This prospectus does not constitute a public offering of any securities. No securities regulatory authority has expressed an opinion about any information contained herein and it is an offence to claim otherwise.

PROSPECTUS

TERRACE

<u>*Non-Offering Prospectus*</u> November 7 2019

Apolo II Acquisition Corp.

(To be renamed Terrace Global Inc.)

No securities are being offered pursuant to this prospectus ("**Prospectus**"). This Prospectus is being filed with the securities regulatory authorities in the Provinces of Ontario, Alberta and British Columbia to enable Apolo II Acquisition Corp. (the "**Company**"), a capital pool company ("**CPC**") pursuant to Policy 2.4 – *Capital Pool Companies* (the "**CPC Policy**") of the Corporate Finance Manual of the TSX Venture Exchange Inc. (the "**Exchange**"), to complete its proposed qualifying transaction ("**Proposed Qualifying Transaction**"). Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses in connection with the preparation and filing of this Prospectus will be paid by the Company from its general working capital.

The common shares in the capital of the Company ("**Shares**") currently trade on the Exchange under the trading symbol "APII.P". The Company has applied to list the Shares to be issued pursuant to the Proposed Qualifying Transaction on the Exchange. The closing price of the Shares on November 13, 2018, being the last trading date prior to the announcement of the Proposed Qualifying Transaction, was $0.125.

The Proposed Qualifying Transaction must be approved by the Exchange in accordance with the CPC Policy. The Company has not commenced commercial operations and has no assets other than cash and its listing on the Exchange. Except as specifically contemplated in the CPC Policy, until completion of the Proposed Qualifying Transaction, the Company has not carried on and will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction as such term is defined by the Exchange. See "*Information Concerning the Company – General Development of the Business*".

No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of the contents of this Prospectus. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The head and registered office of the Company in Canada is located at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1.

Upon completion of the Proposed Qualifying Transaction, a substantial portion of the assets of the Resulting Issuer (as hereafter defined) will be located outside of Canada. Francisco Ortiz von Bismarck, the chief executive officer and a director of Terrace Inc. ("**Terrace**") and the proposed Chief Executive Officer and director of the Resulting Issuer, resides outside of Canada. Any directors residing outside of Canada have appointed the following agent for service of process:

Name of Person or Corporation	Name and Address of Agent
Francisco Ortiz von Bismarck	Wildeboer Dellelce Corporate Services Inc., Wildeboer Dellelce Place, 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1

Investors are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

Readers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Company's securities.

This Prospectus is being filed with the Exchange under the requirements of the CPC Policy in lieu of a filing statement, which is the document that is typically required for Qualifying Transactions. *Neither the Exchange nor any securities regulatory authority has in any way passed upon the merits of the Proposed Qualifying Transaction described in this Prospectus*.

Immediately prior to the completion of, and as a condition to, the Proposed Qualifying Transaction, the Company proposes to consolidate the outstanding common shares in the capital of the Company (the "**Pre-Consolidation Shares**") on the basis of one Post-Consolidation Share (as hereafter defined) for two and one-half outstanding Pre-Consolidation Shares (the "**Consolidation**"). The Company's shareholders approved the Consolidation at a special meeting of the shareholders of the Company held on January 11, 2019. As of the date of this Prospectus, the Company has 11,900,000 Pre-Consolidation Shares issued and outstanding.

INVESTMENT IN THE SECURITIES OF THE COMPANY SHOULD BE REGARDED AS HIGHLY SPECULATIVE DUE TO THE PROPOSED NATURE OF THE COMPANY'S AND THE RESULTING ISSUER'S BUSINESS AND THEIR RESPECTIVE PRESENT STAGE OF DEVELOPMENT. THE COMPANY HAS NEITHER A HISTORY OF EARNINGS NOR HAS IT PAID ANY DIVIDENDS AND IT IS UNLIKELY TO PAY DIVIDENDS IN THE IMMEDIATE OR FORESEEABLE FUTURE.

There is no assurance that the Company will successfully complete the Proposed Qualifying Transaction with Terrace, or even if it does, that Terrace's businesses acquired will be profitable or will succeed. Moreover, additional funds may be required to successfully implement Terrace's business plan and the Company may not be able to obtain such financing. If any additional funds are raised through the issuance of Shares from the Company's treasury, control of the Company may change and the Company's Shareholders may suffer additional dilution. Holders of the Company's securities may be unable to enforce Canadian statutory and civil remedies against non-residents.

