AREV BRANDS INTERNATIONAL LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

Stated in Canadian Dollars

(Unaudited – Prepared By Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

AREV BRANDS INTERNATIONAL LTD.

Stated in Canadian dollars

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note		As at September 30, 2019		As at December 31, 2018
ASSETS					
Current Assets					
Cash		$	**18,941**	$	8,374
Amounts receivable			**29,939**		33,608
Prepaid expenses and deposits			**148,248**		81,998
Loan receivable			**-**		406,235
Total Current Assets			**197,128**		530,215
Non-current Assets					
Property and equipment	4		**1,432,381**		1
Intangible assets	5		**1,200,002**		2
Total Assets		$	**2,829,511**	$	530,218
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		$	**463,782**	$	197,274
Due to related parties	7		**307,669**		131,707
Loans payable	7		**328,000**		-
Convertible debentures	6		**1,120,420**		427,684
Total Liabilities			**2,219,871**		756,665
SHAREHOLDERS' EQUITY (DEFICIT)					
Share capital			**11,330,956**		9,648,627
Shares issuable			**7,500**		7,500
Share subscriptions receivable			**(12,500)**		(12,500)
Equity portion of convertible debentures			**114,106**		45,000
Share based payment reserve			**2,127,627**		1,117,562
Accumulated other comprehensive income			**185**		132
Deficit			**(12,958,234)**		(11,032,768)
Total Shareholders' Equity (Deficit)			**609,640**		(226,447)
Total Liabilities and Shareholders' Equity (Deficit)		$	**2,829,511**	$	530,218
Nature of Operations and Going Concern	1				
Commitments	10				
Subsequent event	13				

The condensed consolidated interim financial statements were approved on behalf of the Board of Directors on November 24, 2019:

"Mike Withrow" "Leo Ford"

Mike Withrow, Director Leo Ford, Director

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

Stated in Canadian dollars

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Note		**Three months ended September 30, 2019**	Three months ended September 30, 2018	**Nine months ended September 30, 2019**	Nine months ended September 30, 2018
EXPENSES						
Advertising and marketing		$	**2,957**	$ 31,210	$ **11,133**	$ 119,983
Amortization and depreciation	4		**17,630**	13,487	**17,630**	40,180
Consulting and management fees	7		**44,815**	144,262	**409,170**	290,724
Office and administration			**33,867**	12,803	**114,046**	42,871
Professional fees	7		**34,844**	58,610	**116,621**	87,393
Research and development			**19,321**	-	**25,454**	-
Rent and utilities			**105,721**	16,592	**127,937**	40,608
Share-based payments	7,8		**18,353**	528,077	**1,010,065**	602,985
Transfer agent and regulatory fees			**7,159**	9,444	**38,271**	29,366
Travel and accommodation			**8,240**	-	**63,856**	-
Loss Before Other Income (Expense)			**(292,907)**	(814,485)	**(1,934,183)**	(1,254,110)
Other Income (Expense)						
Accretion of discount on convertible debentures			**(17,419)**	(6,633)	**(70,785)**	(6,264)
Interest expense			**(23,009)**	(8,779)	**(65,701)**	(9,436)
Miscellaneous income			**79,702**	-	**145,203**	-
Impairment of deferred transaction costs			**-**	(87,500)	**-**	(203,094)
Total other income (expense)			**39,274**	(102,912)	**8,717**	(218,794)
Net Loss			**(253,633)**	(917,397)	**(1,925,466)**	(1,472,904)
Other Comprehensive Income (Loss)						
Unrealized gain on foreign currency translation			**19**	-	**53**	-
Total comprehensive loss		$	**(253,614)**	**$** (917,397)	$ **(1,925,413)**	$ (1,472,904)
Basic and Diluted Loss per Share		$	**(0.00)**	**$** (0.02)	$ **(0.04)**	$ (0.04)
Weighted Average Number of Shares Outstanding			**54,546,847**	38,429,309	**53,038,161**	34,405,994

AREV BRANDS INTERNATIONAL LTD.

