ORGANIC GARAGE LTD.

Interim Condensed Consolidated Financial Statements

For the nine months ended October 31, 2018 and 2017

(Unaudited)

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 interim financial statements have not been reviewed by an auditor.

The management of Organic Garage Ltd. is responsible for the preparation of the accompanying unaudited interim condensed consolidated financial statements. The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated 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. These unaudited interim condensed consolidated financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

December 19, 2018

Organic Garage Ltd.

Per: *(signed) "Matt Lurie"*		Per: *(signed) "Paul Mason"*
Name: Matt Lurie		Name: Paul Mason
Title: Chief Executive Officer		Title: Chief Financial Officer

Organic Garage Ltd.
Interim Condensed Consolidated Statements of Financial Position
(In Canadian dollars)
(Unaudited)

As at	October 31, 2018	January 31, 2018
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 2,640,057	$ 1,707,910
Short-term investments (Note 3)	-	200,000
Accounts receivable	640,704	167,438
Inventory (Note 4)	2,046,203	1,586,526
Income taxes receivable	33,442	33,442
HST receivable	156,356	206,075
Prepaid expenses and deposits (Note 5)	40,570	35,324
	5,557,332	3,936,715
Property, plant and equipment (Note 6)	6,641,277	5,117,193
Prepaid expenses and deposits- non-current (Note 5)	337,509	374,709
Goodwill	2,233,968	2,233,968
Total Assets	**$ 14,770,086**	**$ 11,662,585**
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 3,443,836	$ 2,455,565
Bank loans (Note 7)	521,892	136,275
Obligation under capital lease (Note 8)	200,631	193,040
	4,166,359	2,784,880
Bank loans (Note 7)	2,498,072	32,505
Obligation under capital lease (Note 8)	-	151,444
Total Liabilities	6,664,431	2,968,829
Shareholders' Equity		
Capital stock (Note 9)	10,921,267	10,314,641
Contributed surplus	1,949,607	1,697,563
Retained earnings	(4,765,219)	(3,318,448)
	8,105,655	8,693,756
Total Liabilities and Shareholders' Equity	**$ 14,770,086**	**$ 11,662,585**

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

APPROVED ON BEHALF OF THE BOARD:	*"Matt Lurie"*	*"Kevin Williams"*
	Director	**Director**

Organic Garage Ltd.
Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended October 31, 2018 and 2017 (In Canadian dollars)
(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2018	**2017**	**2018**	**2017**
Sales	**$ 5,621,301**	$ 5,490,068	**$ 17,074,420**	$ 14,116,426
Cost of sales				
Inventory - Beginning of period	1,707,992	1,287,572	1,586,526	1,209,576
Purchases	4,547,617	4,136,513	13,034,937	10,514,133
	6,255,609	5,424,085	14,621,463	11,723,709
Less: Inventory- End of period	2,046,203	1,442,236	2,046,203	1,442,236
	4,209,406	3,981,849	**12,575,260**	10,281,473
Gross profit	**1,411,895**	1,508,219	**4,499,160**	3,834,953
Expenses				
Store wages and benefits (Note 10)	581,055	555,698	1,752,676	1,335,274
Rent	404,277	393,841	1,108,414	897,120
Administrative wages and benefits (Note 10)	221,490	185,992	588,406	517,517
Utilities	86,687	69,568	258,910	218,392
Shareholders' communication and marketing	19,950	11,500	93,156	167,095
Professional fees (Note 10)	73,908	83,783	210,325	208,350
Repairs and maintenance	65,195	53,715	183,052	145,524
Bank charges and merchant fees	62,055	57,929	188,617	153,978
Store supplies	35,651	37,495	137,105	116,749
Office and general	17,462	27,128	40,682	56,366
Vehicle	23,688	21,289	55,977	56,286
Insurance	26,375	13,760	56,448	40,435
Consulting	16,792	14,000	202,562	24,500
Interest on obligation under capital lease	3,012	5,047	10,870	19,829
Telephone	5,852	5,506	17,836	16,431
Regulatory and filing	3,467	3,591	20,313	12,869
Interest on long-term debt (Note 7)	107,132	3,509	135,400	11,195
Advertising and promotion	12,881	20,300	85,691	79,811
Depreciation (Note 6)	148,005	120,323	410,065	360,395
Total expenses	**1,914,934**	1,683,974	**5,556,505**	4,438,116
Other expenses/(income)				
Stock-based compensation (Note 9)	22,984	377,035	394,975	377,035
Interest income	(3,091)	(232)	(5,549)	(2,032)
Listing cost	-	-	-	40,000
Foreign exchange (gain)/loss	-	-	-	4,603
Total other expenses/(income)	**19,893**	376,803	**389,426**	419,606
Loss before income taxes	**(522,932)**	(552,558)	**(1,446,771)**	(1,022,769)
Income tax (recovery) expense	**-**	**-**	**-**	-
Net loss and comprehensive loss	**$ (522,932)**	$ (552,558)	**$ (1,446,771)**	$ (1,022,769)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.03)
Weighted average number of common shares outstanding	37,162,156	35,844,456	36,368,746	10,393,323

