FIRST QUARTER 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

	Note	March 31, 2019	December 31, 2018
Assets			
Current			
Cash		**$ 1,946,523**	$ 3,821,548
Term deposit		**100,000**	100,000
Accounts receivable	6	**1,081,349**	2,317,242
Prepaid expenses and deposits	7	**251,327**	407,797
		3,379,199	6,646,587
Intangible asset		**2,611,204**	2,611,204
Investment	10	**1,077,406**	937,599
Property, plant and equipment	8	**9,772,693**	7,221,380
Right of use asset	16	**123,659**	-
Total Assets		**$ 16,964,161**	$ 17,416,770
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable		**$ 1,646,399**	$ 2,154,245
Current portion of lease obligation	17	**30,391**	-
Lease obligations	17	**92,011**	-
Total Liabilities		**1,768,801**	2,154,245
Shareholders' equity			
Share capital	11	**33,493,957**	33,487,057
Contributed surplus		**5,205,419**	4,995,283
Deficit		**(23,504,016)**	(23,219,815)
		15,195,360	15,262,525
Total Liabilities & Shareholders' Equity		**$ 16,964,161**	$ 17,416,770

Subsequent events (Note 19)

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

SIGNED ON BEHALF OF THE BOARD

SUGARBUD CRAFT GROWERS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Three months ended	Note		March 31, 2019		March 31, 2018
Continuing operations					
Expenses					
General and administrative	18	**$**	**1,031,865**		190,074
Stock based compensation	13		**210,136**		616,123
Interest and finance costs	17		**187**		-
Depreciation on right-of-use assets	16		**5,981**		-
Total expenses			**1,248,169**		806,197
Gain on investment	10		**963,968**		-
Comprehensive loss from continuing operations			**(284,201)**		(806,197)
Comprehensive income from discontinued operations	9		**-**		5,127
Total comprehensive loss for the year			**(284,201)**		(801,070)
Comprehensive loss per share from continuing operations, basic and diluted	14	**$**	**(0.00)**	$	(0.01)
Comprehensive income per share from discontinued operations, basic and diluted		**$**	**0.00**		0.00

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

SUGARBUD CRAFT GROWERS

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Three months ended		March 31, 2019			March 31, 2018		
	Note	Number		($) Amount	Number		($) Amount
Share capital							
Balance, beginning of period		**355,463,381**	**$**	**33,487,057**	88,950,484	$	14,940,681
Issuance of common shares		**-**		**-**	122,222,222		8,250,000
Exercise of warrants	12	**69,000**		**6,900**	3,400,000		187,000
Exercise of stock options		**-**		**-**	2,150,000		178,067
Share issuance costs		**-**		**-**	-		(398,722)
Share capital, end of period		**355,532,381**		**33,493,957**	**216,722,706**		**23,157,026**
Warrants							
Balance, beginning of period		**145,059,432**		**-**	21,031,745		-
Warrants exercised	12	**(69,000)**		**-**	(3,400,000)		-
Warrants expired		**-**		**-**	(15,488,889)		-
Warrants issued		**-**		**-**	88,727,560		-
Warrants, end of period		**144,990,432**		**-**	**90,870,416**		**-**
Contributed surplus							
Balance, beginning of period		**-**	**$**	**4,995,283**	-		1,474,236
Exercise of stock options		**-**		**-**	-		(70,567)
Stock-based compensation expense		**-**		**210,136**	-		616,123
Contributed surplus, end of period		**-**		**5,205,419**	-		2,019,792
Deficit							
Balance, beginning of period		**-**		**(23,219,815)**	-		(12,241,987)
Comprehensive loss for the period		**-**		**(284,201)**	-		(801,070)
Balance, end of year		**-**		**(23,504,016)**	-		(13,043,057)
Total Shareholders' equity, end of period		**-**	**$**	**15,195,360**	-	$	12,133,761

