2018 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Independent Auditor's Report

To the Shareholders of Sugarbud Craft Growers Corp. (formerly Relentless Resources Ltd.)

Opinion

We have audited the consolidated financial statements of Sugarbud Craft Growers Corp. (formerly Relentless Resources Ltd.) and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated 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.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits 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. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Scott Laluk.

MNP LLP

Calgary, Alberta
April 30, 2019

Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

	Note	December 31, 2018	December 31, 2017
Assets			
Current			
Cash		**3,821,548**	-
Term deposit		**100,000**	-
Accounts receivable	7	**2,317,242**	323,601
Prepaid expenses and deposits	8	**407,797**	10,739
		6,646,587	334,340
Intangible asset	9	**2,611,204**	-
Investment	14	**937,599**	-
Property, plant and equipment	10	**7,221,380**	10,676,943
Total Assets		**$ 17,416,770**	$ 11,011,283
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable		**$ 2,154,245**	$ 564,739
Bank debt	12	**-**	2,272,399
		2,154,245	2,837,138
Decommissioning obligations	11	**-**	4,001,215
Total Liabilities		**2,154,245**	6,838,353
Shareholders' equity			
Share capital	15	**33,487,057**	14,940,681
Contributed surplus		**4,995,283**	1,474,236
Deficit		**(23,219,815)**	(12,241,987)
		15,262,525	4,172,930
Total Liabilities and Shareholders' Equity		**$ 17,416,770**	$ 11,011,283

Subsequent events (Note 25)

The accompanying notes are an integral part of the consolidated financial statements.

SIGNED ON BEHALF OF THE BOARD

"*Dan Wilson*" "*William Macdonald*"

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Year ended	Note	December 31, 2018	December 31, 2017
Continuing operations			
Expenses			
General and administrative	24	**$ 2,350,844**	361,844
Stock based compensation	17	**3,716,337**	-
Interest		**26,781**	-
Net loss on investment and other		**99,133**	
Total expenses		**6,193,095**	361,844
Comprehensive loss from continuing operations		**(6,193,095)**	(361,844)
Comprehensive (loss) income from discontinued operations	22	**(4,784,733)**	546,568
Total comprehensive (loss) income for the year		**(10,977,828)**	184,724
Comprehensive (loss) income per share from continuing operations, basic and diluted	18	**$ (0.03)**	$ 0.00
Comprehensive (loss) income per share from discontinued operations, basic and diluted		**$ (0.02)**	0.00

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Year ended		December 31, 2018		December 31, 2017	
	Note	Number	($) Amount	Number	($) Amount
Share capital					
Balance, beginning of year		**88,950,484**	**$ 14,940,681**	70,061,595	$ 13,969,981
Issuance of common shares	15	**255,851,947**	**18,198,075**	18,888,889	1,000,000
Exercise of warrants	16	**4,710,950**	**318,095**	-	-
Exercise of stock options	17	**5,950,000**	**492,790**	-	-
Share issuance costs	15	**-**	**(462,584)**	-	(29,300)
Share capital, end of year		**355,463,381**	**33,487,057**	**88,950,484**	**14,940,681**
Warrants					
Balance, beginning of year		**21,031,745**	**-**	2,142,856	-
Warrants exercised	16	**(4,710,950)**	**-**	-	-
Warrants expired	16	**(15,488,889)**	**-**	-	-
Warrants issued	16	**144,227,526**	**-**	18,888,889	-
Warrants, end of year		**145,059,432**	**-**	**21,031,745**	**-**
Contributed surplus					
Balance, beginning of year		**-**	**$ 1,474,236**	-	1,474,236
Exercise of stock options	17	**-**	**(195,290)**	-	-
Stock-based compensation expense	17	**-**	**3,716,337**	-	-
Contributed surplus, end of year		**-**	**4,995,283**	-	1,474,236
Deficit					
Balance, beginning of year		**-**	**(12,241,987)**	-	(12,426,711)
Comprehensive (loss) income for the year		**-**	**(10,977,828)**	-	184,724
Balance, end of year		**-**	**(23,219,815)**	-	(12,241,987)
Total Shareholders' equity, end of year		**-**	**$ 15,262,525**	-	$ 4,172,930

