SUNNIVA INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended March 31, 2019 and 2018
(In Canadian Dollars)

SUNNIVA INC.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
As at March 31, 2019 and December 31, 2018
In thousands of Canadian dollars, except share amounts

ASSETS	**Notes:**		**March 31, 2019**		**December 31, 2018**
Current assets					
Cash and cash equivalents		$	2,135	$	2,141
Restricted cash			-		337
Accounts receivable	3		10,538		3,881
Inventory	4		8,177		4,240
Prepaid expenses and deposits			2,085		1,690
Assets held-for-sale	5(a)		2,242		5,605
Total current assets			25,177		17,894
Non-current assets					
Deposits on leases and properties			1,243		1,538
Property, plant and equipment	5		74,975		59,056
Intangible assets	6		23,441		24,551
Goodwill	6		22,129		22,281
Total non-current assets			121,788		107,426
Total assets		$	146,965	$	125,320
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	12,911	$	14,320
Deferred revenue	9		326		515
Short term loans	11		5,820		3,492
Warrant liability	12(d)		-		392
Lease liabilities	8		1,783		-
Provisions	10		57		441
Total current liabilities			20,897		19,160
Non-current liabilities					
Convertible debenture financing	7		22,011		8,319
Lease liabilities	8		15,428		11,877
Deferred income taxes			723		951
Total non-current liabilities			38,162		21,147
Total liabilities			59,059		40,307
Shareholders' equity					
Share capital	12(b)		116,451		113,351
Warrants	12(f)(g)		12,393		12,393
Equity component of convertible debentures	7		3,909		1,286
Contributed surplus			2,188		11,699
Accumulated other comprehensive loss (gain)			12,027		2,507
Deficit			(59,062)		(56,223)
Total shareholders' equity			87,906		85,013
Total liabilities and shareholders' equity		$	146,965	$	125,320

Going concern (note 2A), Commitments and contingencies (note 17), Subsequent events (note 18)

Approved on behalf of the Board of Directors:

(Signed) *"Anthony Holler"* — Dr. Anthony Holler, Director

(Signed) *"Norm Mayr"* — Norm Mayr, Director

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

SUNNIVA INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
For the three months ended March 31, 2019 and 2018
In thousands of Canadian dollars, except share amounts

	Notes:		2019		2018
REVENUE		$	14,189	$	5,164
COST OF GOODS SOLD			8,931		3,071
GROSS MARGIN			5,258		2,093
EXPENSES					
Sales and marketing			805		124
General and administrative			5,263		5,433
Share-based payments	12(h)		1,001		2,169
Amortization and depreciation	5, 6		1,252		702
			8,321		8,428
Loss from operations			(3,063)		(6,335)
Other expenses					
Fair value changes in derivative instruments	12(d)		455		868
Gain on settlement of promissory note			-		(1,011)
Foreign exchange (gain) loss			133		(58)
Interest and other expenses			703		432
Loss before income taxes			(4,354)		(6,566)
Taxes					
Current tax expense			299		-
Deferred tax recovery			(1,198)		(298)
Net loss			(3,455)		(6,268)
Other comprehensive loss:					
Items that may be subsequently reclassified to earnings					
Unrealized foreign exchange (gain) loss on translation of foreign operation			319		(405)
Comprehensive loss		$	(3,774)	$	(5,863)
Loss per share					
Basic and diluted loss per share (dollars)		$	(0.09)	$	(0.23)
Weighted average number of shares outstanding					
Basic and diluted			38,317,318		27,399,250

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

SUNNIVA INC.

Condensed Interim Consolidated Statements of Changes of Equity (Unaudited)

For the three months ended March 31, 2019 and 2018

In thousands of Canadian dollars, except share amounts

	Note	Number of shares	Share capital	Warrants	Equity component of convertible debentures	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance at December 31, 2017		26,636,073	$ 53,502	$ 2,048	$ 1,806	$ 4,755	$ (263)	$(27,549)	$ 34,299
Common shares issued in bought deals	12(f)	2,850,900	27,796	-	-	-	-	-	27,796
Finders' warrants converted into shares	12(c)	273,570	1,284	-	-	(344)	-	-	940
Financing warrants converted into shares	12(d)	69,400	496	-	-	-	-	-	496
Convertible debentures converted into shares	7	145,460	652	-	(142)	-	-	-	510
FSD note converted into shares	12(b)	500,000	5,470	-	-	-	-	-	5,470
Stock options converted into common shares	12(h)	168,750	898	-	-	(323)	-	-	575
Share-based payments	12(h)	-	-	-	-	2,169	-	-	2,169
Warrants issued in bought deal	12(f)	-	(4,495)	5,195	-	-	-	-	700
Share issuance costs	12(b)	-	(2,707)	-	-	-	-	-	(2,707)
Comprehensive loss for the period		-	-	-	-	-	405	(6,268)	(5,863)
Balance at March 31, 2018		30,644,153	82,896	7,243	1,664	6,257	142	(33,817)	64,385
Common shares issued in bought deals	12(f)	4,370,000	23,030	-	-	-	-	-	23,030
Finders' warrants converted into shares	12(c)	76,200	356	-	-	(96)	-	-	260
Convertible debentures converted into shares	7	402,719	1,870	-	(378)	-	-	-	1,492
Stock options converted into common shares		62,500	377	-	-	(166)	-	-	211
Share-based payments	12(h)	-	-	-	-	6,078	-	-	6,078
Forfeited options	12(e)	-	-	-	-	(374)	-	374	-
Warrants converted into shares	12(e)	1,091,259	7,973	(2,048)	-	-	-	-	5,925
Warrants issued in bought deals	12(f)	-	(4,459)	5,223	-	-	-	-	764
Acquisition of LTYR Logistics, LLC		1,436,949	3,692	-	-	-	-	-	3,692
Warrants Issued in LTYR Logistics, LLC Acquisition	12(g)	-	-	1,975	-	-	-	-	1,975
Share issuance costs	12(b)	-	(2,384)	-	-	-	-	-	(2,384)
Comprehensive loss for the year		-	-	-	-	-	2,365	(22,780)	(20,415)
Balance at December 31, 2018		38,083,780	113,351	12,393	1,286	11,699	2,507	(56,223)	85,013
Financing warrants converted into shares	12(d)	430,600	2,272	-	-	-	-	-	2,272
Convertible debentures converted into shares	7	131,141	603	-	(130)	-	-	-	473
Settlement of convertible debenture interest	12(b)	84,625	254	-	-	-	-	-	254
Equity component of convertible debentures	7	-	-	-	2,753	-	-	-	2,753
Stock options converted into common shares	12(h)	21,875	131	-	-	(57)	-	-	74
Share-based payments	12(h)	-	-	-	-	1,001	-	-	1,001
Forfeited options	12(h)	-	-	-	-	(616)	-	616	-
Share issuance costs	12(b)	-	(160)	-	-	-	-	-	(160)
Comprehensive loss for the period		-	-	-	-	-	(319)	(3,455)	(3,774)
Balance at March 31, 2019		38,752,021	116,451	12,393	3,909	12,027	2,188	(59,062)	87,906