Terrace Inc.'s business operations are at an early stage in their development. In the case of Terra Nova Business Holdings Inc. no operations have yet commenced. While Oransur, S.A. has harvested one outdoor crop of hemp for research and experimental purposes, no sales have been made to-date and a buyer for its hemp has not yet been identified. Pharmabinoide S.L. has harvested one outdoor crop of hemp and is in the process of delivering it to a purchaser and is in the process of completing its second harvest of hemp.

If the Proposed Qualifying Transaction is completed, the issuer resulting from the completion of the Proposed Qualifying Transaction (the "Resulting Issuer") will be subject to a number of risks relating to its business. AS A RESULT OF THESE RISK FACTORS, AN INVESTMENT IN SECURITIES OF THE COMPANY IS SUITABLE ONLY TO THOSE INVESTORS WHO CAN AFFORD TO RISK A LOSS OF THEIR ENTIRE INVESTMENT. SEE "*INFORMATION CONCERNING THE COMPANY – RISK FACTORS*" AND "*INFORMATION CONCERNING THE RESULTING ISSUER – RISK FACTORS*".

TABLE OF CONTENTS

GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise "we", "us", "our" or the "Company" refers to Apolo II Acquisition Corp. and its direct and indirect subsidiaries and includes (where the context requires) the Resulting Issuer on completion of the Proposed Qualifying Transaction.

Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary of Terms" beginning on page 4.

Readers should rely only on the information contained in this Prospectus. The Company has not authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, including information or statements in media articles about the Company, you should not rely on it. You should assume that the information appearing in this Prospectus is accurate only as at its date. The Company's business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its consolidated financial statements in Canadian dollars. Amounts in this Prospectus are stated in Canadian dollars unless otherwise indicated.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The financial statements listed in Schedule "F" have been prepared in accordance and comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and are included in this Prospectus.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from our internal research, and include assumptions made by us which we believe to be reasonable based on our knowledge of our industry and markets. Our internal research and assumptions have not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings "*Forward-Looking Statements*" and "*Risk Factors*".

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus and the schedules attached hereto are forward-looking statements which may include, but are not limited to, statements with respect to: predictions about the Resulting Issuer's earnings, revenues, margins, expenses or other financial matters; forecasts of financial condition, results of operations, liquidity position or working capital requirements; the completion, timing and expected effects of the Proposed Qualifying Transaction and the benefits anticipated to be received by the Company, Terrace and/or the Resulting Issuer from such transactions; obtaining the necessary regulatory approvals; that regulatory requirements will be maintained; general business and economic conditions; the Company's ability to successfully execute its plans and intentions; the availability of financing on reasonable terms; the Company's ability to attract and retain skilled staff; market competition; the products and technology offered by the Company's competitors; and that the Company's current good relationships with its suppliers, service providers and other third parties will be maintained.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “projects”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company, Terrace or the Resulting Issuer, as applicable, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the sections entitled “*Risk Factors*” in this Prospectus. Although the Company and Terrace have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Although the Company and Terrace believe that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this Prospectus and the Company, Terrace and the Resulting Issuer disclaim any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under the sections entitled “*Risk Factors*”, which include:

- the Company is a CPC with no operating history, a history of losses and the Company cannot assure profitability;
- the Company may not complete the Proposed Qualifying Transaction;
- uncertainty about the Company’s ability to continue as a going concern;
- the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is reliant on licenses to cultivate cannabis products in Uruguay, Portugal and Spain;
- renewal or issuance of the Company’s licenses is not guaranteed;
- the Company is subject to changes in Canadian, Uruguayan, Portuguese and Spanish laws, regulations and guidelines which could adversely affect the Company’s future business, financial condition and results of operations;
- the Company may not be able to complete the acquisition of all of the issued and outstanding securities of Faises;
- the Company’s business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company’s reputation, business, results from operations and financial condition;
- the Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;

- there is no assurance that the Company will obtain and retain any relevant licenses;
- the Company's licenses and assets are subject to local/municipal regulations and approvals;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the cultivation of cannabis and/or hemp includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the cultivation of cannabis and/or hemp involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- enforcement of cannabis laws in the jurisdictions in which the Company operates may change;
- the cannabis industry is a new industry that may not succeed and the market for cannabis could decline due to regulatory changes;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- the Company cannot assure investors that a market will continue to develop for the Shares or what the market price of the Shares will be;
- the market price for Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;
- the Company is subject to uncertainty regarding Canadian legal and regulatory status and changes;
- the Company does not anticipate paying cash dividends;
- future sales of Shares by existing shareholders could reduce the market price of the Shares; and
- there is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

GLOSSARY OF TERMS

"**Affiliate**" means a company that is affiliated with another company as described below.