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Year ended	Note		December 31, 2018		December 31, 2017
Cash (used in) provided by operating activities:					
Comprehensive loss from continuing operations for the year		**$**	**(6,193,095)**	$	(361,844)
Adjustments for non-cash items:					
Shares for services			**336,980**		-
Gain on investment	14		**(51,891)**		-
Stock based compensation	17		**3,716,337**		-
Term deposit			**(100,000)**		
Change in non-cash working capital	20		**(801,194)**		-
Cash used in operating activities – continuing operations			**(3,092,863)**		(361,844)
Cash provided by (used in) operating activities – discontinued operations	22		**283,370**		85,981
Cash used in operating activities			**(2,809,493)**		(275,863)
Cash used in investing activities:					
Additions to property, plant and equipment	10		**(6,912,354)**		-
Investment in Inner Spirit	14		**(1,125,000)**		-
Proceeds from investment in Inner Spirit	14		**239,292**		-
Grunewahl Organics Inc. ("Grunewahl") asset acquisition	21		**(490,000)**		-
Cash used in investing activities – continuing operations			**(8,288,062)**		-
Cash provided by (used in) investing activities – discontinued operations	22		**1,621,600**		(575,206)
Cash used in investing activities			**(6,666,462)**		(575,206)
Cash provided by (used in) financing activities:					
Repayment of bank debt	12		**(2,272,399)**		-
Issuance of common shares, net of share issuance costs	15		**15,895,506**		-
Repayment of shareholder loan	21		**(249,750)**		-
Acquisition of short-term liabilities and working capital	21		**(75,854)**		-
Cash provided by financing activities – continuing operations			**13,297,503**		-
Cash provided by financing activities – discontinued operations	22		**-**		851,069
Cash provided by financing activities			**13,297,503**		851,069
Cash, beginning of year			**-**		-
Cash, end of year		**$**	**3,821,548**	$	-

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

1. Reporting entity

SugarBud is a pre-license applicant under Health Canada's Cannabis Regulations. SugarBud is incorporated in Alberta and listed on the TSX Venture Exchange ("TSXV") under the symbols "SUGR" (common shares) and "SUGR.WT" (common share purchase warrants). The Company operates primarily in Alberta and its head office is located at Suite #620, 634 6th Avenue SW, Calgary, Alberta T2P 0S4. The Company became a reporting issuer in April 2004 and was previously an oil and natural gas company.

During the year ended December 31, 2018, the Company completed a change of business ("Change of Business") with the TSXV to be listed as a Tier 2 Life Sciences Issuer. The TSXV formally approved the Company's name change from "Relentless Resources Ltd." to "SugarBud Craft Growers Corp." and the common shares ("Common Shares") commenced trading on the TSXV under the Company's new name and new trading symbol "SUGR" at the market opening on October 26, 2018.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements were authorized for issue by the Board of Directors on April 30, 2019.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

(b) Basis of consolidation

These financial statements include the accounts of SugarBud and its wholly owned subsidiary, Trichome Holdings Corp. ("Trichome"). Trichome is fully consolidated from the date of acquisition, being the date of which the Company obtained control, and continues to be consolidated until such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. Any balances, unrealized gains or losses, or income or expenses from intra-company transactions are fully eliminated upon consolidation.

(c) Basis of measurement

These financial statements have been prepared on the historical cost basis except for share based payment transactions and certain financial instruments which are measured at fair value.

3. Significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation of each asset is calculated using the straight-line method to allocate its cost less its residual.

3. Significant accounting policies *(continued from previous page)*

(a) Property, plant and equipment *(continued from previous page)*

Depreciation is calculated using the following terms and methods:

Asset class	Depreciation method	Depreciation term
Production facility	Straight-line	25 years
Equipment	Straight-line	3 – 20 years
Construction in progress	Not depreciated	No term
Land	Not depreciated	No term

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight-line basis over the following terms:

Asset class	Depreciation method	Depreciation term
Intangible asset – Health Canada license application	Straight-line	Indefinite

The estimated success of the Health Canada license application, useful life and amortization method are reviewed at the end of each reporting period.

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(b) Share based payments:

The Company accounts for its stock options using the fair value method. The options have an exercise price equal to the fair value of the security at the date of grant. The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model. The fair value is charged to comprehensive income (loss) over the vesting year with a corresponding increase to contributed surplus. The Company estimates a forfeiture rate on the grant date based on weighted average historical forfeitures and the rate is adjusted to reflect the actual number of options that actually vest. The expected life of the options granted is estimated, based on the Company's best estimate, for the effects of non-transferability, exercise restrictions and behavioural patterns.

(c) Financial instruments:

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

3. Significant accounting policies *(continued from previous page)*

(c) Financial instruments (continued from previous page):

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

3. Significant accounting policies *(continued from previous page)*

(c) Financial instruments (continued from previous page):

Financial instrument de-recognition

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognized when the obligation is discharged, cancelled or expired.

(d) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(e) Financing charges:

Financing charges comprises interest expense on bank borrowings, accretion on decommissioning obligations and accretion of deferred financing charges.

(f) Tax:

Tax expense comprises current and deferred tax. Tax expense is recognized in income or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of transaction affects neither tax nor accounting income or loss.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied when the asset is realized or liability settled, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(g) Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is determined by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options and warrants.

(h) Fair value measurements:

The carrying value of cash, which is measured using level 1 inputs, accounts receivable, accounts payable and accrued liabilities, and bank debt approximate their fair values due to the short-term nature of those instruments.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

3. Significant accounting policies *(continued from previous page)*

(h) Fair value measurements (continued from previous page):

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(i) Discontinued operations:

A discontinued operation is a component of the Company that has either been disposed of or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Assets, liabilities, comprehensive income (loss), and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Company. The consolidated statements of income (loss) and comprehensive income (loss) is re-presented as if the operation had been discontinued from the start of the comparative year.