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

SUNNIVA INC.
Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2019 and 2018
In thousands of Canadian dollars

Cash provided by (used in) operating activities	**Notes:**	**2019**	**2018**
Loss for the period		$ (3,455)	$ (6,268)
Adjustments to reconcile net loss to net cash utilized in operating activities:			
Accretion	7	186	176
Change in provisions	10	-	(87)
Fair value changes in derivative instruments	12(d)	455	868
Share-based payments	12(h)	1,001	2,169
Gain on settlement of promissory note		-	(1,011)
Bad debt expense		557	-
Amortization and depreciation	5, 6	1,528	702
Income tax (recovery)		(899)	(298)
Net cash utilized in operating activities		(627)	(3,749)
Changes in non-cash operating assets and liabilities:			
Restricted cash		337	-
Accounts receivable		(7,214)	(379)
Inventory		(3,937)	384
Prepaid expenses		(395)	(240)
Accounts payable and accrued liabilities		(1,709)	2,855
Deferred revenue		(189)	(469)
Net cash used in operating activities		(13,734)	(1,598)
Cash used in investing activities			
Deposits on properties and leases		-	(1,565)
Net proceeds on disposal of PPE	5	3,363	
Purchase of property, plant, and equipment	5	(8,529)	(3,701)
Net cash used in investing activities		(5,166)	(5,266)
Cash provided by (used in) financing activities			
Net proceeds from issuance of share capital	12(b)	1,622	27,523
Net proceeds from issuance of convertible debentures	7	17,700	-
Net repayment of lease liabilities	8	(1,423)	(2,781)
Net cash provided by financing activities		17,899	24,742
Effect of foreign exchange on cash and cash equivalents		995	254
Increase (decrease) in cash		(6)	18,132
Cash and cash equivalents, beginning of period		2,141	11,424
Cash and cash equivalents, end of period		$ 2,135	$ 29,556

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

1. REPORTING ENTITY

Sunniva Inc. (the "Company") is a company incorporated and headquartered in Canada. The Company was incorporated on August 11, 2014 under the *Canada Business Corporations Act*. The Company's common shares ("Common Shares") are listed on the Canadian Securities Exchange (the "Exchange") under the symbol "SNN" and on the OTCQB Market under the symbol "SNNVF". The Company is a vertically integrated cannabis company focused on cultivation, production and distribution of a broad range of therapeutic solutions at scale across Canada and California. The address of the Company's registered office is 1200-200 Burrard Street, Vancouver, British Columbia, Canada V7X 1T2. The Company operates in Canada and the United States.

The Company is subject to regulation under the federal and provincial laws of Canada and the federal and certain civic and state laws in the United States of America. The production, distribution, sale and use of cannabis and its derivatives is restricted by federal law in the United States despite being legalized for medical and recreational use in Canada and in individual states where the Company operates. The enforcement of these laws and its effect on the Company and its business, employees, directors and shareholders is uncertain and accordingly involve considerable risk.

2. BASIS OF PRESENTATION

A) GOING CONCERN

The Company is considered to be in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the cannabis industry and grow its revenues.

These condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and as at March 31, 2019, has not generated sufficient revenue to fund operations or planned capital expenditures. The Company has an accumulated deficit of $59,062 as at March 31, 2019 (December 31, 2018 - $56,223) and incurred a net loss of $3,455 for the three months ended March 31, 2019 (three months ended March 31, 2018 - $6,268).

The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and to convert its debentures into shares or obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due. Management plans to continue its efforts to secure external financing through the issuance of equity and debt to finance the operations and capital expenditures of the Company; however, there can be no certainty that such funds will be available on a timely basis and at terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Interim Financial Statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Subsequent to March 31, 2019, the Company closed a non-brokered private placement for gross proceeds of $5,510. See note 18 (a).

B) STATEMENT OF COMPLIANCE

The Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

2. BASIS OF PRESENTATION (Continued)

B) STATEMENT OF COMPLIANCE (Continued)

The Interim Financial Statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in the Interim Financial Statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended December 31, 2018.

The Interim Financial Statements were authorized for issuance by the Board of Directors on May 30, 2019.

C) BASIS OF MEASUREMENT

The Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments, assets held-for-sale, provisions and shared based payments which were measured at fair value.

D) FUNCTIONAL AND PRESENTATION CURRENCY

The Interim Financial Statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company and its Canadian subsidiaries. The functional currency of the Company's US subsidiaries is the US dollar ("US").