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

Organic Garage Ltd.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity For the nine months ended October 31, 2018 and 2017

(In Canadian dollars)

(Unaudited)

	Share capital								
	Number of shares		Amount		Contributed surplus		Retained Earnings		Total Shareholders' Equity
Balance, February 1, 2016	9,842,956	$	2,894,524	$	337,577	$	(1,302,524)	$	1,929,577
Private placement	2,500,000		1,000,000		-		-		1,000,000
Share issuance costs	-		(107,998)		-		-		(107,998)
Acquisition of subsidiary	8,100,000		3,240,000		-		-		3,240,000
Finder's fee	1,000,000		400,000		-		-		400,000
Stock-based compensation	300,000		90,000		-		-		90,000
Net loss for the year	-		-		-		(765,030)		(765,030)
Balance, January 31, 2017	**21,742,956**	**$**	**7,516,526**	**$**	**337,577**		**(2,067,554)**	**$**	**5,786,549**
Private placement (Note 9)	10,993,500		2,748,375		-		-		2,748,375
Share issuance costs (Note 9)	-		(429,401)		-		-		(429,401)
Warrants issued (Note 9)	-		(708,190)		708,190		-		-
Finder's warrants issued (Note 9)	-		(100,683)		100,683		-		-
Warrants exercised (Note 9)	3,108,000		1,288,014		(200,214)		-		1,087,800
Stock-based compensation (Note9)	-		-		377,035		-		377,035
Net loss for the period	-		-		-		(1,022,769)		(1,022,769)
Balance, October 31, 2017	**35,844,456**	**$**	**10,314,641**	**$**	**1,323,271**	**$**	**(3,090,323)**	**$**	**8,547,589**
Balance, February 1, 2017	21,742,956		$7,516,526	$	337,577	$	(2,067,554)	$	5,786,549
Private placement (Note 9)	10,993,500		2,748,375		-		-		2,748,375
Share issuance costs (Note 9)	-		(429,401)		-		-		(429,401)
Warrants issued (Note 9)	-		(708,190)		708,190		-		-
Finder's warrants issued (Note 9)	-		(100,683)		100,683		-		-
Warrants exercised (Note 9)	3,108,000		1,288,014		(200,214)		-		1,087,800
Stock-based compensation (Note 9)	-		-		751,327		-		751,327
Net loss for the year	-		-		-		(1,250,894)		(1,250,894)
Balance, January 31, 2018	**35,844,456**	**$**	**10,314,641**	**$**	**1,697,563**	**$**	**(3,318,448)**	**$**	**8,693,756**
Warrants exercised (Note 9)	1,067,700		442,475		(68,780)		-		373,695
Stock Options exercised (Note 9)	250,000		164,151		(74,151)		-		90,000
Stock-based compensation (Note 9)	-		-		394,975		-		394,975
Net loss for the period	-		-		-		(1,446,771)		(1,446,771)
Balance, October 31, 2018	**37,162,156**	**$**	**10,921,267**	**$**	**1,949,623**	**$**	**(4,765,219)**	**$**	**8,105,655**