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Three months ended	Note	March 31, 2019	March 31, 2018
Cash used in operating activities:			
Comprehensive loss from continuing operations for the period		**$ (284,201)**	$ (806,197)
Adjustments for non-cash items:			
Gain on investment	10	**(963,968)**	-
Depreciation on right-of-use assets	16	**5,981**	
Stock based compensation	13	**210,136**	616,123
Change in non-cash working capital	15	**884,518**	-
Cash (used in) provided by operating activities – continuing operations		**(147,534)**	(190,074)
Cash used in operating activities – discontinued operations		**-**	(2,602,383)
Cash used in operating activities		**(147,534)**	(2,792,457)
Cash used in investing activities:			
Additions to property, plant and equipment	8	**(2,551,313)**	-
Proceeds from investment	10	**824,161**	-
Cash used in investing activities – continuing operations		**(1,727,152)**	-
Cash used in investing activities – discontinued operations		**-**	(842,400)
Cash used in investing activities		**(1,727,152)**	(842,400)
Cash provided by financing activities:			
Repayment of bank debt		**-**	(2,272,399)
Issuance of common shares, net of share issuance costs	11	**6,900**	8,145,778
Repayment of lease obligations	17	**(7,239)**	-
Cash (used in) provided by financing activities – continuing operations		**(339)**	5,873,379
Cash (used in) provided by financing activities – discontinued operations		**-**	-
Cash provided by financing activities		**(339)**	5,873,379
Cash, beginning of period		**3,821,548**	-
Cash, end of period		**$ 1,946,523**	$ 2,238,522

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 condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements and notes thereto in the Company's December 31, 2018 Annual Report available on SEDAR at www.sedar.com.

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 28, 2019.

(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.

(d) Standards and amendments adopted during the year

IFRS 16, Leases

IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short term leases and for leases for which the underlying asset is of low value. The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At inception of a contract, the Company assesses whether a contract is, or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

i. the amount of the initial measurement of the lease liability;
ii. any lease payments made at or before the commencement date, less any lease incentives;
iii. any initial direct costs incurred by the lessee.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right of-use asset from the commencement date to the end of the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date comprised of:

i. fixed payments, less any lease incentives receivable;
ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
iii. amounts expected to be payable by the lessee under residual value guarantees;
iv. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
v. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the Company's incremental borrowing rate. The Company has elected to use a discount rate of 10%, based on the Bank of Canada risk-free rate plus a market risk premium.

The lease term determined by the Company comprises:

i. non-cancellable period of lease contracts,
ii. periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option,
iii. periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Company has elected to apply the modified retrospective approach and after evaluating the impact of the new standard on the opening retained earnings balance, the Company has concluded that the impact is immaterial.

In applying the modified retrospective approach, the Company has taken advantage of the following practical expedients:

a) A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
b) Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases even though the initial term from lease commencement have been more than twelve months. The Company's office lease expires within twelve months from January 1, 2019, and, there is ambiguity as to whether the Company will renew this lease, therefore, it has been included as a short-term lease.

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

The lease payments are discounted using the Company's incremental borrowing rate. The Company has elected to use a discount rate of 10%, based on the Bank of Canada risk-free rate plus a market risk premium.

The aggregate lease liability recognized in the statement of financial position at January 1, 2019 can be reconciled as follows:

Operating lease commitment as at December 31, 2018	$	148,221
Effect of discounting those lease commitments	$	(52,740)
Balance as of January 1, 2019	$	95,481

A corresponding right-of-use asset of $95,481 has been recognized in the statement of financial position as at January 1, 2019 and has been classified as an asset.

During the three months ended March 31, 2019, the Company entered into a lease agreement for a vehicle, which the balance is reflected in the right-of-use asset in the statement of financial position as at March 31, 2019.

3. 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) 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.

(b) IFRS 16:

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Company's incremental borrowing rate. The Company has elected to use a discount rate of 10%, based on the Bank of Canada risk-free rate plus a market risk premium.

4. 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 March 31, 2019.

(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 three months ended March 31, 2019.

(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.

5. 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 10).

- 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.

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

- 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.

6. Accounts Receivable

During the three months ended March 31, 2019, the Company collected approximately $1,200,000 of the proceeds related to the 2018 disposition of its oil and gas assets. The remaining balance of the accounts receivable is comprised of a goods and services tax receivable of approximately $415,971 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 March 31, 2019:

Period Outstanding		**March 31, 2019**		December 31, 2018
< 30 days	**$**	**126,620**	$	1,936,369
31 to 60 days		**-**		37,210
61 to 90 days		**737,109**		278,729
Over 90 days		**217,620**		64,934
Grand Total	**$**	**1,081,349**	$	2,317,242

7. Prepaid expenses

During the period ended March 31, 2019, SugarBud made payments of $156,470 (December 31, 2018 – $256,486) to vendors for the construction of the cannabis cultivation facility at Stavely, Alberta (the “Stavely Facility”) for work to be completed.