E) BASIS OF CONSOLIDATION

The Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The list below sets out the principal subsidiaries of the Company. These subsidiaries engage in intercompany transactions, all of which are eliminated upon the preparation of the Interim Financial Statements:

Subsidiary	Functional Currency	Jurisdiction of Incorporation
Sunniva Medical Inc.	CAD	British Columbia, Canada
1167025 BC Ltd. ("116")	CAD	British Columbia, Canada
1111035 Canada Inc.	CAD	British Columbia, Canada
Natural Health Services Ltd. ("NHS")	CAD	Alberta, Canada
1964433 Alberta Ltd.	CAD	Alberta, Canada
CP Logistics, LLC ("CPL")	USD	North Carolina, USA
Full-Scale Distributors, LLC ("FSD")	USD	Florida, USA
LTYR Logistics, LLC ("LTYR")	USD	California, USA
Sunniva Full-Scale Distributors Corporation	USD	California, USA
Sun CA Holdings, Inc.	USD	California, USA
Sunny People, LLC	USD	California, USA
Sun Ramon, LLC	USD	California, USA
A1 Perez, LLC ("Perez")	USD	Delaware, USA
Sun Holdings Management, LLC	USD	Delaware, USA

2. BASIS OF PRESENTATION (Continued)

F) USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenues and expenses during the reporting period.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

(i) Use of estimates and assumptions:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates used in the preparation of these financial statements include, but are not limited to the following:

(a) Estimated useful lives and amortization of intangible assets

Amortization of intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(b) Warrants

The Company uses the Black-Scholes option pricing model to determine the fair value of its warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of warrants, volatility of the Company's share price, risk free rate, and dividend yields. Changes in assumptions used to estimate fair value could result in materially different results. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

(c) Fair value of financial instruments

Individual fair values are attributed to the different components of a financing transaction, notably convertible debt, promissory notes and warrants. The Company uses judgment in selecting the methods used to make certain assumptions and in performing the fair value calculations in order to determine (i) the values attributed to each component of a transaction at the time of their issuance; (ii) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (iii) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market. The assumptions regarding these instruments are disclosed in notes 7 and 12(d).

2. BASIS OF PRESENTATION (Continued)

F) USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

(d) Goodwill and intangible asset impairment

For each of the cash generating units ("CGUs") to which goodwill and intangible assets are allocated, the Company performs an annual test for goodwill impairment in the fourth quarter and also tests for impairment whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Determining whether an impairment has occurred requires valuation of the respective CGU, which we estimate using a discounted cash flow methodology. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flow results. In applying this methodology, we rely on a number of factors, including actual operating results, future business plans, economic projections and market data.

(e) Convertible instruments

Convertible debentures are compound financial instruments which components are accounted for separately as financial liabilities or equity instruments. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires management judgment. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(f) Share-based payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

(g) Inventory

The valuation of work-in-process and finished goods requires the estimate of conversion costs incurred, which become part of the carrying amount of the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

2. BASIS OF PRESENTATION (Continued)

F) USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

(ii) Judgments:

Significant judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements include:

- the determination of functional currency; and
- the determination of the Company's ability to continue as a going concern.

G) NEW STANDARDS AND INTERPRETATIONS ADOPTED

The following standards and amendments have been adopted by the Company for the first time for the financial year beginning on January 1, 2019:

(a) IFRS 16 – Leases

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.84%.

	Amount
Lease commitments disclosed at December 31, 2018	$ 213,813
Add: Financial lease liabilities recognized at December 31, 2018	11,877
Less: Remaining commitments for leases that have not yet commenced	(206,727)
Less: Short-term leases	(35)
Less: Discounted of lease liabilities using the incremental borrowing rate	(1,040)
Lease liabilities recognized at January 1, 2019	$ 17,888
Current portion:	2,603
Non-current portion:	15,285
Total lease liabilities at January 1, 2019	$ 17,888

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position at December 31, 2018. The recognized right-of-use assets all relate to properties.

The change in account policy affected the following items in the statement of financial position on January 1, 2019:

	Increase / (Decrease)
Deposits on leases and properties	(270)
Property, plant and equipment	5,657
Accounts payable and accrued liabilities	(258)
Lease liabilities	6,011
Provisions	(384)

(Expressed in thousands of Canadian dollars, except as otherwise noted)

G) NEW STANDARDS AND INTERPRETATIONS ADOPTED (Continued)

The following segments were affected by the change in policy:

	Segment assets	Segment liabilities
Cultivation & extraction	$ 512	$ 512
Patient Counselling	2,277	2,259
Corporate	2,598	2,598
Balance, December 31, 2018	$ 5,387	$ 5,369

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. ACCOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018
Trade accounts receivable	$ 10,298	$ 2,955
Other receivables	240	926
	$ 10,538	$ 3,881

4. INVENTORY

Inventory consists of cannabis, cannabis oils and merchandise held for sale. As at March 31, 2019, the Company held 2,549 kg of dry cannabis (248 kg of which was finished goods and 2,300 kg held for future extract production and packaging) and 595 L of cannabis oils, At December 31, 2018, the Company held 1,235 kg of dry cannabis (640 kg of which was finished goods and 595 kg held for future extract production and packaging) and 332 L of cannabis oils.

	March 31, 2019	December 31, 2018
Dry cannabis		
Held for packaging	$ 1,062	$ 785
Held for extraction	1,023	284
	2,085	1,069
Cannabis oils		
Finished goods	2,675	1,568
Work-in-process	869	475
	3,544	2,043
Non-cannabis products		
Product for resale (vaporizers and other)	194	239
Supplies and consumables	2,354	889
	$ 8,177	$ 4,240

The cost of inventory recognized as an expense and included in cost of sales for the three months ended March 31, 2019 amounted to $7,138 (three months ended March 31, 2018 – $1,673).

(Expressed in thousands of Canadian dollars, except as otherwise noted)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Construction in progress	Right-of-use assets	Equipment	Total
Costs					
Balance, January 1, 2018	$ -	$ 1,438	$ 14,250	$ 767	$ 16,455
Additions	8,345	35,951	-	4,061	48,357
Acquisition of LTYR	-	-	-	219	219
Disposals	-	-	-	(49)	(49)
Assets classified as held-for-sale (a)	-	(5,605)	-	-	(5,605)
Impairment loss (a)	-	(1,310)	-	-	(1,310)
Transfers	-	(1,128)	-	882	(246)
Foreign exchange	15	567	1,004	513	2,099
Balance, December 31, 2018	8,360	29,913	15,254	6,393	59,920
Additions	54	11,204	5,661	606	17,525
Foreign exchange	(9)	(307)	(338)	(168)	(822)
Balance, March 31, 2019	$ 8,405	$ 40,810	$ 20,577	$ 6,831	$ 76,623