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

Organic Garage Ltd.
Interim Condensed Consolidated Statements of Cash Flows
For the nine months ended October 31, 2018 and 2017
(In Canadian dollars)
(Unaudited)

	October 31, 2018	October 31, 2017
Cash flows from operating activities		
Net loss for the period	$ **(1,446,771)**	$ **(1,022,769)**
Items not affecting cash:		
Depreciation (Note 6)	410,065	360,395
Stock-based compensation (Note 9)	394,975	377,035
	(641,731)	**(285,339)**
Net changes in non-cash working capital		
Short-term investments	200,000	-
Accounts receivable and HST receivable	(423,547)	(66,909)
Inventory	(459,677)	(232,660)
Prepaid expenses	31,954	-
Deposit payable	-	(221,438)
Accounts payable and accrued liabilities	988,271	326,961
	(304,730)	**(479,385)**
Cash flows from financing activities		
Share issuance (Note 9)	-	2,748,375
Share issuance costs (Note 9)	-	(429,401)
Exercise of warrants (Note 9)	373,695	1,087,800
Exercise of options (Note 9)	90,000	-
Bank loans (repayment) (Note 7)	2,851,184	(148,979)
Repayment of obligation under capital lease	(143,853)	(141,547)
	3,171,026	**3,116,248**
Cash flows used in investing activities		
Purchase of property, plant and equipment (net)	(1,934,149)	(1,875,847)
	(1,934,149)	**(1,875,847)**
Increase in cash and cash equivalents	932,147	761,016
Cash and cash equivalents, beginning of period	1,707,910	1,040,146
Cash and cash equivalents, end of period	$ **2,640,057**	$ **1,801,162**

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

1. NATURE OF OPERATIONS

Organic Garage Ltd. (the "Company" or "Organic Garage") was incorporated on July 25, 2011 under the Business Corporations Act (British Columbia) ("BCCA"). The Company's common shares are listed for trading on the TSX Venture Exchange (the "TSX-V") (Tier 1 Issuer) under the trading symbol "OG".

Organic Garage is an independent, Ontario-based natural and organic grocery chain with 4 stores operating in the Greater Toronto area. Organic Garage's main business activities are selling natural and organic products to consumers through its retail network of store locations. The Company operates its business through its wholly owned subsidiary, OG, which also has six wholly owned subsidiaries whose primary business is to hold its premises leases. OG and each subsidiary was incorporated under the Business Corporations Act (Ontario) (the "OBCA"). The Company also has two numbered company subsidiaries with no current operations.

The registered and records office of Organic Garage is located at 101 – 1500 Howe Street, Vancouver, BC V6Z 2N1 and its head office and mailing address is 50 Akron Road, Toronto, ON M8W 1T2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The interim condensed consolidated financial statements of the Company have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, effective for the Company's reporting for the period ended October 31, 2018. The interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended January 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies as set out below were consistently applied to all the periods presented unless otherwise noted.

These interim condensed consolidated financial statements were approved and authorized by the Board of Directors of the Company on December 19, 2018.

(b) Basis of Measurement

The interim condensed consolidated financial statements of the Company were prepared on a historical cost basis except where certain financial instruments are required to be measured at fair value as described in the accounting policies, if applicable.

(c) Basis of Consolidation

The interim condensed consolidated financial statements of the Company as at and for the period ended October 31, 2018 and 2017 include the Company and its wholly-owned subsidiaries. Intercompany balances and transactions are eliminated in preparing these interim condensed consolidated financial statements.