(j) Operating segments:

Prior to the disposition of the Company’s oil and gas assets, the Company was operating in two operating segments – (i) cannabis; (ii) crude oil and natural gas. The oil and gas segment has been classified as discontinued operations (note 22). As a result, the cannabis segment is reflected in the Company's consolidated statements of financial position and consolidated statements of income (loss) and comprehensive income (loss), and the oil and gas segment is separately disclosed in note 22.

Standards and amendments issued but not yet adopted

(k) IFRS 16, 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. Early adoption is permitted if IFRS 15 has also been adopted. Based on the Company’s assets, interests and investments, no significant impact is anticipated from the new standard.

Standards and amendments adopted during the year

During the year ended December 31, 2018, the Company adopted the following new accounting standards:

(l) IFRS 9, Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 replaces the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

3. Significant accounting policies *(continued from previous page)*

(l) IFRS 9, Financial Instruments *(continued from previous page)*

The following table summarizes the classification impacts of the adoption of IFRS 9:

Financial instrument	**Previous classification under IAS 39**	**New classification under IFRS 9**
Financial assets:		
Cash	Loans and receivables	FVTPL
Investment in Inner Spirit	N/A	FVTPL
Term deposit	N/A	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Financial liabilities:		
Bank debt	Other financial liabilities	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

(m) IFRS 15, Revenue from Contracts with Customers.

IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company will now provide enhanced disclosures relating to the disaggregation of revenues from contracts with customers, the Company's performance obligations and any significant judgements.

Revenue recorded from sales is recorded when control of the product is fully transferred to the purchaser, based on the consideration specified in the contracts with customers. Typically, the transfer occurs when the product is physically transferred at the point of delivery, whereby the contract and legal title is passed onto the customer. The Company evaluated its arrangements with third parties and partners to determine if the Company acts as the principal or as the agent. The Company considers if it obtains control of the product delivered or services provided, which is indicated by the Company having the responsibility for the delivery of the product or rendering of the services, having the ability to establish prices or having inventory risk. The Company does not have any revenue from its cannabis business segment and therefore there is no impact on the financial statements.

4. Significant accounting judgments estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be material. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can materially differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

(a) Share based payments:

The fair value of stock options granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the options, the expected volatility of the Company's shares, the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited, and the rate is adjusted to reflect the actual number of options that vest. Volatility used in the Black-Scholes option pricing model was 105% based on the Company's historical market price for year ended December 31, 2018.

4. Significant accounting judgments estimates and assumptions *(continued from previous page)*

(b) Taxes:

Tax regulations and legislation and the interpretations thereof in which the Company operates are subject to change. As such, taxes are subject to measurement uncertainty.

Deferred tax liabilities are recognized when there are taxable temporary differences that will reverse and result in a future outflow of funds to a taxation authority. The Company records a provision for the amount that is expected to be settled, which requires the application of judgment as to the ultimate outcome. Deferred tax liabilities could be impacted by changes in the Company's estimate of the likelihood of a future outflow and the expected settlement amount. As such, there may be a significant impact on the financial statements of future periods.

Deferred tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods. The recoverability assessment involves a significant amount of estimation including an evaluation of when the temporary differences will reverse, an analysis of the amount of future taxable income, the availability of cash flow to offset the tax assets when the reversal occurs and the application of tax laws. To the extent that assumptions used in the recoverability assessment change, there may be a significant impact on the financial statements of future periods.

(c) Asset acquisitions and business combinations:

Classification of an acquisition as an asset acquisition or as a business combination depends on whether the assets acquired constitute a business, which can be a complex judgement. Whether an acquisition is classified as an asset acquisition or business combination can have a significant impact on the entries prepared for the acquisition.

A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business.

During the year ended December 31, 2018, the Company acquired all of the issued and outstanding shares in the capital of Grunewahl whose subsidiary was a late-stage applicant to become a licensed producer under Health Canada's Access to Cannabis for Medical Purposes Regulations (the "ACMPR") which were amended and concurrently restated as Part 14 of SOR 2018/144: Cannabis Regulations (the "Federal Regulations") on October 17, 2018. Pursuant to the Acquisition, the Company issued an aggregate of 19,259,993 Common Shares to former holders of shares in the capital of Grunewahl and 2114152 Alberta Ltd., a wholly-owned subsidiary of the Company, which amalgamated with Grunewahl to form Trichome. The value of the acquisition of Grunewahl was based on SugarBud's market price of $0.11 per share on October 23, 2018, resulting in a value of $2,118,600 plus a $490,000 cash payment made to Grunewahl shareholders.