	Land	Construction in progress	Right-of-use assets	Equipment	Total
Accumulated Depreciation					
Balance, January 1, 2018	$ -	$ -	$ -	$ 115	$ 115
Depreciation	-	-	-	722	722
Foreign exchange	-	-	-	27	27
Balance, December 31, 2018	-	-	-	864	864
Depreciation	-	-	422	372	794
Foreign exchange	-	-	-	(10)	(10)
Balance, March 31, 2019	$ -	$ -	$ 422	$ 1,226	$ 1,648
Net book value					
December 31, 2018	$ 8,360	$ 29,913	$ 15,254	$ 5,529	$ 59,056
March 31, 2019	$ 8,405	$ 40,810	$ 20,155	$ 5,605	$ 74,975

(a) Assets held-for-sale

In December 2018, management committed to a plan to sell the materials purchased for construction of the Sunniva Canada campus in Okanagan Falls, British Columbia (the “Sunniva Canada Campus”). Accordingly, these assets are presented as assets held-for-sale. $3,363 of these materials were sold on January 24, 2019.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

6. INTANGIBLE ASSETS AND GOODWILL

	Licenses	Software	Trademarks	Customer Relationships	Non-compete Agreement	Total
Costs:						
Balance, January 1, 2018	$ 14,690	$ 4,252	$ 1,483	$ 5,502	$ 1,631	$ 27,558
Acquisition of LTYR	-	-	-	1,434	-	1,434
Foreign exchange	379	-	-	146	143	668
Balance, December 31, 2018	15,069	4,252	1,483	7,082	1,774	29,660
Foreign exchange	(308)	-	-	(66)	(36)	(410)
Balance, March 31, 2019	$ 14,761	$ 4,252	$ 1,483	$ 7,016	$ 1,738	$ 29,250

	Licenses	Software	Trademarks	Customer Relationships	Non-compete Agreement	Total
Accumulated amortization:						
Balance, January 1, 2018	$ -	$ 650	$ 136	$ 1,104	$ 520	$ 2,410
Amortization	-	708	148	1,205	562	2,623
Foreign exchange	-	-	-	24	52	76
Balance, December 31, 2018	-	1,358	284	2,333	1,134	5,109
Amortization	-	178	37	375	144	734
Foreign exchange	-	-	-	(11)	(23)	(34)
Balance, March 31, 2019	$ -	$ 1,536	$ 321	$ 2,697	$ 1,255	$ 5,809

Net book value:

	Licenses	Software	Trademarks	Customer Relationships	Non-compete Agreement	Total
December 31, 2018	$ 15,069	$ 2,894	$ 1,199	$ 4,749	$ 640	$ 24,551
March 31, 2019	$ 14,761	$ 2,716	$ 1,162	$ 4,319	$ 483	$ 23,441

	Goodwill
Balance, January 1, 2018	$ 18,505
Additions	4,168
Impairment	(653)
Foreign exchange	261
Balance, December 31, 2018	22,281
Foreign exchange	(152)
Balance, March 31, 2019	$ 22,129

The Company performs goodwill impairment testing at least at each reporting period and whenever impairment indicators are identified. The Company has identified five CGUs for purposes of performing its impairment analysis. As at March 31, 2019, no impairment indicators were identified and management concluded that there was no goodwill impairment.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

7. CONVERTIBLE DEBENTURE FINANCING

On February 12, 2019, the Company closed an initial tranche of a non-brokered offering of unsecured convertible debentures for gross proceeds of $15,042. On March 1, 2019, the Company closed a second tranche of the non-brokered offering of convertible debentures for gross proceeds of $3,288. The convertible debentures bear interest at 10% per annum, payable annually and mature on February 15, 2021. The convertible debentures are convertible into Common Shares at a price of $5.27 per Common Share at the holder's option. The equity portion was determined to be $3,724, less a deferred tax recovery of $971 for a net balance of $2,753. On closing, the Company paid finders' fees of $793, of which $161 has been allocated to share issuance costs under equity.

In November and December 2017, the Company completed a private placement of unsecured convertible debentures in the aggregate principal amount of $12,135. The debentures bear interest at 8% per annum, payable annually and mature on December 31, 2020. The convertible debentures are convertible into Common Shares at a price of $4.60 per Common Share at the holder's option. The equity portion was determined to be $2,632, less a deferred tax recovery of $788 for a net balance of $1,844. On closing, the Company paid finders' fees of $173, of which $38 has been allocated to the equity portion for net equity balance of $1,806.

The liability component of the convertible debentures was valued using Company-specific interest rates assuming no conversion feature exists. The effective interest rate was determined to be 17.5% for the convertible debentures issued in 2019 (17.5% for the debentures issued in 2017). The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented as a separate component of shareholders' equity.

		Amount
Balance, January 1, 2018	$	9,495
Conversion of debentures		(1,877)
Accretion		701
Balance, December 31, 2018		8,319
Issued		18,330
Equity portion		(3,724)
Financing costs		(679)
Conversion of debentures		(470)
Accretion		186
Balance, March 31, 2019	$	22,011

During the three months ended March 31, 2019, $600 of convertible debentures were converted into 131,141 Common Shares. This resulted in a reduction in convertible debenture financing of $470, a share capital transfer of $130 from the equity portion of convertible debentures and a decrease in accrued interest of $3. During the three months ended March 31, 2018, $652 of convertible debentures were converted into 145,460 Common Shares. This resulted in a reduction in convertible debenture financing of $510, a share capital transfer of $141 from the equity portion of convertible debentures and a decrease in accrued interest of $4.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

8. LEASE LIABILITIES

The Company is committed under a lease agreement with respect to office premises located in Calgary, Alberta and Vancouver, British Columbia expiring on October 31, 2027 and May 31, 2019, respectively, and lease agreements with respect to NHS clinics located across Canada expiring between September 30, 2019 and December 31, 2022.

The Company leases production facilities in California with two leases which commenced in 2016. The terms of the leases are five years with monthly payments of rent expiring on September 30, 2021 and December 31, 2021, respectively.

The following is a maturity analysis of the undiscounted cash flows associated with the lease liabilities:

		Amount
Less than one year	$	1,852
One to five years		3,764
More than five years		1,381
Total undiscounted lease payments	$	6,997

Interest expense during the three months ended March 31, 2019 was $113 (nil for the three months ended March 31, 2018.

9. DEFERRED REVENUE

Merchandise sales require a prepaid deposit before the product is shipped and the revenue is deferred until the product is delivered to the customer. There are $326 of customer deposits at March 31, 2019 (December 31, 2018 - $515).