(d) Functional Currency

The interim condensed consolidated financial statements are presented in Canadian dollars which is the Company's and its subsidiaries' functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Use of estimates and key judgments

The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the recognition, measurement and disclosure of amounts reported in these interim condensed consolidated financial statements and accompanying notes. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from such estimates. Significant estimates are made with respect to the estimated useful life and residual values of property, plant and equipment.

Goodwill valuation

The values associated with goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. The Company assesses impairment by comparing the recoverable amount of the cash generating unit with its carrying value. The recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of the recoverable amount involves management estimates.

Share based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them which are disclosed in Note 9.

Changes in the intended use of property, plant and equipment as well as changes in technology or economic conditions may cause the estimated useful life of these assets to change.

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 period affected.

(f) Accounting Standards Implemented in 2018

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after February 1, 2018 and have been adopted and evaluated to determine their impact on the Company:

(i) On February 1, 2018, the Company implemented IFRS 9 "Financial Instruments" ("IFRS 9"). IFRS 9 is the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with the accounting treatment. The Company applied the requirements of the standard retrospectively. IFRS 9 classifications did not result in significant changes in measurement or the carrying amount of financial assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) On February 1, 2018, the Company implemented IFRS 15 "Revenue from Contracts with Customers" ("IFRS 15"). IFRS 15 introduces a single model for recognizing revenue from contracts and customers. This standard applies to all contracts with customers, with some exceptions.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company applied the requirements of the standard retrospectively. The implementation of IFRS 15 did not have a significant impact on the Company's revenue, no adjustment was recorded through retained earnings.

(g) Standards, amendments and interpretations to existing accounting standards that are not yet effective and that have not been adopted early by the Company

IFRS 16 Leases sets out the principles for recognition, measurement, presentation and disclosure of leases. Although the accounting requirements for lessors remains substantially unchanged, a lessee will recognize that a lease results in obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. IFRS 16 eliminates the classification of leases by a lessee as either operating leases of finance leases and, instead, introduces a single accounting model.

Management has yet to assess the impact of IFRS 16 on these interim condensed consolidated financial statements and intends to adopt the standard on its effective date. The new standard is effective for annual reporting periods beginning on or after January 1, 2019.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The components of cash and cash equivalents are as follows:

		October 31, 2018		**January 31, 2018**
Cash in Bank	$	2,640,057	$	1,707,910

The Company had security posted for a letter of credit in favour of a landlord in the amount of $200,000. The security was released on April 24, 2017 and deposited into an interest bearing one-year non-redeemable Guaranteed Investment Certificate ("GIC").

As at January 31, 2018, the GIC had been recorded in short-term investments.

On June 14, 2018, the Company was notified that a letter of credit that was required under a store lease agreement had expired and the $200,000 short-term investment held as security for the lease was released. The cash was deposited into the Company's bank account.

4. INVENTORY

Inventory consists of meat, produce and grocery items. The amount of inventory recognized in cost of goods sold was $4,209,406 for the three-month period and $12,575,260 for the nine-month period ended October 31, 2018 ($3,981,849 for the three-month period and $10,281,473 for the nine-month ended October 31, 2017).

5. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are comprised primarily of insurance and rent deposits for stores.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost					Accumulated Depreciation				
Assets	**Balance at January 31, 2018**	**Additions**	**Disposals**	**Balance at October 31, 2018**		**Balance at January 31, 2018**	**Depreciation**	**Disposals**	**Balance at October 31, 2018**	**Carrying amount at October 31, 2018**
Computer Equipment	$50,640	$60,099	$ 3,006	$107,733	45%	$20,747	$13,362	$ -	$34,109	$73,624
Computer Software	43,433	18,786	-	62,219	100%	35,202	10,674	-	45,876	16,343
Truck	44,500	37,318	-	81,818	30%	6,675	19,185	-	25,860	55,958
Furniture, Store Fixtures and Equipment	2,776,909	1,581,413	-	4,358,322	20%, SL	278,393	228,061	-	506,454	3,851,868
Equipment Under Capital Lease	589,188	-	-	589,188	SL	68,238	39,735	-	107,973	481,215
Leasehold Improvements	881,367	751,112	-	1,632,479	SL	95,180	58,038	-	153,218	1,479,261
Leasehold Improvements Under Capital Lease	78,342	-	-	78,342	SL	8,561	4,986	-	13,547	64,795
Signs	306,804	129,631	-	436,435	20%	39,453	28,557	-	68,010	368,425
Branding/Design	99,555	-	-	99,555	20%	9,956	7,467		17,423	82,132
Sub-total	4,870,738	2,578,359	3,006	7,446,091		562,405	410,065	0	972,470	6,473,621
Construction In Progress	808,860	-641,204	-	167,656	n/a	-	-	-	-	167,656
Total	**$5,679,598**	**$1,937,155**	**$3,006**	**$7,613,747**		**$562,405**	**$410,065**	**$0**	**$972,470**	**$6,641,277**

7. BANK LOANS

	October 31, 2018	**January 31, 2018**
(a) Term loan for new location leasehold improvements, principal amount of $3,000,000, which is repayable by way of the repayment of $500,000 and $1,500,000 during the term of the loan and the balance as a balloon payment at the maturity date of November 30, 2019. The loan bears interest at 14% per annum (the lender's Base Rate plus 7.95%) and is payable monthly in arrears. The loan is secured by a general security agreement and guaranteed by the subsidiaries of the Company. The term loan contains financial covenants on the Company's consolidated working capital and tangible equity, which is assessed quarterly. As at October 31, 2018, the Company was in compliance with its financial covenants. The term loan is presented net of deferred financing costs of $45,046.	$2,954,954	-
(b) Term loan, principal repayable in monthly instalments of $10,835 plus interest at the floating base rate (October 31, 2018 – 6.05%, October 31, 2017 – 4.70%). The loan matures on April 28, 2019. The loan is secured by specific equipment being financed under this loan, a security interest in all other present and after acquired personal property and the landlord's waiver of distrain. The loan is guaranteed by an officer of the Company for 50% of the outstanding loan balance.	65,010	162,525
(c)Term loan, principal repayable in monthly instalments of $2,085 plus interest, at the floating base rate plus 1.0% (October 31, 2018 – 6.55%, October 31, 2017 – 5.70%). The loan was secured by all present and after acquired personal property, except consumer goods, including a specific first charge over the equipment purchased under loan. The loan was guaranteed by an officer of the Company. The loan was repaid in April 2018.	-	6,255
	3,019,964	168,780
Less: Current portion	521,892	136,275
	$ 2,498,072	**$ 32,505**

Principal repayments are approximately as follows:

Fiscal year (ended January 31)	**Amount**
2019	$ 532,505
2020	2,532,505
	$3,065,010

8. OBLIGATION UNDER CAPITAL LEASE

The Company has entered into a commitment under a capital lease agreement for equipment and leasehold improvements with monthly payments of $17,425 ending in November 2019.

Future annual minimum lease payments under the capital lease are as follows:

Fiscal year (ended January 31)	Amount
2019	$ 51,570
2020	154,710
	206,280
Less: Imputed interest	5,649
	200,631
Less: Current portion	200,631
	$ 0

9. CAPITAL STOCK

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At October 31, 2018, there were 37,162,156 common shares issued and fully paid (January 31, 2018 – 35,844,456).

<u>During the nine-month period ended October 31, 2018 and year ended January 31, 2018:</u>

On February 28, 2017, the Company issued a total of 10,993,500 units at a price of $0.25 per unit, raising gross proceeds of $2,748,375 pursuant to a private placement offering (the "Offering"). Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share of the Company at a price of $0.35 for a period of two years from the closing date.