A company is an "**Affiliate**" of another company if:

(a) one of them is the Subsidiary of the other, or
(b) each of them is controlled by the same person.

A company is "**controlled**" by a person if:

(a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person, and
(b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

(a) a company controlled by that person, or
(b) an Affiliate of that person or an Affiliate of any company controlled by that person.

"**Agents**" means the Lead Agent, together with Sprott Capital Partners LP, in connection with the brokered component of the Subscription Receipt Financing.

"**Amalco**" means the continued entity after the amalgamation of Terrace and Subco, to be named "Terrace Inc.".

"**Anti-Bribery and Anti-Corruption Policy**" has the meaning ascribed thereto in "*Corporate Governance of the Resulting Issuer – Ethical Business Conduct*".

"**Apolo Broker Warrants**" means the broker warrants issued to Richardson GMP Limited in connection with the Company's IPO.

"**Articles**" means the Company's articles of incorporation, as amended.

"**Associate**" when used to indicate a relationship with a Person, means

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or her to more than 10% of the voting rights attached to outstanding securities of the issuer,
(b) any partner of the Person,
(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
(d) in the case of a Person that is an individual, a relative of that Person, including: (i) that Person's spouse or child, or (ii) any relative of the Person or of his or her spouse who has the same residence as that Person;

but where the Exchange determines that two Persons shall, or shall not, be deemed to be Associates with respect to a member firm, member corporation or holding company of a member corporation, then such determination shall be determinative of their relationships in the application of Regulation D of the U.S. Securities Act with respect to that member firm, member corporation or holding company.

"**Audit Committee**" means the audit committee established by the Board of Directors of the Company.

"**Board of Directors**" or "**Board**" means the board of directors of the Company.

"**Board of the Resulting Issuer**" means the board of directors of the Resulting Issuer.

"**Business Combination Agreement**" means an agreement dated July 17, 2019 entered into by the Company, Subco, and Terrace, pursuant to which the parties have agreed to, among other things, complete the Securities Exchange.

"**Call Option Agreement**" means the call option agreement entered into on August 30, 2018 and as amended on June 28, 2019 between Terrace and Inception, pursuant to which Terrace has the option to purchase all of the securities held or after acquired by Inception of Oransur and Faises subject to the terms and conditions set out therein.

"**cannabis**" has the meaning given to such term in the Cannabis Act.

"**Cannabis Act**" means the *Cannabis Act* (Canada).

"**cannabis oil**" has the meaning given to such term in the Cannabis Act.

"**CBD**" means cannabidiol.

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**Change of Control**" means: (i) the acquisition by any person or any persons acting jointly or in concert, whether directly or indirectly, of voting securities of the Resulting Issuer which together with all other voting securities of the Resulting Issuer held by such persons, constitute, in the aggregate, more than 50% of the votes attached to all outstanding voting securities of the purchaser; (ii) an amalgamation, arrangement, consolidation, merger or other form of business combination of the Resulting Issuer with another person which results in the holders of voting securities of that other person holding, in the aggregate, more than 50% of the votes attached to all outstanding voting securities of the person resulting from the business combination; or (iii) the sale, lease, exclusive license or exchange or other disposition of all or substantially all of the assets of the Resulting Issuer to another person.

"**Company**" means Apolo II Acquisition Corp.

"**Company Meeting**" means the special meeting of the Company Shareholders held on January 11, 2019.

"**Company Options**" means the stock options of the Company issued pursuant to the Stock Option Plan.

"**Company Shareholders**" means the holders of Shares of Apolo II Acquisition Corp.

"**Company's MD&As**" means management discussion and analysis of financial condition and results of operations of the Company from incorporation to the year ended December 31, 2018, together with the interim financial statements for the six months ended June 30, 2019.

"**Consolidated Financial Statements**" means the audited consolidated financial statements of the Company from incorporation to December 31, 2018, together with the interim financial statements for the six months ended June 30, 2019.

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**CPC Escrow Agent**" means Computershare Investor Services Inc., in its capacity, as the context requires, as escrow agent for the Shares held in escrow under the CPC Escrow Agreement.

"**CPC Escrow Agreement**" means the escrow agreement dated February 21, 2018 among the Company, the Escrow Agent and certain shareholders of the Company pursuant to the CPC Policy.

"**CPC Escrow Shares**" means 4,650,000 Shares held in escrow pursuant to Section 11 of the CPC Policy and released in accordance with the applicable provisions of the CPC Escrow Agreement.