10. PROVISIONS

		Onerous Lease		Contingent Consideration		Total
Balance, January 1, 2018	$	143	$	57	$	200
Amortization of provision		(404)		-		(404)
Increase in provision		620		-		620
Foreign exchange		25		-		25
Balance, December 31, 2018		384		57		441
Transfer of provision		(384)		-		(384)
Balance, March 31, 2019	$	-	$	57	$	57

In January 2016, the Company leased a facility in Goleta, California for a proposed manufacturing facility. The Company later decided not to use the facility for that purpose and has engaged an agent to sub-lease or re-lease the facility. This lease was thus classified as onerous and the Company used a discounted cash flow method to determine the provision for this onerous lease, calculated on a pre-tax basis utilizing a discount rate of 18%. The balance of $384 was transferred and offset against the right-of-use asset as part of the adoption of IFRS 16 (note 2(g)).

The contingent consideration is related to the acquisition of FSD and has an end date of December 31,2019.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

11. SHORT TERM LOANS

In January 2019, the Company entered into a $2,287 (US$1,711) promissory note to finance materials purchased for the greenhouse facility in Cathedral City, California. The promissory note is repayable on June 11, 2019 and has an interest rate of 8% per annum. The Company has the option to repay the principal at any time without additional fees. The mortgage is denominated in US dollars and realized a foreign exchange loss of $41 during the three months ended March 31, 2019.

In June 2018, the Company, through its subsidiary 116, entered into a $3,492 mortgage to finance the purchase of land for the greenhouse facility in Okanagan Falls, British Columbia. The mortgage is repayable on June 15, 2019 and has an interest rate of 5% per annum. The Company has the option to repay the principal at any time without additional fees. The mortgage is denominated in Canadian dollars and is carried at amortized cost. It therefore did not have any impact on the Company's exposure to foreign exchange and cash flow interest rate risk.

12. SHARE CAPITAL

(a) Authorized

The Company has authorized an unlimited number of common shares without par value.

(b) Issued and Outstanding – Common Shares

	Shares	Price	Total
Balance, January 1, 2018	26,636,073		$ 53,502
Proceeds on conversion of financing warrants	69,400	$3.16 (US$2.55)	219
Conversion of financing warrants			277
Conversion of the FSD note	500,000	$3.19 (US$2.55)	5,470
Bought deal public offering - March	2,850,900	$9.75	27,796
Warrants issued in bought deal public offering - March			(4,809)
Bought deal public offering – October	4,370,000	$4.60	23,030
Warrants issued in bought deal public offering - October			(4,145)
Proceeds on conversion of warrants issued in sale and leaseback	1,091,259	$4.60	5,028
Conversion of warrants issued in sale and leaseback			2,048
Deferred tax transfer on conversion of warrants			897
Acquisition of LTYR Logistics, LLC	1,436,949	$2.75	3,692
Proceeds on conversion of finders' warrants	346,612	$3.40	1,179
Proceeds on conversion of finders' warrants	3,158	$6.75	21
Conversion of finders' warrants			440
Conversion of convertible debentures	548,179	$4.60	2,522
Proceeds on conversion of stock options	231,250	$3.40	786
Conversion of stock options			490
Share issuance costs			(5,092)
Balance, December 31, 2018	38,083,780		113,351
Proceeds on conversion of financing warrants	430,600	$3.37 (US$2.55)	1,450
Conversion of financing warrants			822
Conversion of convertible debentures	131,141	$4.60	603
Settlement of interest on convertible debentures	84,625	$3.00	254
Proceeds on conversion of stock options	21,875	$3.40	74
Conversion of stock options			57
Share issuance costs			(160)
Balance, March 31, 2019	38,752,021		116,451

(Expressed in thousands of Canadian dollars, except as otherwise noted)

12. SHARE CAPITAL (Continued)

(c) Finders' Warrants

During the year ended December 31, 2017, the Company issued finders' warrants as compensation to persons involved in raising equity capital. Each finders' warrant is exercisable into one Common Share upon payment of the exercise price.

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
December 20, 2016	38,941	(38,941)	-	$3.40	June 30, 2018
December 29, 2016	289,298	(289,298)	-	$3.40	June 30, 2018
February 7, 2017	14,525	(14,525)	-	$3.40	February 7, 2018
February 7, 2017	3,850	(3,850)	-	$3.40	February 8, 2018
June 22, 2017	100,000	-	100,000	$6.75	June 22, 2019
October 28, 2017	59,596	(3,158)	56,438	$6.75	June 27, 2019
	506,210	(349,772)	156,438		

For the three months ended March 31, 2019, no warrants were exercised. For the three months ended March 31, 2018, 273,570 warrants were exercised for proceeds of $940, which is included in share capital along with a transfer of $344 from contributed surplus. The weighted average remaining contractual life of the finders' warrants is 0.5 years.

(d) Financing warrants

During 2016, the Company issued the following warrants in conjunction with interim financing arrangements. These warrants were classified as a liability as their exercise price is in US dollars, which is not the Company's functional currency. Each warrant is exercisable into one Common Share upon payment of the exercise price.

Issue Date	Issued	Exercised	Outstanding	Exercise Price	Expiry Date
December 29, 2016	100,000	(100,000)	-	US $2.55	April 12, 2019
December 29, 2016	100,000	(100,000)	-	US $2.55	May 1, 2019
December 29, 2016	300,000	(300,000)	-	US $2.55	July 19, 2019
	500,000	(500,000)	-		

During the three months ended March 31, 2019, 430,600 of the financing warrants had been exercised for proceeds of $1,450, which is included in share capital along with $822 transferred from the warrant liability. During the three months ended March 31, 2018, 69,400 of the financing warrants had been exercised for proceeds of $219, which is included in share capital along with $277 transferred from the warrant liability.

As at March 31, 2019, all financing warrants have been exercised.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

12. SHARE CAPITAL (Continued)

(d) Financing warrants (Continued)

		Amount
Balance, January 1, 2018	$	2,098
Valuation adjustment		(1,546)
Conversion into common shares		(277)
Foreign exchange adjustment		117
Balance, December 31, 2018		392
Valuation adjustment		455
Conversion into Common Shares		(822)
Foreign exchange adjustment		(25)
Balance, March 31, 2019	$	-

(e) Warrants issued in sale and leaseback

On October 23, 2017, the Company issued the following warrants in conjunction with the sale and lease back of the land related to the production facility in Cathedral City, California. Each warrant is exercisable into one Common Share upon payment of the exercise price. These warrants were exercised on April 12, 2018.