Grunewahl was incurring expenses related to consulting fees, professional fees, general and administrative expenses, and was not generating any revenue. Grunewahl did not have any material outputs. Grunewahl's assets consisted of both monetary and non-monetary assets. Monetary asset includes cash, deposits and pre-paid expenses, and receivables. Non-monetary assets include an intangible asset, primarily pre-licensing costs related to the Health Canada cultivation license application, and the parcel of land at Stavely, Alberta.

The Company has completed a thorough evaluation of the classification of the acquisition of Grunewahl and has determined that the assets acquired from Grunewahl do not meet the definition of a business under IFRS 3. Grunewahl did not have any material inflows, outflows, or revenues as Grunewahl was a pre-licensed Health Canada applicant. As such, the acquisition has been accounted for as an asset acquisition.

The assets and liabilities are assigned a carrying amount based on relative fair values. The value of the purchase price that exceeds the fair value of the net assets has been allocated mainly towards the intangible asset.

(d) Discontinued operations:

Effective as of December 31, 2018, the Company completed the sale of its oil and gas assets and the dispositions has resulted in a loss of control.

5. Financial risk management

The main financial risks affecting the Company are as follows:

(a) Credit risk:

The maximum exposure to credit risk at the financial position date was equal to the carrying value of accounts receivable. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable and cash represents the maximum exposure to credit risk as at December 31, 2018 and 2017.

(b) Market risk:

Market risk consists of foreign currency and interest rate risks.

(i) Foreign currency exchange risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company had no forward exchange rate contracts or foreign denominated assets or liabilities in place as at or during the years ended December 31, 2018 and 2017.

(ii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest.

(c) Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation. The Company prepares capital expenditures budgets which are regularly monitored and updated as considered necessary. To facilitate the capital expenditure program, the Company has a demand operating facility which is reviewed annually by the lender. All financial liabilities are due within 12 months.

(d) Capital management:

The Company's objective when managing capital is to maintain a capital structure which allows it to execute its growth strategy through strategic acquisitions and expenditures, while maintaining a strong balance sheet. The Company considers its capital structure to include working capital and shareholders' equity.

The Company manages its capital structure and makes adjustments by continually monitoring business conditions including: the current economic conditions; the risk characteristics of the Company's cannabis assets; current and forecasted net debt levels; current and forecasted commodity prices; and other factors that influence commodity prices and funds from operations.

In order to maintain or adjust the capital structure, the Company will consider: the current level of bank credit available from the Company's lenders; the sale of assets; limiting the size of the capital expenditure program; issuance of new equity if available on favourable terms.

6. Fair value measurements:

The Company's financial instruments are measured using level 1 inputs, except for the Company's investment in the Inner Spirit Holdings Ltd. ("Inner Spirit") common share purchase warrants, which are valued using level 2 inputs.

The investments are measured using level 1 inputs (note 2b and note 14).

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur insufficient frequency and volume to provide pricing information on an ongoing basis.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

6. Fair value measurements *(continued from previous page)*:

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

7. Accounts Receivable

Effective as of December 31, 2018, the Company completed the disposition of its oil and gas assets and has a recorded a receivable for the proceeds in the amount of $1,700,000. The remaining balance of the accounts receivable is comprised of a goods and services tax receivable of approximately $289,350 and a subscription receipt receivable of approximately $157,000.

The following is a table with an aging analysis of the outstanding accounts receivable as at December 31, 2018:

Period Outstanding		**December 31, 2018**		December 31, 2017
< 30 days	**$**	**1,936,369**	$	4,308
31 to 60 days		**37,210**		237,692
61 to 90 days		**278,729**		40,764
Over 90 days		**64,934**		40,837
Grand Total	**$**	**2,317,242**	$	323,601

8. Prepaid expenses

During the year ended December 31, 2018, SugarBud made payments of $256,486 (2017 – nil) to vendors for the construction of the cannabis cultivation facility at Stavely, Alberta (the “Stavely Facility”) for work to be completed.

9. Intangible asset

During the year ended December 31, 2018, in connection with the acquisition of Grunewahl (note 21), SugarBud acquired an intangible asset related to the Company’s Health Canada license application.

10. Property, plant and equipment (“PP&E”)

Cost		**PP&E Assets**
Balance at December 31, 2016	$	20,575,818
Additions		739,776
Disposals		(154,995)
Change in decommissioning obligations		(237,991)
Balance at December 31, 2017	$	20,922,608
Additions		7,363,754
Disposals		(10,452,902)
Balance at December 31, 2018	$	17,833,460

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

10. Property, plant and equipment ("PP&E") *(continued from previous page)*

Depletion, depreciation and impairment:		
Balance at December 31, 2016	$	(9,329,533)
Impairment		(117,835)
Depletion and depreciation		(798,297)
Balance at December 31, 2017		(10,245,665)
Depletion and depreciation		(366,415)
Balance at December 31, 2018	$	(10,612,080)
Net book value		
Balance at December 31, 2017	$	10,676,943
Balance at December 31, 2018	**$**	**7,221,380**

PP&E by class

Area	**Description**		**Year ended December 31, 2018**
Alberta	Land		**323,000**
	Computer equipment		**50,638**
	Stavely Facility and other		**6,541,542**
	Retail		**306,200**
Total		**$**	**7,221,380**

Collateral:

At December 31, 2017, all of the Company's properties are pledged as collateral for the bank debt.