Stated in Canadian dollars

(Unaudited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Shares	Amount	Share Subscriptions Receivable	Shares Issuable	Equity Portion of Convertible Debentures	Share-based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
BALANCE, DECEMBER 31, 2017	22,984,200	$ 3,037,378	$ (37,500)	$ 7,500	$ 43,193	$ 514,639	$ –	$ (2,605,953)	$ 959,257
Shares issued for warrant exercises	9,600,000	605,000	–	–	–	–	–	–	605,000
Shares issued for convertible debenture	6,000,000	327,499	–	–	(43,193)	–	–	–	284,306
Shares returned to treasury	(350,000)	–	–	–	–	–	–	–	–
Shares issued for debt settlement	500,000	150,000	–	–	–	–	–	–	150,000
Shares issued for intangible assets	9,500,000	4,750,000	–	–	–	–	–	–	4,750,000
Equity portion of convertible debenture	–	–	–	–	29,086	–	–	–	29,086
Share subscriptions received	–	–	25,000	–	–	–	–	–	25,000
Share-based payments	–	–	–	–	–	602,985	–	–	602,985
Net loss for the period	–	–	–	–	–	–	–	(1,472,904)	(1,472,904)
BALANCE, SEPTEMBER 30, 2018	48,234,200	$ 8,869,877	$ (12,500)	$ 7,500	$ 29,086	$ 1,117,624	$ –	$ (4,078,857)	$ 5,932,730
BALANCE, DECEMBER 31, 2018	48,784,200	$ 9,648,627	$ (12,500)	$ 7,500	$ 45,000	$ 1,117,562	$ 132	$ (11,032,768)	$ (226,447)
Shares issued for cash	833,340	250,002	–	–	–	–	–	–	250,002
Shares issued for intangible assets	4,000,000	1,200,000	–	–	–	–	–	–	1,200,000
Shares issued for debt	929,307	232,327	–	–	–	–	–	–	232,327
Share-based payments	–	–	–	–	–	1,010,065	–	–	1,010,065
Equity portion of convertible debenture	–	–	–	–	69,106	–	–	–	69,106
Foreign currency translation loss	–	–	–	–	–	–	53	–	53
Net loss for the period	–	–	–	–	–	–	–	(1,925,466)	(1,925,466)
BALANCE, SEPTEMBER 30, 2019	54,546,847	$ 11,330,956	$ (12,500)	$ 7,500	$ 114,106	$ 2,127,627	$ 185	$ (12,958,234)	$ 609,640

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

Stated in Canadian dollars

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

		Nine months ended September 30, 2019		Nine months ended September 30, 2018
OPERATING ACTIVITIES				
Net loss for the period	**$**	**(1,925,466)**	$	(1,472,904)
Items not involving cash:				
Amortization and depreciation		**17,630**		40,180
Accretion of discount on convertible debentures		**70,785**		6,264
Share-based payments		**1,010,065**		602,985
Impairment of deferred transaction costs		**–**		203,094
Changes in non-cash working capital:				
Amounts receivable		**3,669**		29,160
Prepaid expenses and deposits		**(66,250)**		22,488
Accounts payable and accrued liabilities		**468,835**		(170,406)
Due to related parties		**175,962**		–
Net cash used in operating activities		**(244,770)**		(739,139)
INVESTING ACTIVITIES				
Acquisition of intangible assets		**-**		(50,000)
Purchase of equipment		**(205,010)**		(11,236)
Deferred transaction costs		**–**		(691,509)
Loan receivable		**(117,708)**		–
Net cash used in investing activities		**(322,718)**		(752,745)
FINANCING ACTIVITIES				
Proceeds from warrant exercises		**–**		605,000
Proceeds from issuance of shares		**250,002**		–
Proceeds from loans payable		**328,000**		–
Share subscriptions receivable, net		**–**		25,000
Advances from related parties		**–**		24,682
Net cash provided by financing activities		**578,002**		654,682
Effects of foreign exchange rate changes on cash		**53**		–
Change in cash		**10,567**		(837,202)
Cash, beginning of period		**8,374**		1,058,578
Cash, end of period	**$**	**18,941**	$	221,376

Supplemental Cash Flow Information (Note 12)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1) Nature of operations and going concern

AREV Brands International Ltd. (formerly AREV Nutrition Sciences Inc.) (the "Company") was incorporated under the Business Corporations Act (Alberta) on November 22, 2005. On June 30, 2017, the Company changed its name to AREV Nutrition Sciences Inc. and changed its incorporation jurisdiction to be British Columbia and on September 12, 2018 changed its name to AREV Brands International Ltd. The Company was a research company engaged in the business of developing and commercializing technology related to the growth and extraction of active ingredients from American ginseng. During 2014, the Company ceased its ginseng operations. The Company moved its focus to R&D of formulations and is currently developing and plans on distributing its line of branded natural health and cannabis infused products.