Issue Date	Number	Exercise Price	Expiry Date
October 23, 2017	1,091,259	$4.60	April 23, 2018

The grant date fair value of the warrants was determined to be $2.39 per warrant for a total of $2,804 and this cost has been included in the Right-of-use assets (note 5). The fair value of these warrants was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 0.55%;
- expected life of 0.5 years;
- expected volatility of 76%; and
- expected dividends of $Nil.

Option pricing models require the input of highly subjective assumptions including the expected price volatility.

		Amount
Balance, January 1, 2018	$	2,048
Conversion into Common Shares		(2,048)
Balance, March 31, 2019 and December 31, 2018	$	-

12. SHARE CAPITAL (Continued)

(f) Warrants issued in bought deal public offerings

(i) March bought deal

On March 27, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of \$27,797. A total of 2,850,900 units of the Company ("March Units") and 50,000 March Warrants (as defined below) were sold at a price of \$9.75 per March Unit and \$0.02 per March Warrant. Each March Unit consisted of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "March Warrant"). Each March Warrant entitles the holder thereof to acquire one Common Share at an exercise price per Common Share of \$12.50 for a period of 24 months from the date of issuance.

The grant date fair value of the March Warrants was determined to be \$3.37 per March Warrant for a total of \$4,975 and the amount is included under warrants in equity. In addition, the Company issued an aggregate of 171,054 compensation options to the underwriters at a fair value of \$700. The fair values of these March Warrants and options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 0.92%
- expected life of 2 years;
- expected volatility of 76%; and
- expected dividends of \$Nil.

Option pricing models require the input of highly subjective assumptions including the expected price volatility.

Total cash share issuance costs amounted to \$2,007 which consisted of underwriters' commission of \$1,668, underwriters' expenses of \$15, and legal fees of \$324. Also included in share issuance costs are the compensation warrants valued at \$700. 1,425,450 March Warrants are outstanding as at March 31, 2019 with a weighted average remaining contractual life of 1.0 year.

(ii) October bought deal

On October 12, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of \$23,030. A total of 4,370,000 units ("October Units") were sold at a price of \$5.27 per October Unit. Each October Unit consisted of one Common Share and one-half of one Common Share purchase warrant (an "October Warrant"). Each October Warrant entitles the holder thereof to acquire one Common Share at an exercise price per Common Share of \$6.85 for a period of 24 months from the date of issuance.

The grant date fair value of the October Warrants was determined to be \$1.90 per October Warrant for a total of \$4,145 and the amount is included under warrants in equity. In addition, the Company issued an aggregate of 262,200 compensation options to the underwriters at a fair value of \$598. The fair values of these October Warrants and options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

12. SHARE CAPITAL (Continued)

(f) Warrants issued in bought deal public offerings (Continued)

(ii) *October bought deal (Continued)*

- risk free interest rate of 1.37%
- expected life of 2 years;
- expected volatility of 81%;
- expected forfeiture rate of 9.36%; and
- expected dividends of $Nil.

Option pricing models require the input of highly subjective assumptions including the expected price volatility.

Total cash share issuance costs amounted to $1,686 which consisted of underwriters' commission of $1,382, underwriters' expenses of $15, and legal fees of $289. Also included in share issuance costs are the compensation warrants valued at $598. 2,185,000 October Warrants are outstanding as at March 31, 2019 with a weighted average remaining contractual life of 1.5 years.

(g) Warrants issued in acquisition of LTYR

On December 28, 2018, the Company acquired 100% of the membership interests of LTYR, a California-based distributor of cannabis products for 1,436,949 Common Shares and 718,472 performance warrants. The performance warrants shall be convertible into common shares of the Company, at no additional cost, if certain operational milestones are achieved. The Company has assessed that it is highly likely that the warrants will become convertible.

The valuation of the performance warrants was based on the published share price on December 28, 2018 of $3.12 per share and discounted for the estimated time period that the operational milestones are achieved. The total value of the performance warrants was determined to be $1,975 after discounting.

(h) Share-based payments

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase Common Shares to a maximum number of Common Shares which may be issued pursuant to options granted under the plan at any point in time equal to 15% of the total issued and outstanding Common Shares on a fully-diluted basis, where the issued and outstanding number of Common Shares on a fully-diluted basis is determined without giving effect to outstanding and unexercised options. Options expire ten years from the grant date. One-sixteenth of the options issued vest every three months from the date of grant. There are 3,316,344 options that have not vested as at March 31, 2019. A summary of the status of the options outstanding is as follows:

(Expressed in thousands of Canadian dollars, except as otherwise noted)

12. SHARE CAPITAL (Continued)

(h) Share-based payments (Continued)

	Stock options	Weighted Average Exercise Price
Balance, January 1, 2018	3,310,625	$ 4.36
Granted	2,349,000	5.55
Exercised	(231,250)	(3.40)
Forfeited	(324,250)	(4.80)
Expired	(21,875)	(6.75)
Balance, December 31, 2018	5,082,250	$ 4.93
Exercised	(21,875)	(3.40)
Forfeited	(234,562)	(6.77)
Expired	(190,813)	(5.11)
Balance, March 31, 2019	4,635,000	$ 4.83

The following table summarizes the stock options that remain outstanding as at March 31, 2019:

Exercise Price	Options Outstanding	Expiry Date	Remaining Contract Life	Options Exercisable
$3.40	1,728,125	April 2027	8.04	756,055
$3.40	100,000	June 2027	8.21	43,750
$6.75	50,000	July 2027	8.27	18,750
$6.75	50,000	July 2027	8.34	18,750
$6.75	120,000	August 2027	8.38	45,000
$6.75	50,000	August 2027	8.41	18,750
$6.75	150,000	October 2027	8.57	46,875
$6.75	100,000	December 2027	8.70	31,250
$6.75	650,000	January 2028	8.93	162,500
$8.11	250,000	June 2028	9.19	46,875
$7.81	297,375	June 2028	9.25	55,758
$6.73	100,000	September 2028	9.44	12,500
$3.30	989,500	December 2028	9.69	61,844
	4,635,000		8.74	1,318,656

The Company recognized a share-based compensation expense of $1,001 for the three months ended March 31, 2019 ($2,169 for the three months ended March 31, 2018). The total fair value of the options granted during the three months ended March 31, 2019 was nil ($3,429 for the three months ended March 31, 2018).