Depletion:

At December 31, 2017, estimated future costs to develop the proved plus probable reserves of $7,360,000 were added to property, plant and equipment for depletion and depreciation purposes.

Disposal:

During the year ended December 31, 2017, the Company sold P&NG rights on undeveloped land with a carrying amount of $137,605 for gross proceeds of $375,000. The Company recognized a gain on disposition of property, plant and equipment of $237,395.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

10. Property, plant and equipment ("PP&E") *(continued from previous page)*

During the quarter ended March 31, 2017, the Company identified certain business risks related to its Niton and Gordondale CGU's such as a decline in forward commodity prices. During the quarter ended March 31, 2017, the Company evaluated its PP&E assets for impairment, and recorded an impairment of $117,835 on the Niton and Gordondale CGU's. The impairment was based on the difference between the net book value of the assets and the recoverable amount. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%. The PP&E assets were written down to their recoverable amount based on the fair value of cash flows less costs to sell.

During the year ended December 31, 2017, the Company identified certain business risks related to its CGU's such as a decline in forward commodity prices. The Company evaluated its PP&E assets for impairment during the year ended December 31, 2017, and determined that there was no further impairment on any of its CGU's. The recoverable amount was determined based on discounted cash flows of proved plus probable reserves using forecast future prices and a discount rate of 15%.

Impairment tests carried out at December 31, 2017 and were based on the following commodity price estimates:

Year	WTI Crude Oil ($US/bbl)	Edmonton Light Crude Oil (Cdn$/bbl)	Natural Gas AECO ($Cdn/MMBtu)	Exchange Rate ($US/$Cdn)
2018	59.00	69.00	2.75	0.81
2019	63.00	73.00	3.00	0.82
2020	67.00	77.00	3.25	0.83
2021	71.00	81.00	3.50	0.84
2022	75.00	85.00	3.75	0.85
Remainder	+2.0%/year	+2.0%/year	+2.0%/year	0.85

Changes in any of the key judgments, such as a downward revision in reserves, a decrease in forecast benchmark commodity prices, changes in foreign exchange rates, an increase in royalties or an increase in operating costs would decrease the recoverable amounts of assets and any impairment charges would affect net income (loss). A one percent increase in the assumed discount rate would not have resulted in a significant increase of impairment expense for the year ended December 31, 2017.

11. Decommissioning obligations

	December 31, 2018	December 31, 2017
Balance, beginning year	**$4,001,215**	$4,173,061
Additions - drilled	**-**	-
Accretion	**56,357**	66,145
Change in estimate	**-**	57,080
Dispositions	**(4,057,572)**	(295,071)
Balance, end of year	**-**	$4,001,215

Effective as of December 31, 2018, the Company completed the sale of all of its oil and gas assets for gross proceeds of approximately $1.75 million in cash. The disposition eliminates approximately $4.1 million of asset retirement obligations associated with the assets.

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11. Decommissioning obligations *(continued from previous page)*

As at December 31, 2017, the total undiscounted amount of the estimated cash flows required to settle the decommissioning obligations is approximately $4,286,875 which was to be incurred over the next 42 years with the majority of costs to be incurred between 2020 and 2045. An average risk-free rate of 1.63% and an inflation rate of 2.00% were used to calculate the net present value of the decommissioning obligations. Accretion expense is included in finance expense on the consolidated statements of income (loss) and comprehensive income (loss).

12. Bank debt

During the year ended December 31, 2018, the Company elected, on its own accord, to cancel its existing oil and gas credit facility with ATB Financial. At the time of cancellation of the credit facility, the credit limit was $3 million, and the Company had drawn $nil on this credit facility in 2018.

13. Deferred taxes

The provision for deferred taxes is different from the amount computed by applying the combined statutory Canadian federal and provincial tax rates to pre-tax income for the period.

The tax on the Company's income before tax differs from the amount that would arise using the average tax rate applicable to profits of the Company as follows:

	December 31, 2018	December 31, 2017
Net (loss) income before tax – continuing operations	(6,193,095)	$184,724
Combined federal and provincial tax rate	27.00%	27.0%
Expected tax expense (recovery)	(1,672,136)	49,875
Tax effects of:		
Non-deductible expenses	-	-
Stock based compensation	1,003,411	-
Flow-through share renunciation, net of non-deductible indemnification costs and penalties	-	-
Impact of future tax rate changes and other	(1,393,574)	(274,050)
Changes in unrecognized deferred tax assets	2,062,299	224,175
Deferred tax expense (recovery)	$ -	$ -

Deferred tax asset (liability) is comprised of the following:

	December 31, 2018	December 31, 2017
Property, plant and equipment	-	($275,264)
Non-capital loss carry forwards	-	275,264
Net deferred tax liability	$ -	$ -

The following provides the details of unrecognized deductible temporary differences and unused losses for which no deferred tax asset has been recognized:

	December 31, 2018	December 31, 2017
Share issue costs	9,967	48,187
Non-capital loss carry forwards	9,169,101	5,114,995

No deferred tax asset has been recognized in respect of the following losses and temporary differences as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered:

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

13. Deferred taxes – *(continued from previous page)*

The Company's non-capital losses expire as follows:

	December 31, 2018	December 31, 2017
2028	$ 773,349	$ 773,349
2029	348,535	348,535
2030	237,852	237,852
2031	-	-
2032	6	6
2033	217,647	217,647
2034	489,713	489,713
2035	1,389,873	1,389,873
2036	1,892,937	1,892,937
2037	784,578	784,578
2038	3,034,611	-
	$ 9,169,101	$ 6,134,490

14. Investment

Year ended	December 31, 2018	December 31, 2017
Balance, beginning of year	-	-
Additions	$1,125,000	-
Fair value changes	51,891	
Disposals	(239,292)	
Balance, end of year	**$937,599**	-

During the year ended December 31, 2018, SugarBud acquired 7,500,000 common shares and 3,750,000 common share purchase warrants of Inner Spirit in consideration for $1,125,000 in cash. During the year ended December 31, 2018, the Company sold 1,284,000 Inner Spirit common shares for proceeds of $239,292.

As at December 31, 2018, the Inner Spirit common shares were re-valued from the purchase price of $0.15 per share to the market price of $0.135 per share, resulting in a decrease to the value of the common shares by $112,500. Furthermore, the Company attributed a value of $98,439 to the Inner Spirit common share purchase warrants, using the Black-Scholes option pricing model, using the following inputs:

Year ended	December 31, 2018	December 31, 2017
Volatility	74%	-
Life	1.5 years	-
Risk-free interest rate	1.96%	-
Exercise price	$0.30	-
Dividend yield	nil	-

15. Share capital

(a) Authorized

The authorized share capital of the Company is comprised of an unlimited number of voting Common Shares and preferred shares.

The holders of Common Shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. All Common Shares are of the same class with equal rights and privileges.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

15. Share capital *(continued from previous page)*

(b) Issued

Year ended		**December 31, 2018**		December 31, 2017	
		Shares	**Amount**	Shares	Amount
Balance, beginning of year		88,950,484	$14,940,681	70,061,595	$13,969,981
Issuance of common shares	(i)	122,222,222	8,250,000	18,888,889	1,000,000
Issuance of common shares	(ii)	110,999,932	7,492,495	-	-
Issuance of common shares	(iii)	19,259,993	2,118,600	-	-
Issuance of common shares	(iv)	3,369,800	336,980	-	-
Exercise of warrants	(v,vi)	4,710,950	318,095	-	-
Exercise of stock options	(vii)	5,950,000	492,790	-	-
Share issuance costs		-	(462,584)	-	(29,300)
Balance, end of year		355,463,381	$33,487,057	88,950,484	$14,940,681

(i) On March 21, 2018, the Company completed a private placement of 122,222,222 units at a price of $0.0675 per unit for gross proceeds of $8,250,000. Each unit was comprised of one Common Share and, in the case of subscriptions by the directors, officers, other insiders of the company, together with additional subscribers identified by such persons, one Warrant and, in the case of all other subscribers, one half of one Warrant. Each whole Warrant entitles the holder to purchase one Common Share at a price of $0.10 for a period of five years.

(ii) During the year ended December 31, 2018, the Company received final approval from the TSXV to issue Common Shares and common share purchase warrants (“Warrants”) pursuant to a fully subscribed rights offering (the “Rights Offering”). Shareholders subscribed for and purchased an aggregate of 110,999,932 Common Shares and 55,499,966 Warrants for total approximate proceeds of $7.5 million. Each whole Warrant entitles the holder to purchase one Common Share at a price of $0.10.

(iii) During the year ended December 31, 2018, the Company acquired all of the issued and outstanding shares in the capital of Grunewahl, whose subsidiary was a late-stage applicant to become a licensed producer under the ACMPR which were amended and concurrently restated as the Federal Regulations on October 17, 2018. Pursuant to the Acquisition, the Company issued an aggregate of 19,259,993 Common Shares to former holders of shares in the capital of Grunewahl and 2114152 Alberta Ltd., a wholly-owned subsidiary of the Company, which amalgamated with Grunewahl to form Trichome.

(iv) During the year ended December 31, 2018, SugarBud issued an aggregate of 3,369,800.

(v) During the year ended December 31, 2018, 3.4 million Warrants issued pursuant to a private placement offering of units completed in January 2017 were exercised at a price of $0.055 per Common Share for total proceeds of $187,000.