The registered address of the Company is Suite 440, 890 West Pender Street, Vancouver, BC, V6C 1J9. The principal place of business of the Company is Unit 2, 9049 Shaughnessy Street, Vancouver, BC, V6P 6R9. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "AREV" and on October 9, 2019, the common shares began trading on the OTCQB Market ("OTCQB") under the symbol "AREVF".

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has not generated any revenues from operations and had a working capital deficit of $2,022,743 and an accumulated deficit of $12,958,234. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2) Significant accounting policies

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2018.

The Company uses the same accounting policies and methods of computation as in the annual audited consolidated financial statements for the year ended December 31, 2018.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2) Significant accounting policies (continued)

c) Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and its wholly-owned subsidiary, Deutsche Medizinal Cannabis UG. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant inter-company transactions and balances have been eliminated.

d) Application of New IFRS

The Company has adopted IFRS 16 Leases ("IFRS 16") which is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of IFRS 16 did not have an impact on the Company's condensed consolidated interim financial statements.

e) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of inventory, collectability of loans receivable, the useful lives and recoverability of property and equipment and intangible assets, fair value of share-based payments and convertible debentures, and unrecognized deferred income tax assets.

Management reviews objective evidence each reporting period to assess whether there are indications of impairment of the intangible assets and make judgments about their period of use. These determinations and their individual assumptions require that management make a decision based on the best and most reliable information available at each reporting period.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

3) Financial instruments and risk management

a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include amounts receivable, loan receivable, accounts payable and accrued liabilities, credit facility, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, amounts receivable and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

c) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

d) 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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

Stated in Canadian dollars

4) Property and equipment

COST:	Land	Equipment	Leasehold Improvements	Total
Balance, December 31, 2017	$ -	$ 520,131	$ 3,200	$ 523,331
Additions	-	194,941	-	194,941
Impairment	-	(715,071)	-	(715,071)
Balance, December 31, 2018	-	1	3,200	3,201
Additions	1,215,000	235,010	-	1,450,010
Balance, September 30, 2019	$ 1,215,000	235,011	3,200	1,453,211
ACCUMULATED DEPRECIATION:				
Balance, December 31, 2017	$ -	53,644	2,489	56,133
Additions	-	51,758	711	52,469
Impairment	-	(105,402)	-	(105,402)
Balance, December 31, 2018	-	-	3,200	3,200
Additions	-	17,630	-	17,630
Balance, September 30, 2019	$ -	$ 17,630	$ 3,200	$ 20,830
CARRYING AMOUNTS:				
As at December 31, 2018	$ -	$ 1	$ -	$ 1
As at September 30, 2019	$ 1,215,000	$ 217,381	$ -	$ 1,432,381

During the period ended September 30, 2019, the Company closed a purchase and sale agreement to acquire a 100% interest in real estate located in Sorrento, B.C. from a company controlled by the Chief Executive Officer of the Company. The purchase price was $1,215,000 of which $691,057 was paid by way of a convertible debenture issued by the Company accruing interest at 8% per annum and the balance was paid in cash. The outstanding principal amount and outstanding accruing interest of the convertible debenture is convertible into common shares of the Company at a price of $0.30 per common share.

As at December 31, 2018, the Company recorded an impairment of $609,669 due to the uncertainty of future cash flows.

Stated in Canadian dollars

5) Intangible assets

COST:		Total
Balance, December 31, 2017	$	–
Additions		6,015,000
Impairment		(6,014,998)
Balance, December 31, 2018	$	2
Additions		1,200,000
Balance, September 30, 2019	$	1,200,002
ACCUMULATED AMORTIZATION:		
Balance, December 31, 2017, 2018 and September 30, 2019	$	–
CARRYING AMOUNTS:		
As at December 31, 2018	$	2
As at September 30, 2019	$	1,200,002

On July 3, 2018, the Company entered into an asset purchase and sale agreement with Matthew Harvey, carrying on business under the branding, BC Bud Depot ("BCBD"), to acquire 100% of the assets under the BCBD brand in consideration for the issuance of 9,500,000 common shares of the Company with a fair value of $5,320,000 and $500,000, of which $50,000 is payable in cash (paid) and $450,000 is payable by way of a convertible debenture issued by the Company (issued) accruing interest at 8% per annum, for an aggregate value of $5,820,000. The outstanding principal amount and outstanding accruing interest of the convertible debenture shall be convertible into common shares of the Company at the price of $0.50 per common share.