"**CSE**" means the Canadian Stock Exchange.

"**DGSA**" has the meaning ascribed thereto in "*Regulatory Framework – Uruguay – Licenses and Authorizations*".

"**Escrow Release Conditions**" means the following conditions:

(a) all conditions precedent to the completion of the Proposed Qualifying Transaction pursuant to the Business Combination Agreement (other than the release of the escrowed funds) shall have been satisfied and the Lead Agent shall have received written confirmation from each of the Company and Terrace to such effect;
(b) the receipt of all regulatory, shareholder and third party approvals required for the Proposed Qualifying Transaction;
(c) the distribution of the Terrace Shares, Resulting Issuer Shares and the Resulting Issuer Shares issuable pursuant to the Subscription Receipt Warrants pursuant to the Proposed Qualifying Transaction will be free trading, subject to a "seasoning period" and exempt from applicable prospectus and registration requirements of applicable securities laws;
(d) the Resulting Issuer Shares being conditionally approved for listing on the Exchange and the completion, satisfaction or waiver of all conditions precedent to such listing (other than the release of the escrow funds); and
(e) Terrace and the Lead Agent, on its own behalf and on behalf of the Agents, shall have delivered a release notice to the Subscription Receipt Agent confirming that items (a) through (d), inclusive, have been satisfied or waived.

"**Exception**" has the meaning ascribed thereto in *"Risk Factors – Risks Related to the Business of the Resulting Issuer"*.

"**Exchange Ratio**" means the exchange of all issued and outstanding Terrace Shares on the basis of one Post-Consolidation Share for each Terrace Share.

"**Faises**" means Faises, S.A., a Uruguayan company of which Inception owns 33.75% of the issued and outstanding shares.

"**Final Exchange Bulletin**" means the Exchange Bulletin which is issued following closing of the Proposed Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Proposed Qualifying Transaction.

"**GACP**" means good agricultural and collection practices.

"**Hemp Authorization**" has the meaning ascribed thereto in "*Regulatory Framework - Uruguay*".

"**INFARMED**" has means INFARMED, I.P., the governing regulatory body that oversees medical cannabis in Portugal.

"**IFRS**" means International Financial Reporting Standards.

"**Inception**" means Inception Investment Corp., an entity owned and controlled by Francisco Ortiz von Bismarck, and the holder of the shares of Oransur and Faises subject to the Call Option Agreement.

"**Insider**" if used in relation to an issuer, means:
(a) a director or senior officer of the issuer;
(b) a director or senior officer of the company that is an insider or Subsidiary of the issuer;
(c) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than ten percent of the voting rights attached to all outstanding voting securities of the issuer; or
(d) the issuer itself if it holds any of its own securities.

"**International Advisory Board**" means the international advisory board of Terrace consisting of Maria Consuelo Araujo, Lorne Gertner, Jonathan Goldman and Hon. James Peterson.

"**IPO**" means initial public offering.

"**IRCCA**" means the Instituto de Regulación y Control del Cannabis, the governing regulatory body that oversees cannabis in Uruguay.

"**Lead Agent**" means PI Financial Corp.

"**Letter of Intent**" means the letter of intent entered into on November 12, 2018, as amended, between the Company and Terrace, whereby the Company shall acquire all of the issued and outstanding common shares in the capital of Terrace.

"**Livestock, Agriculture and Fisheries Ministry**" means the ministry of Livestock, Agriculture and Fisheries in Uruguay.

"**Loan Agreement**" means the loan agreement entered into on August 30, 2018 between Terrace and Inception, pursuant to which Terrace agreed to loan Inception up to $4,500,000, entered into in connection with the Call Option Agreement.

"**MA**" has the meaning ascribed thereto in "*Regulatory Framework – Portugal*".

"**Material Adverse Effect**" has the meaning given to the term in the *Business Combination Agreement*.

"**MD&A**" means Management Discussion and Analysis.

"**MI 61-101**" means Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions and Related Companion Policy 61-101CP Protection of Minority Security Holders in Special Transactions*.

"**MNP**" means MNP LLP, auditor to the Company and Terrace.

"**MPA**" has the meaning ascribed thereto in "*Regulatory Framework – Portugal*".

"**Name Change**" has the meaning ascribed thereto in "*Prospectus Summary*".

"**Named Executive Officers**" or "**NEOs**" means the Company's CEO and CFO and the next three next most highly compensated executive officers of the Company who are currently serving as executive officers, or the three most highly compensated individuals acting in a similar capacity.

