility, bears interest at a rate of 12.0% per annum and will mature on September 30, 2020.

f. On April 25, 2019, the Company issued a loan with an aggregate principal amount of $3,355,000. The Loans bear interest at a rate of 12.0% per annum (compounded quarterly) with a 1% financing fee paid upfront to the lenders. Accrued interest is payable after one year and the remaining interest and principal repayable at maturity on April 25, 2021. Included in the loan is $1,655,000, provided by three related parties which includes the rollover of $1,359,196 outstanding under the amended and aggregated revolving credit line (note 24(b)). The lenders were also issued 671,000 warrants with an exercise price of $4.50 per common share that expire on April 25, 2022.