On November 9, 2018 the Company completed the asset purchase with Alternative Extracts Inc. ("AEI"), a company with common officers and directors, to acquire the Bare Topicals assets in consideration for the issuance of 500,000 common shares of the Company with a fair value of $195,000. The Bare Topicals assets are a line of cannabis infused topical products

As at December 31, 2018, the Company recorded an impairment of intangible assets to a carrying value of $1 for each of the assets acquired above due to the uncertainty of future cash flows.

On January 15, 2019, the Company entered into a purchase and sale agreement to acquire a 100% interest of certain assets under the brand name Canna Gold. The purchase price of $1,200,000 was paid by way of the issuance of 4,000,000 common shares of the Company. If gross sales revenues of the retail inventory of the assets reach a minimum of $1,000,000 as reported in the interim or year-end financial statements of the Company, the Company will pay the lesser in value of 1,000,000 common shares at the closing market price on the date of SEDAR filing of the Company's financial statements with the securities commissions or that number of common shares having an aggregate deemed value of $500,000.

6) Convertible debentures

On July 3, 2018, the Company issued a $450,000 convertible debenture related to the asset purchase and sale agreement with Matthew Harvey. The debenture accrues interest at 8% per annum, is due in one year from issuance, and is convertible into common shares of the Company at a price of $0.50 per common share. As at September 30, 2019, the accrued interest on the debenture totalled $44,778 (December 31, 2018 - $17,852) and is included in accounts payable and accrued liabilities.

On January 17, 2019, the Company closed a purchase and sale agreement to acquire a 100% interest in real estate located in Sorrento, B.C. from a company controlled by the Chief Executive Officer of the Company. The purchase price was $1,215,000 of which $691,057 was paid by way of a convertible debenture issued by the Company accruing interest at 8% per annum and the balance was paid in cash. The outstanding principal amount and outstanding accruing interest of the convertible debenture is convertible into common shares of the Company at a price of $0.30 per common share. As at September 30, 2019, the accrued interest on the debenture totalled $38,775 (December 31, 2018 - $nil) and is included in accounts payable and accrued liabilities.

7) Related party transactions

During the period ended September 30, 2019, the Company owed $36,750 (December 31, 2018 - $5,250) to a company where the former Chief Financial Officer of the Company is a partner. The amount owing is non-interest bearing, unsecured, and due on demand. During the period ended September 30, 2019, the Company incurred $40,000 (2018 - $5,000) of accounting fees to a company where the former Chief Financial Officer of the Company is a partner.

During the period ended September 30, 2019, the Company owed $nil (December 31, 2018 - $3,607) to the former Chief Executive Officer of the Company. The amount owing is non-interest bearing, unsecured, and due on demand.

During the period ended September 30, 2019, the Company incurred $6,000 (2018 - $72,000) of management fees to the former Chief Executive Officer of the Company.

During the period ended September 30, 2019, the Company owed $nil (December 31, 2018 - $6,300) to a company controlled by the former Chief Executive Officer of the Company. The amount owing is non-interest bearing, unsecured and due on demand.

During the period ended September 30, 2019, the Company owed $191,196 (December 31, 2018 - $70,421) to the Chief Executive Officer of the Company. The amount owing is non-interest bearing, unsecured, and due on demand. During the period ended September 30, 2019, the Company received loans of $228,000 from the Chief Executive Officer of the Company and received a loan from an arm's length party for $100,000. The loans are non-interest bearing, unsecured, and due on demand.

As at September 30, 2019, the Company owed $57,442 (December 31, 2018 - $46,129) to AEI which is non-interest bearing, unsecured, and due on demand.

During the period ended September 30, 2019, the Company owed $11,361 (December 31, 2018 - $nil) to a company controlled by a former Director of the Company. The amount owing is non-interest bearing, unsecured and due on demand. During the period ended September 30, 2019, the Company incurred $20,800 (2018 - $nil) of consulting fees to a company of a former Director of the Company.

During the period ended September 30, 2019, the Company owed $10,920 (December 31, 2018 - $nil) to a company controlled by a former Director of the Company. The amount owing is non-interest bearing, unsecured and due on demand. During the period ended September 30, 2019, the Company incurred $20,800 (2018 - $nil) of consulting fees to a company of a former Director of the Company.

7) Related party transactions (continued)

During the period ended September 30, 2019, the Company incurred $nil (2018 - $15,385) of consulting fees to the former Chief Financial Officer of the Company.