(vi) During the year ended December 31, 2018, 1.3 million Warrants that were issued in connection with the Rights Offering were exercised at a price of $0.10 per Common Share for total proceeds of $131,095.

(vii) During the year ended December 31, 2018, 5.95 million stock options were exercised for total processed of $492,790.

On January 10, 2017, the Company issued 10,000,000 units at a price of $0.05 per unit for gross proceeds of $500,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant gives the holder the option, exercisable for a period of one year, to purchase one common share for $0.055 per common share. Directors and officers of the Company subscribed for 4,300,000 units.

On January 10, 2017, the Company issued 8,888,889 units at a price of $0.05625 per unit for gross proceeds of $500,000. Each warrant issued under the second private placement gives the holder the option, exercisable for a period of one year, to purchase one common share for $0.075 per common share. Directors and officers of the Company subscribed for 4,622,222 units.

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

16. Warrants

Year ended		**December 31, 2018**		December 31, 2017	
		Warrants	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of year		21,031,745	0.0642	2,142,856	0.1400
Warrants exercised	(i,ii)	(4,710,950)	0.0675	-	-
Warrants expired	(iii)	(15,488,889)	0.1400	-	-
Warrants issued	(iv)	88,727,560	0.1000	18,888,889	0.0556
Warrants issued	(v)	55,499,966	0.1000	-	-
Balance, end of year		145,059,432	0.0916	21,031,745	0.0642

(i) During the year ended December 31, 2018, 3.4 million Warrants issued pursuant to a private placement offering of units completed in January 2017 were exercised at a price of $0.055 per Common Share for total proceeds of $187,000.

(ii) During the year ended December 31, 2018, 1.3 million Warrants that were issued in connection with the Rights Offering were exercised at a price of $0.10 per Common Share for total proceeds of $131,095.

(iii) During the year ended December 31, 2018, 15,488,889 Warrants expired.

(iv) During the year ended December 31, 2018, 88,727,560 Warrants were issued in connection with the 2018 private placement (the “Private Placement”).

(v) During the year ended December 31, 2018, 55,499,966 Warrants were issued in connection with the Rights Offering.

As at December 31, 2018, 145,059,432 Warrants (2017 – 21,031,745) were outstanding.

17. Stock based compensation

The Company has a stock option plan (the “Plan”) for its officers, directors, employees and consultants. Under the Plan, the Company may grant options to purchase up to 10% of the outstanding Common Shares. The options have a five-year term and generally vest in tranches. The polices of the TSXV require “rolling” stock option plans to be approved on an annual basis by the shareholders of a listed issuer. There were no stock options issued or outstanding as at and during the year ended December 31, 2017. The approved number and weighted average exercise prices of share options for the year ended December 31, 2018 are as follows:

Year ended	**Options outstanding**	**Weighted average exercise price**
Outstanding, beginning of year	**-**	**-**
Granted during the year	45,400,000	0.13
Exercised during the year	(5,950,000)	0.05
Cancelled during the year	(6,750,000)	0.16
Balance, December 31, 2018	**32,700,000**	**0.14**

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17. Stock based compensation *(continued from previous page)*

During the year ended December 31, 2018, the Company granted a total of 45,400,000 stock options to directors, executives, employees and consultants, of which: (i) 26,500,000 stock options vested immediately; and (ii) 18,900,000 stock options vested as one third of the grant date and one third on each of the first and second annual anniversaries of the grant date. The options expire five years from the date of grant and each option will allow the holder to purchase one Common Share. The options are exercisable at a weighted average price of $0.14.

Total stock-based compensation recorded during the year ended December 31, 2018 was $3,716,337. The Company values stock-based compensation by using the Black-Scholes option pricing model. Stock options granted during the period are valued using the following inputs. The expected annualized volatility was estimated based on comparable companies in the cannabis industry.

Year Ended	**December 31, 2018**	December 31, 2017
Volatility	105%	-
Life	5 years	-
Risk-free interest rate	1.96%	-
Exercise price	$0.065 - $0.1850	-
Dividend yield	nil	-

18. Loss per share

Year ended	**December 31, 2018**	December 31, 2017
Comprehensive (loss) per share, basic and diluted from continuing operations	$ (0.03)	$0.00
Comprehensive (loss) income per share, basic and diluted from discontinued operations	$ (0.02)	$0.00
Weighted average shares outstanding	216,451,475	88,432,980

19. Related party transactions

The following is a summary of the Company's related party transactions during the year. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries and stock options.

Key management compensation

Year ended	**December 31, 2018**	December 31, 2017
Stock based compensation	$3,716,337	-
Shares for services – non-cash	150,000	-
Compensation paid to directors and officers	221,598	$240,000
Compensation paid to key management - expensed	132,716	-
Compensation paid to key management - capitalized	158,425	-
	$ 4,379,076	$ 240,000

As at December 31, 2018, the Company had an outstanding subscription receipt receivable from a member of key management in the amount of approximately $157,000 (2017 - $nil).