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

Cost		**As at December 31, 2018**		**Additions**		**Disposals**		**As at March 31, 2019**
Stavely facility and other	$	6,541,542	$	2,549,637	$	-	$	9,091,179
Land		323,000		-		-		323,000
Computer equipment		50,638		1,676		-		52,314
Retail		306,200		-		-		306,200
	$	7,221,380	$	2,551,313	$	-	**$**	**9,772,693**

Net book Value		
Balance at December 31, 2018	**$**	**7,221,380**
Balance at March 31, 2019	**$**	**9,772,693**

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Cost		**As at December 31, 2017**		**Additions**		**Disposals**		**As at March 31, 2018**
Oil and gas assets (discontinued operations)	$	20,914,183	$	39,183	$	-	$	20,953,366
Computer equipment		4,411		8,694		-		13,105
Stavely facility and other		4,014		100,000		-		104,014
	$	20,922,608	$	147,877	$	-	**$**	**21,070,485**

Accumulated depreciation		**As at December 31, 2017**		**Depletion and depreciation**		**As at March 31, 2018**
Oil and gas assets (discontinued operations)	$	(10,245,665)	$	(102,604)	$	(10,348,269)
Computer equipment		-				-
Stavely facility and other		-				-
	$	(10,245,665)	$	(102,604)	**$**	**(10,348,269)**

Net book Value		
Balance at December 31, 2017	**$**	**10,676,943**
Balance at March 31, 2018	**$**	**10,722,216**

PP&E additions by class

Area	**Description**		
	Computer equipment		**1,676**
	Stavely Facility and other		**2,549,637**
Total		**$**	**2,551,313**

During the three months ended March 31, 2019, the Company did not record a depreciation charge as the property, plant and equipment are not ready for its intended use.

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

9. Discontinued operations

Three months ended	March 31, 2019	March 31, 2018
Revenue		
Oil and natural gas sales	$ -	$ 578,539
Royalties	-	(63,791)
Net revenue	-	514,748
Expenses		
Production, operating and transportation	-	188,067
General and administrative	-	181,039
Finance expense	-	37,911
Depletion and depreciation	-	102,604
Total expenses	-	509,621
Comprehensive income from discontinued operations	**$ -**	**$ 5,127**

10. Investment

	March 31, 2019	December 31, 2018
Balance, beginning of period	$937,599	-
Additions	-	$1,125,000
Unrealized gain on investments	659,692	5,199
Realized gain on investments	304,276	46,692
Proceeds	(824,161)	(239,292)
Balance, end of period	**$1,077,406**	$937,599

During the three months ended March 31, 2019, the Company sold 3,851,000 Inner Spirit common shares for proceeds of $824,161.

The Company attributed a value of $403,381 to the Inner Spirit common share purchase warrants, using the Black-Scholes option pricing model, using the following inputs:

Year ended	March 31, 2019	December 31, 2018
Volatility	91%	74%
Life	1.23 years	1.5 years
Risk-free interest rate	1.51%	1.96%
Exercise price	$0.30	$0.30
Dividend yield	nil	nil

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

11. 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.

(b) Issued

	Three months ended March 31, 2019		Year Ended December 31, 2018	
	Shares	**Amount**	Shares	Amount
Balance, beginning of period	355,463,381	$33,487,057	88,950,484	$14,940,681
Issuance of common shares	-	-	122,222,222	8,250,000
Issuance of common shares	-	-	110,999,932	7,492,495
Issuance of common shares	-	-	19,259,993	2,118,600
Issuance of common shares	-	-	3,369,800	336,980
Exercise of warrants (i)	69,000	6,900	4,710,950	318,095
Exercise of stock options	-	-	5,950,000	492,790
Share issuance costs	-	-	-	(462,584)
Balance, end of period	355,532,381	$33,493,957	355,463,381	$33,487,057

(i) During the three months ended March 31, 2019, 69,000 common share purchase warrants ("Warrants") issued in connection with the 2018 Rights Offering ("Rights Offering") were exercised at a price of $0.10 per Common Share for total proceeds of $6,900.