During the period ended September 30, 2019, the Company granted stock options with a fair value of $882,274 (2018 - $109,772) to key management personnel.

8) Share capital

a) Authorized capital:

- unlimited common shares without par value
- 20,000,000 preferred shares, issuable in one or more series
- 20,000,000 redeemable preferred shares, issuable in one or more series

b) Issued or allotted and fully paid:

Share issuances during the period ended September 30, 2019:

On January 15, 2019, the Company issued 4,000,000 common shares with a fair value of $1,200,000 to acquire 100% of the assets under the brand name Canna Gold (Note 5).

On April 25, 2019 the Company issued 929,307 common shares with a fair value of $232,327 to settle debts of $232,327 owing to two vendors.

On May 6, 2019, the Company issued 833,340 units at a price of $0.30 per unit, for proceeds of $250,002. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable at $0.50 per share for a period of 12 months from the date of issuance.

Share issuances during the year ended December 31, 2018:

On January 8, 2018, the Company issued 6,000,000 units for the conversion of the $300,000 convertible debenture at $0.05 per share to a company controlled by Chief Executive Officer of the Company. Each unit consisted of one common share and one share purchase warrant with each share purchase warrant exercisable at $0.05 per share expiring on January 8, 2020.

During the year ended December 31, 2018, the Company issued 9,600,000 common shares for proceeds of $605,000 pursuant to the exercise of share purchase warrants. Included in this issuance were 5,000,000 common shares for proceeds of $250,000 to a Company owned by the Chief Executive Officer of the Company, 100,000 common shares for proceeds of $5,000 to the Chief Financial Officer of the Company and 700,000 common shares for proceeds of $45,000 to a director of the Company.

During the year ended December 31, 2018, the former Chief Financial Officer of the Company returned 350,000 common shares to the Company which was returned to treasury.

On September 4, 2018 the Company issued 9,500,000 common shares with a fair value of $5,320,000 to acquire 100% of the assets under the BCBD brand (Note 5).

On November 9, 2018, the Company issued 500,000 common shares with a fair value of $195,000 to AEI, a company controlled by the Chief Executive Officer of the Company, to acquire the Bare Topicals assets (Note 5).

On November 13, 2018 the Company issued 500,000 common shares with a fair value of $150,000 to settle debt of $150,000 owing to AEI, a company controlled by the Chief Executive Officer of the Company.

On November 29, 2018 the Company issued 50,000 common shares with a fair value of $13,750 to a consultant.

8) Share capital (continued)

c) Stock options

The Company has a stock option plan pursuant to which the Board of Directors may grant options to purchase common shares to the officers, directors, and employees of the Company or affiliated companies and to consultants retained by the Company. The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

On February 8, 2018, the Company granted 405,000 stock options to officers and consultants of the Company at a price of $0.56 per option for a period of 5 years from the date of issuance. During the year ended December 31, 2018, the Company cancelled these options.

On September 14, 2018, the Company granted 1,400,000 stock options to officers and consultants of the Company at a price of $0.40 per option for a period of 5 years from the date of issuance. During the period ended September 30, 2019, the Company cancelled 500,000 of these options.

On September 20, 2018, the Company granted 300,000 stock options to officers and consultants of the Company at a price of $0.325 per option for a period of 5 years from the date of issuance. During the period ended September 30, 2019, the Company cancelled these options.

On November 9, 2018, the Company granted 500,000 stock options to a consultant of the Company at a price of $0.41 per option for a period of 5 years from the date of issuance.

On February 12, 2019, the Company granted 100,000 stock options to a consultant of the Company at a price of $0.24 per option for a period of 5 years from the date of issuance.

On April 25, 2019, the Company granted 100,000 stock options to a consultant of the Company at a price of $0.22 per option for a period of 5 years from the date of issuance.

On May 2, 2019, the Company granted 3,200,000 stock options to officers and consultants of the Company at a price of $0.325 per option for a period of 5 years from the date of issuance.

On June 10, 2019, the Company granted 600,000 stock options to directors, officers and consultants of the Company at a price of $0.26 per option for a period of 5 years from the date of issuance.

On July 16, 2019, the Company granted 100,000 stock options to a consultant of the Company at a price of $0.23 per option for a period of 5 years from the date of issuance.