The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

- risk free interest rate of 1.6%;
- expected life of 7.8 years;
- expected volatility of 77.5%; and
- expected dividends of $Nil.

12. SHARE CAPITAL (Continued)

(h) Share-based payments (Continued)

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

13. CAPITAL RISK MANAGEMENT

The Company's objectives and policies for managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence, sustain future development of the business and to safeguard the Company's ability to support the Company's normal operating requirements on an ongoing basis.

The capital of the Company consists of shareholders' equity, convertible debentures and secured promissory notes.

The Company manages its capital structure and makes changes based on economic conditions, risks that impact the consolidated operations and future significant capital investment opportunities. To manage the Company's capital requirements, the Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's officers are responsible for managing the Company's capital and do so through meetings and review of financial information. The Board of Directors of the Company is responsible for overseeing this process. As at March 31, 2019, the Company is not subject to externally imposed capital requirements. There were no changes to the management of capital from the prior year.

14. FINANCIAL INSTRUMENTS AND RISK EXPOSURES

The Company's financial assets include cash and cash equivalents and accounts receivable. The Company's financial liabilities include accounts payable and accrued liabilities, short term loans, convertible debenture financing, secured promissory notes payable, contingent consideration and warrant liability. All financial instruments are initially recognized at the fair value of consideration paid or received, net of transaction costs as appropriate, and are subsequently carried at fair value or amortized cost. The carrying values of these financial instruments approximate their fair values based on the nature of these instruments as at March 31, 2019 and December 31, 2018.

Cash and cash equivalents are classified as financial assets at fair value through profit or loss and measured at fair value. Accounts receivables are classified as financial assets measured at amortized cost using the effective interest rate method. Accounts payable and accrued liabilities, short term loans and convertible debenture financing are classified as financial liabilities measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The secured promissory notes payable, contingent consideration and warrant liability are classified as financial liabilities at fair value through profit and loss.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

14. FINANCIAL INSTRUMENTS AND RISK EXPOSURES (Continued)

The carrying value of the Company's financial assets and liabilities is considered to be a reasonable approximation of fair value due to their immediate or short-term maturity, or their ability for liquidation at comparable amounts.

(a) Fair value measurements:

Fair value measurements of financial assets and liabilities recognized in the statements of financial position. Financial assets and liabilities are categorized using a fair value hierarchy as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the statements of financial position at fair value are categorized as follows:

Secured promissory notes	Level 3
Warrant liability	Level 3

There were no transfers between the levels during the three months ended March 31, 2019 nor the three months ended March 31, 2018.

As at March 31, 2019 and December 31, 2018, the fair values of all financial instruments carried at amortized cost approximated their carrying value.

The Company's liability for the FSD contingent consideration was measured at fair value based on unobservable inputs, and was considered a level 3 financial instrument. The fair value of the liability determined by this analysis was primarily driven by the Company's expectations of FSD achieving the milestones. The expected milestones were assessed probabilities by management which was then discounted to present value in order to derive a fair value of the contingent consideration. The primary inputs of the calculation were the probabilities of achieving the milestones and a discount rate.

The level 3 financial instruments decreased the net loss of the Company by $455 for the three months ended March 31, 2019 (increased the net loss by $890 for the three months ended March 31, 2018).

(b) Credit risk:

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables.

The risk exposure is limited to their carrying amounts at the statement of financial position date. The risk for cash and cash equivalents is mitigated by holding these instruments with highly rated Canadian financial institutions.

(Expressed in thousands of Canadian dollars, except as otherwise noted)

14. FINANCIAL INSTRUMENTS AND RISK EXPOSURES (Continued)

(b) Credit risk (Continued):

Trade Accounts receivable primarily consist of trade accounts receivable and goods and services taxes recoverable ("GST"). The Company mitigates this risk by managing and monitoring the underlying business relationships. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but this risk is limited as certain sales are transacted with credit cards. A credit loss of $557 was recognized for the three months ended March 31, 2019 (nil for the three months ended March 31, 2018).

As at March 31, 2019, the Company's aging of receivables was approximately as follows:

	At March 31, 2019	At December 31, 2018
0 – 30 days	$ 8,107	$ 2,217
31 – 60 days	1,499	566
61 – 90 days	360	93
91 days and over	572	1,005
	$ 10,538	$ 3,881

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company's liquidity is adequate for the settlement of short-term financial obligations. The Company needs to obtain additional funding or restructure its other financial liabilities to meet longer term financial obligations. In addition to the commitments (note 16), the Company has the following contractual obligations:

As at March 31, 2019	Total	<1 Year	1 – 3 years	3 – 5 years
Accounts payable and accrued liabilities	$ 12,911	$ 12,911	$ -	$ -
Secured promissory notes	-	-	-	-
Short term loans	5,820	5,820	-	-
Warrant liability	-	-	-	-
Convertible debenture financing	22,011	-	22,011	-
	$ 40,742	$ 18,731	$ 22,011	$ -

As at December 31, 2018	Total	<1 Year	1 – 3 years	3 – 5 years
Accounts payable and accrued liabilities	$ 14,320	$ 14,320	$ -	$ -
Secured promissory notes	-	-	-	-
Short term loans	3,492	3,492	-	-
Warrant liability	392	392	-	-
Convertible debenture financing	8,319	-	8,319	-
	$ 26,523	$ 18,204	$ 8,319	$ -

(Expressed in thousands of Canadian dollars, except as otherwise noted)

14. FINANCIAL INSTRUMENTS AND RISK EXPOSURES (Continued)

(c) Liquidity risk (Continued):

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

The Company holds cash and has liabilities (primarily accounts payable and accrued liabilities) in currencies other than the Canadian dollar, primarily the United States dollar.