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

20. Supplemental cash flow information

Year ended	December 31, 2018	December 31, 2017
Change in non-cash working capital items:		
Accounts receivable	$ (1,993,641)	$63,012
Prepaid expenses and deposits	(397,059)	9,576
Accounts payable and accrued liabilities	1,589,506	(1,505,877)
	$ (801,194)	($1,433,289)

21. Grunewahl asset acquisition

On October 23, 2018, the Company acquired all of the issued and outstanding shares in the capital of Grunewahl, whose subsidiary was a late-stage applicant to become a licensed producer under the ACMPR which were amended and concurrently restated as the Federal Regulations on October 17, 2018. Pursuant to the Acquisition, the Company issued an aggregate of 19,259,993 Common Shares to former holders of shares in the capital of Grunewahl and 2114152 Alberta Ltd., a wholly-owned subsidiary of the Company, which amalgamated with Grunewahl to form Trichome. The value of the acquisition was based on SugarBud's market price of $0.11 per share on October 23, 2018, resulting in a value of $2,118,600 plus a $490,000 cash payment made to Grunewahl shareholders. The acquisition of Grunewahl was accounted for as an asset acquisition because it was determined that Grunewahl did not meet the definition of a business under IFRS 3.

	Number of shares		Share price	Amount
Consideration paid				
Shares issued	19,259,993	$	0.11	$2,118,600
Cash paid	-			$490,000
Total consideration paid	-			$2,608,600

Grunewahl asset acquisition

Year Ended		December 31, 2018
Assets		
Current		
Cash	$	2,551
Deposits and prepaid expenses		11,651
Goods and services tax receivable		1,597
		15,799
Intangible assets		2,611,204
Land		322,000
		2,934,204
Total assets		**2,950,003**
Liabilities		
Short-term liabilities		91,653
Shareholder loan		249,750
Total liabilities		**341,403**
Net assets		**2,608,600**

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

22. Discontinued operations

Effective as of December 31, 2018, the Company completed the sale of all of its oil and gas assets for gross proceeds of approximately $1.75 million in cash. The disposition eliminates approximately $4.1 million of asset retirement obligations associated with the assets.

Results of the discontinued oil and gas segment are as follows:

Year ended		December 31, 2018		December 31, 2017
Revenue				
Oil and natural gas sales	$	1,885,600	$	2,909,294
Royalties		(169,068)		(282,659)
Oil and gas revenue		1,716,532		2,626,635
Expenses				
Production, operating and transportation		826,096		1,059,864
General and administrative		669,531		159,342
Finance expense		56,357		182,124
Depletion and depreciation		366,415		798,297
Impairment of property, plant and equipment		-		117,835
Total expenses		1,918,399		2,317,462
Operating loss from discontinued operations	$	(201,867)	$	309,173
(Loss) on other items		(291,929)		237,395
(Loss) gain from discontinued operations		(493,796)		546,568
Loss on disposition of oil and gas assets		(4,290,937)		-
Net comprehensive (loss) gain from discontinued operations	$	(4,784,733)		546,568

Summary of cash flows of the discontinued operations are as follows:

Year ended		December 31, 2018		December 31, 2017
Cash provided by (used in) operating activities	$	283,370	$	85,981
Cash provided by (used in) investing activities		1,621,600		(575,206)
Cash provided by financing activities		-		851,069

Summary of the disposition of the oil and gas assets is as follows:

Year ended		December 31, 2018
Proceeds from the disposition of the oil and gas assets	$	1,750,000
Assets		
Exploration		606,636
Property, plant and equipment		9,491,873
	$	**10,098,509**
Liabilities		
Site restoration provision		4,057,572
	$	**4,057,572**
Net assets	**$**	**6,040,937**
Loss on disposition of oil and gas assets	**$**	**(4,290,937)**

EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

23. Commitments and contingencies

During the year ended December 31, 2018, the Company entered into a lease agreement for a vehicle and for equipment related to the Stavely Facility.

	2019	2020	2021	2022	2023		Total
Truck lease	11,336	15,115	16,375	-	-	$	42,825
Equipment lease	16,850	22,466	24,338	24,962	16,780	$	105,396
Total	28,186	37,581	40,713	24,962	16,780	$	148,221

24. General and administrative expenses

Year ended December 31,		**2018**		2017
Professional fees	$	940,754	$	53,779
Salaries, wages and benefits to employees		454,683		-
Consulting expenditures		450,377		210,099
Office lease expenditures		89,583		29,920
Advertising		79,830		-
Insurance		78,428		-
Office and other expenditures		257,189		68,046
General and administrative expenses	**$**	**2,350,844**	$	361,844

25. Subsequent events

Subsequent to December 31, 2018, the Company sold approximately 4,101,000 common shares of Inner Spirit for proceeds of approximately $889,781.

Subsequent to December 31, 2018, an aggregate of 2,505,076 Warrants that were issued in connection with the Rights Offering were exercised at a price of $0.10 per Common Share for total proceeds of $255,508.