The Company incurred share issuance costs of $429,401 related to the Offering. The total of share issuance costs consists of a cash commission of $164,903 equal to 6.0% of the gross proceeds raised in the Offering paid to the agent for the Offering; legal and other fees of $64,498, and a financing bonus of $200,000 (the "Financing Bonus") to be paid to the President and CEO of the Company, as had been agreed in an arrangement agreement (the "Arrangement Agreement") pursuant to which the Company completed a significant acquisition of its whole owned operating subsidiary on October 18, 2016. The Financing Bonus was paid in full on August 18, 2017.

The agent for the Offering was also granted 659,610 compensation options to purchase common shares of the Company equal to 6.0% of the total number of units issued pursuant to the Offering, exercisable for a 24-month period from the closing of the Offering at a price of $0.25 per common share.

The Company recorded $100,683 as fair value of the warrants issued using the Black-Scholes option pricing model assuming risk-free interest rate of 0.71%, expected life of 2 years and stock price volatility of 92% with zero dividend yield.

On May 15, 2017, the Company received $37,800 and issued 108,000 common shares for the exercise of 108,000 warrants by a director of the Company. The warrants were issued on February 28, 2017 pursuant to the Offering.

On July 25, 2017, the Company received $1,050,000 and issued 3,000,000 common shares for the exercise of 3,000,000 warrants. The warrants were issued on February 28, 2017 pursuant to the Offering.

9. CAPITAL STOCK (CONTINUED)

On July 11, 2018 through July 19, 2018 the Company received $373,695 and issued 1,067,700 common shares for the exercise of 1,067,700 warrants. The warrants were issued on February 28, 2017 pursuant to the Company's private placement financing.

On July 18, 2018 the Company received $90,000 and issued 250,000 common shares for the exercise of 250,000 options by a former director of the Company. The options were issued on July 31, 2017 pursuant to the Company's stock-based compensation plan.

Escrow Shares

As at October 31, 2018, nil common shares were subject to escrow (January 31, 2018 – 2,417,188).

Stock Options

3,180,000 options were issued and outstanding as at October 31, 2018, 2,780,000 expiring on July 31, 2022 at an exercise price of $0.36 per share, vesting at various times over a 12-month period from the date of grant, 200,000 expiring on July 3, 2023, at an exercise price of $0.42 per share, fully vested from the date of grant, and 200,000 expiring September 15, 2023 at an exercise price of $0.50 per share, vesting at various times over a 9-month period from the date of grant.

	Period Ended October 31, 2018		Year Ended January 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance outstanding, beginning of period	3,580,000	$0.36	135,000	$0.60
Expired/cancelled	(350,000)	$0.36	(135,000)	$0.60
Expired/cancelled	(200,000)	$0.40	-	-
Issued	200,000	$0.42	3,380,000	$0.36
Issued	200,000	$0.50	200,000	$0.40
Exercised	(250,000)	$0.36		
Balance outstanding, end of period	3,180,000	$0.36	3,580,000	$0.36
Balance exercisable, end of period	3,030,000	$0.36	1,682,500	$0.36

The fair value of the options granted on July 31, 2017, July 3, 2018 and September 15,2018 have been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate of 1.5%, expected dividend yield of nil, expected forfeiture rate of nil, expected volatility of 141% and expected life term of five years. Under this method of calculation, a total fair value of the options is $943,188 and the Company has recorded a total of $394,975 as stock-based compensation expense, being the fair value of the options vested during the nine months ended October 31, 2018.

9. CAPITAL STOCK (CONTINUED)

Warrants

Summary of the warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2018	8,545,110	$0.34
Exercised during the nine-month period	(1,067,700)	$0.35
Balance, October 31, 2018	7,477,410	$0.34

Warrants outstanding as at October 31, 2018 were as follows:

Expiry Date	Number of Warrants	Exercise Price
February 28, 2019	6,817,800[1]	$0.35
February 28, 2019	659,610[2]	$0.25

The weighted average life of the warrants outstanding and exercisable at October 31, 2018 is 0.33 years.