The Company manages currency risk by holding cash in foreign currencies to support forecasted foreign currency denominated liabilities and does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company has determined that an effect of a 10% increase or decrease US dollars against the Canadian dollar on financial assets and liabilities, as at March 31, 2019, including cash, accounts receivable and accounts payable, would result in an increase or decrease of approximately $202 (March 31, 2018 - $32) to the net loss and comprehensive loss for the three months ended March 31, 2019.

(d) Interest rate risk

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

(e) Regulatory risk

The Company operates in an industry that is in its infancy when it comes to government regulations. Any evolution, adoption, or change of rules and regulations could have significant impact on the Company's operations.

15. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its wholly-owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

(a) Compensation of key management personnel

	Three months ended March 31, 2019	Three months ended March 31, 2018
Salaries and consulting fees	$ 590	$ 860
Share-based payments	624	942
	$ 1,214	$ 1,802

Amounts due to related parties:	March 31, 2019	December 31, 2018
Consulting fees and wages	$ 143	$ 135

(Expressed in thousands of Canadian dollars, except as otherwise noted)

15. RELATED PARTY TRANSACTIONS (Continued)

(b) Lease Guarantee:

The lease on the Company's facility in Goleta, California is personally guaranteed by the Company's Chief Executive Officer.

(c) Other related party

During the three months ended March 31, 2019 the Company paid $134 to a legal firm which is associated with a director ($97 for the three months ended March 31, 2018). As at March 31, 2019, the Company owes the legal firm $43 (December 31, 2018 - $9).

During the three months ended March 31, 2019, the Company paid $10 to a consulting firm which is associated with a director ($nil for the three months ended March 31, 2018). As at March 31, 2019, the Company owes the consulting firm $10 (December 31, 2018 - $55).

In October 2017, the Company entered into an agreement with a property development company, which is associated with a director, to construct and subsequently lease the greenhouse facility in Cathedral City, California (the "Sunniva California Campus"). As part of this arrangement, a company in which the director has a significant interest was issued 1,091,259 warrants convertible at $4.60 per Common Share (note 11(e)). These warrants were exercised on April 12, 2018. The Company has an outstanding promissory note of $2,287 (US$1,711) with this related party for the greenhouse facility in Cathedral City, California (note 11).

The Company has an agreement with entities owned or controlled by a former employee of the Company, whereby the Company funded the expenses associated with a licensed cannabis cultivation facility in Oakland, California owned by these entities in exchange for access to cannabis genetic and propagating materials produced at that facility. The cannabis genetic and propagating materials were used at the Sunniva California Campus. During the three months ended March 31, 2019, the Company paid nil towards this agreement ($232 for the three months ended March 31, 2018). This agreement terminated in April 2019.

16. SEGMENTED INFORMATION

The Company has four operating segments, referred to as Patient Counselling, Merchandising, Cultivation & Extraction and Corporate. The operating segments are reportable segments in accordance with IFRS 8 Operating Segments.

Three months ended March 31, 2019	Patient Counselling	Merchandising	Cultivation & Extraction	Corporate	Total
Revenue	$ 1,826	$ 2,354	$ 10,009	$ -	$ 14,189
Gross margin	1,201	353	3,704	-	5,258
Income (loss) from operations	(1,049)	(491)	3,046	(4,569)	(3,063)
Net income (loss)	$ (820)	$ (492)	$ 3,041	$ (5,184)	$ (3,455)

Three months ended March 31, 2018	Patient Counselling	Merchandising	Cultivation & Extraction	Corporate	Total
Revenue	$ 2,652	$ 2,512	$ -	$ -	$ 5,164
Gross margin	1,670	423	-	-	2,093
Income (loss) from operations	(1,166)	47	(10)	(5,206)	(6,335)
Net income (loss)	$ (1,277)	$ 42	$ (10)	$ (5,023)	$ (6,268)

(Expressed in thousands of Canadian dollars, except as otherwise noted)

16. SEGMENTED INFORMATION (Continued)

As at March 31, 2019	Patient Counselling	Merchandising	Cultivation & Extraction	Corporate	Total
Total assets	$ 24,117	$ 1,845	$ 85,695	$ 35,308	$ 146,965
Total liabilities	$ 3,870	$ 846	$ 20,834	$ 33,509	$ 59,059
As at December 31, 2018					
Total assets	$ 22,903	$ 2,820	$ 62,804	$ 36,793	$ 125,320
Total liabilities	$ 1,959	$ 1,524	$ 17,576	$ 19,248	$ 40,307

17. COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Company leases production facilities in Cathedral City, California commencing in late 2019. The term is 15 years with three options to extend by 5 years each.

The Company is committed under a lease agreement with respect to an NHS clinic located in Calgary, Alberta expiring on September 30, 2019.

The Company's minimum payments required under these leases are as follows:

	Cathedral City	Others	Total
2019	$ 3,078	$ 23	$ 3,101
2020	12,426	-	12,426
2021	12,426	-	12,426
2022	12,426	-	12,426
Thereafter	162,142	-	162,142
	$ 202,498	$ 23	$ 202,521

(b) Legal proceedings

In March 2019, the Company, along with NHS, was named in a class action lawsuit in connection with a privacy breach of the Electronic Medical Record system used by NHS. The litigation process has commenced, and the Company will defend its position. No amount has been recorded in the Interim Financial Statements since an amount cannot be reliably measured at this point.

18. SUBSEQUENT EVENTS

The Company evaluates events or transactions that occur after the balance sheet date through to the date which the financial statements are issued, for potential recognition or disclosure in the Interim Financial Statements in accordance with IAS 10, *Events After the Reporting Period*.

(a) On April 15, 2019, the Company closed a non-brokered private placement of 4.3 million units of the Company ("Units") for gross proceeds of $4.3 million. On April 24, 2019 the Company closed a second tranche of the non-brokered private placement of 1.21 million Units for gross proceeds of $1.2 million. In aggregate, a total of 5.51 million Units were issued, with each Unit consisting of a principal amount of unsecured promissory notes of the Company bearing interest at a rate of 10% per annum ("Promissory Notes") and 0.1897 Common Share purchase warrants at an exercise price of $5.27 per warrant. The Promissory Notes mature on the earlier of (i) two business days following receipt by the Company of proceeds from the sale of any or all of the Company's Canadian assets following the respective closing dates, which, in the aggregate are equal to or greater than the proceeds of the offering; and (ii) 6 months from the respective closing dates.