Stated in Canadian dollars

8) **Share capital** (continued)

c) **Stock options** (continued)

Option activity during the period is summarized as follows:

	Number of stock options	Weighted average exercise price ($)
Outstanding, December 31, 2017	200,000	0.15
Granted	2,605,000	0.34
Cancelled	(405,000)	0.56
Outstanding, December 31, 2018	2,400,000	0.39
Granted	4,100,000	0.31
Cancelled	(4,300,000)	0.33
Outstanding, September 30, 2019	2,200,000	0.36

Additional information regarding stock options outstanding as at September 30, 2019, is as follows:

	Outstanding and exercisable		
Exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.22	100,000		
0.23	100,000		
0.24	100,000		
0.25	100,000		
0.26	100,000		
0.325	200,000		
0.40	900,000		
0.41	500,000		
0.49	100,000		
	2,200,000	4.09	0.36

During the period ended September 30, 2019, the Company recorded share-based compensation of $1,010,065 (2018 - $602,985) which was charged to operations. The weighted average grant date fair value of stock options granted during the period ended September 30, 2019 was $0.25 (2018 - $0.42) per share. The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	Nine months ended September 30, 2019	Year ended December 31, 2018
Risk-free interest rate	1.58%	1.78%
Expected life (in years)	5	5
Expected forfeitures	0%	0%
Expected volatility	112.19%	74.82% - 82.49%

Stated in Canadian dollars

8) Share capital (continued)

d) Share purchase warrants

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2017	7,058,600	0.20
Issued	6,000,000	0.05
Exercised	(9,600,000)	0.06
Expired	(100,000)	0.10
Balance, December 31, 2018	3,358,600	0.33
Issued	833,340	0.50
Expired	(2,658,600)	0.40
Balance, September 30, 2019	1,533,340	0.29

As at September 30, 2019, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
700,000	0.05	January 8, 2020
833,340	0.50	May 6, 2020
1,533,340		

9) Acquisition of subsidiary

On June 27, 2018, the Company entered into an agreement whereby the Company is to acquire 100% of Deutsche Medizinal Cannabis UG ("DMC"). On July 18, 2018, pursuant to the agreement, the Company paid $28,521 (EUR$18,000) to the shareholders of DMC in exchange for 100% of the issued and outstanding shares of DMC. In accordance with IFRS 3, Business Combinations, the agreement was deemed to be a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the acquisition date. The following table summarizes the consideration paid, the fair value of assets acquired, and liabilities assumed at the acquisition date:

	$
Total consideration paid	28,521
Amounts receivable	3,484
Goodwill	47,690
Accounts payable and accrued liabilities	(22,653)
Net assets acquired	28,521

As at December 31, 2018, the Company recognized an impairment of goodwill of $47,690 due to the uncertainty of future cash flows.

Stated in Canadian dollars

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10) Commitments

On September 1, 2018 the Company extended a premises lease agreement until August 31, 2020 with an option to extend for two more years. Expected annual payments under this lease arrangement are as follows:

2019	$	28,200
2020		28,200
Total	$	56,400

On August 14, 2018, the Company entered into a binding agreement to acquire 100% of the issued and outstanding shares of AdviceScene Enterprises Inc. dba Seventails Cultivation (“Seventails”). The acquisition agreement provides for the aggregate purchase price for the acquisition of the Seventails’ shares to have a deemed value of $5,250,000 comprised of $500,000 in cash and 9,500,000 common shares of the Company having an aggregate deemed value of $4,750,000. Concurrent with the completion of the acquisition at the closing, the Company shall have completed a financing raising a minimum of $3,000,000 in net proceeds, which $3,000,000 in net proceeds shall be provided to Seventails as an inter-corporate loan from the Company to Seventails as a subsidiary of the Company. As at September 30, 2019, the Company paid $50,000 to Seventails upon execution of the agreement which is included in prepaid expenses and deposits.

11) Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to sustain future development of the business. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets, or incur debt.

The Company is not subject to externally imposed capital requirements and there have been no changes to the Company's capital management policy during the period ended September 30, 2019.

12) Supplemental cash flow information

		Nine months September 30, 2019		Year ended December 31, 2018
Non-cash investing and financing activities:				
Shares issued for conversion of convertible debenture	**$**	**-**	$	327,499
Shares issued for amounts due to a related party		**-**		150,000
Shares issued for debt settlement		**232,327**		-
Shares issued for intangible assets		**1,200,000**		5,515,000

13) Subsequent event

On November 21, 2019, the Company issued 2,200,000 common shares at a price of $0.06 as a milestone success fee to a director and consultant of the Company.