12. Warrants

	Three months ended March 31, 2019		Year Ended December 31, 2018	
	Warrants	**Weighted average exercise price**	Warrants	Weighted average exercise price
Balance, beginning of period	145,059,432	0.0916	21,031,745	0.0642
Warrants exercised (i)	(69,000)	0.1000	(4,710,950)	0.0675
Warrants expired	-	-	(15,488,889)	0.1400
Warrants issued	-	-	88,727,560	0.1000
Warrants issued	-	-	55,499,966	0.1000
Balance, end of period	144,990,432	0.0916	145,059,432	0.0916

(i) During the three months ended March 31, 2019, 69,000 Warrants issued in connection with the Rights Offering were exercised at a price of $0.10 per Common Share for total proceeds of $6,900.

The weighted average remaining life of the Company's warrants as at March 31, 2019 are 4.2 years.

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

13. 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 three months ended March 31, 2019. The approved number and weighted average exercise prices of share options for the three months ended March 31, 2019 are as follows:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding, beginning of period	**32,700,000**	**0.14**	**-**	**-**
Granted during the period	-	-	45,400,000	0.13
Exercised during the period	-	-	(5,950,000)	0.05
Cancelled during the period	-	-	(6,750,000)	0.16
Balance, ending of period	**32,700,000**	**0.14**	32,700,000	0.14

During the three months ended March 31, 2019, the Company did not grant stock options to directors, executives, employees and consultants. Stock-based compensation expense recognized during the three months ended March 31, 2019 from prior period stock option grants was $210,136.

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.

The weighted average remaining life of the Company's stock options as at March 31, 2019 are 4.3 years.

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

14. Loss per share

	Three months ended March 31, 2019	Three month ended March 31, 2018
Comprehensive loss per share, basic and diluted from continuing operations	$ (0.00)	$ 0.00
Comprehensive loss per share, basic and diluted from discontinued operations	$ -	$ (0.01)
Weighted average shares outstanding	355,469,787	104,066,420

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

15. Supplemental cash flow information

	Three months ended March 31, 2019	Three month ended March 31, 2018
Change in non-cash working capital items:		
Accounts receivable	$ 1,220,248	$ (3,540,297)
Prepaid expenses and deposits	172,116	(141,085)
Accounts payable and accrued liabilities	(507,846)	260,209
	$ 884,518	$ (3,421,173)
Amount related to operating activities	$ 884,518	$ (2,726,650)
Amount related to investing activities	$ -	$ (694,523)
	$ 884,518	$ (3,421,173)

16. Right of use assets

Cost	**As at January 1, 2019**	**Additions**	**As at March 31, 2019**
Vehicles	$ 26,957	$ 34,158	$ 61,115
Equipment	68,524	-	68,524
	$ 95,481	$ 34,158	**$ 129,639**

Accumulated depreciation	**As at January 1, 2019**	**Additions**	**As at March 31, 2019**
Vehicles	$ -	$ 1,925	$ 1,925
Equipment	-	4,055	4,055
	$ -	$ 5,980	**$ 5,980**

Right-of-use assets	**As at January 1, 2019**	**Additions**	**As at March 31, 2019**
Cost	$ 95,481	$ 34,158	$ 129,639
Accumulated depreciation	-	(5,980)	(5,980)
	$ 95,481	$ 28,178	**$ 123,659**

17. Lease obligations

The following represents a maturity analysis of the Company undiscounted contractual lease obligations as at March 31, 2019:

	2019	**2020**	**2021**	**2022**	**2023**	**Total**
Truck lease	15,477	20,601	21,393	15,056	2,113	$ 74,640
Equipment lease	15,622	20,829	18,476	17,692	10,321	$ 82,940
Total	31,099	41,430	39,869	32,748	12,434	$ 157,580

UNAUDITED, EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED

Discounted lease obligations included in the condensed consolidated interim statement of financial position

Current portion	**$**	**30,391**
Non-current portion	**$**	**92,011**

18. General and administrative expenses

Three months ended March 31,		**2019**		2018
Professional fees	$	163,412	$	102,438
Salaries, wages and benefits to employees		282,763		-
Consulting expenditures		215,803		50,500
Office lease expenditures		36,866		8,013
Advertising		43,012		-
Insurance		45,957		9,687
Office and other expenditures		244,052		19,436
General and administrative expenses	**$**	**1,031,865**	$	190,074

19. Subsequent events

Subsequent to March 31, 2019, the Company sold approximately 2,365,000 common shares of Inner Spirit for proceeds of approximately $480,026.

Subsequent to March 31, 2019, an aggregate of 3,326,743 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 $332,674.

Subsequent to March 31, 2019, the Company collected $397,452 from the goods and services tax receivable, which was an outstanding receivable as at March 31, 2019.