Notes:

1. Share Purchase Warrants
2. Finder Warrants

10. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The Company's key operational management personnel are comprised of the President, Director of Operations, Director of Marketing and Manager of Human Resources. Total compensation earned by key management personnel for the nine months ended October 31, 2018 was $483,541 and was comprised of salaries and other short-term employee benefits (during the nine months ended October 31, 2017- $276,841) as well as a bonus paid to the President and CEO of the Company per an Arrangement Agreement dated April 29, 2016, approved by the shareholders of the Company on June 8, 2016.

The Company also paid, during the nine months ended October 31, 2018, $31,500 to an entity owned and/or controlled by a director of the Company for consulting services rendered (October 31, 2017- $24,500), $15,000 to an entity owned and/or controlled by the Company's former CFO for services rendered (October 31, 2017- $27,000), $32,400 to an entity affiliated with the current CFO for services rendered (October 31, 2017 -$NIL) and $63,614 to an entity owned by the Company's Corporate Secretary, which relates to legal services rendered by a lawyer who also acts as the Company's Corporate Secretary (October 31, 2017-$77,991).

11. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities are classified as follows:

(a) Cash and cash equivalents is designated as financial assets at fair value through profit or loss;

(b) Short term investments and accounts receivable are classified as financial assets at amortized cost;

(c) Accounts payable and accrued liabilities, bank loans, and obligations under capital lease are classified as financial liabilities at amortized cost.

Fair Value Measurement

The following describes the fair value determinations of financial instruments:

(a) Short-term investments, accounts receivable, accounts payable and accrued liabilities and short-term debt

Fair value is based on estimated cash flows, discounted at interest rates for similar instruments. The carrying amount approximates fair value due to the short-term maturity of these instruments.

(b) Long-term debt

Fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements. The carrying amounts approximate fair value due to the majority of the long-term debt bearing variable interest rates.

12. FINANCIAL RISK MANAGEMENT

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at October 31, 2018.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. Difficulty accessing capital markets could impair the Company's capacity to grow, execute its business model and generate financial returns. The Company manages its liquidity risk by monitoring its operating requirements to ensure financial resources are available, actively monitoring market conditions and by diversifying its sources of funding and maintaining a diversified maturity profile of its debt obligations. Refer to Notes 7 and 8 for maturity analysis of debt obligations and Note 13 for analysis of commitments.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The entity's main credit risk relates to its accounts receivable. The Company's credit risk is reduced by a broad customer base and a review of customer credit profiles.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to any currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its bank loans. The Company manages interest rate risk by monitoring its debt levels. The Company estimates that a 100-basis point fluctuation in short term interest rates, with all other variables held constant, would not result in material adjustment to interest expense.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk.

(d) Capital management

The Company's capital consists of total shareholders' equity. The Company's capital management is designed to ensure that it has sufficient financial flexibility both in the short and long-term to support its financial obligations and the future development of the business.

The Company manages its capital with the following objectives:

a) Ensuring sufficient liquidity is available to support its financial obligations and to execute its operating strategic plans;

b) Maintaining financial capacity and flexibility through access to capital to support future development of the business;

c) Minimizing its cost of capital and considering current and future industry, market and economic risks and conditions; and

d) Utilizing short-term funding sources to manage its working capital requirements and long-term funding sources to match the long-term nature of the property, plant and equipment of the business.

13. COMMITMENTS AND CONTINGENCIES

The Company, through its subsidiaries, has entered into various lease agreements expiring between December 2020 and November 2028.

Future minimum annual payments required under these leases are as follows:

Fiscal period (ended January 31)	Premises	Vehicle and equipment
2019	$ 619,514	$8,371
2020	$1,671,008	-
2021	$1,780,939	-
2022	$1,797,946	-
2023	$ 1,807,050	-
Thereafter	$ 20,525,869	-

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Management is of the position that there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations or cash flows.