"**NI 41-101**" means National Instrument 41-101 - *General Prospectus Requirements*.

"**NI 52-109**" means National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NP 58-201**" means National Policy 58-201 – *Corporate Governance Guidelines*.

"**Non-Arm's Length Qualifying Transaction**" means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the Proposed Qualifying Transaction.

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings.*

"**OBCA**" means the *Business Corporations Act* (Ontario).

"**OCA**" has the meaning ascribed thereto in "*Regulatory Framework – Spain*".

"**Oransur**" means Oransur, S.A., a wholly-owned subsidiary of Inception.

"**Oransur Shares**" means the common shares in the capital of Oransur.

"**OSC**" means the Ontario Securities Commission.

"**Participants**" has the meaning ascribed thereto in "*Options to Purchase Shares – Options*".

"**Pharmabinoide**" means Pharmabinoide S.L., a wholly-owned subsidiary of Terrace.

"**Post-Consolidation Shares**" has the meaning ascribed thereto in "*Description of Share Capital – Existing Shares*".

"**Principal**" if used in relation to an issuer, means:

(a) a Person who acted as a Promoter of the issuer within two years or their respective Associates or Affiliates before the IPO prospectus or Final Exchange Bulletin;
(b) a director or senior officer of the issuer or any of its material operating subsidiaries at the time of the IPO prospectus or Final Exchange Bulletin;
(c) a 20% holder – a person that holds securities carrying more than 20% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO or immediately after the Final Exchange Bulletin for non-IPO transactions; and
(d) a 10% holder – a person that:

    (i) holds securities carrying more than 10% of the voting rights attached to the issuer's outstanding securities immediately before and immediately after the issuer's IPO or immediately after the Final Exchange Bulletin for non-IPO transactions; and
    (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of the issuer or any of its material operating subsidiaries.

In calculating these percentages, include securities that may be issued to the holder under outstanding convertible securities in both the holder's securities and the total securities outstanding.

A company more than 50% held by one or more Principals will be treated as a Principal. (In calculating this percentage, include securities of the entity that may be issued to the Principals under outstanding convertible securities in both the Principal's securities of the entity and the total securities of the entity outstanding.) Any securities of the issuer that this entity holds will be subject to escrow requirements.

A Principal's spouse and their relatives that live at the same address as the Principal will also be treated as Principals and any securities of the issuer they hold will be subject to escrow requirements.

"**Productive Project Exception**" has the meaning ascribed thereto in *"Risk Factors – Risks Related to the Business of the Resulting Issuer"*.

"**Promoter**" has the meaning set out in the *Securities Act* (Ontario).

"**Proposed Qualifying Transaction**" has the meaning ascribed thereto in "*Prospectus Summary*".

"**Public Company Exception**" has the meaning ascribed thereto in *"Risk Factors – Risks Related to the Business of the Resulting Issuer"*.

"**QT Closing Date**" means the date of closing which shall be such date designated jointly by the Company and Terrace on which the parties shall mutually agree to close the Proposed Qualifying Transaction.

"**QT Escrow Agent**" means escrow agent for the QT Escrow Agreement, which shall be either a Value Security

Escrow Agreement or Surplus Security Escrow Agreement, as applicable, to be entered into prior to or on QT Closing Date.

"**QT Escrow Agreement**" means the escrow agreement, which shall be either a Value Security Escrow Agreement or Surplus Security Escrow Agreement, as applicable, in accordance with Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions* between the Company, the Escrow Agent, certain Terrace Shareholders who will be Principals of the Resulting Issuer upon completion of the Proposed Qualifying Transaction, and certain other individuals as determined by the Exchange.

"**Recreational License**" has the meaning ascribed thereto in "*Business Segments*".

"**REGEPA**" has the meaning ascribed thereto in "*Regulatory Framework – Spain*".

"**Related Party Transaction Policy**" has the meaning ascribed thereto in "*Corporate Governance of the Resulting Issuer – Ethical Business Conduct*".

"**Resulting Issuer**" means the Company, to be named "Terrace Global Inc.", following completing of the Proposed Qualifying Transaction.

"**Resulting Issuer Options**" means the stock options of the Resulting Issuer.

"**Resulting Issuer Shares**" means the Post-Consolidation Shares of the Resulting Issuer.

"**Securities Exchange**" means a transaction that shall occur pursuant to the Business Combination Agreement concurrently with closing of the Proposed Qualifying Transaction, whereby holders of Terrace Shares shall exchange all issued and outstanding Terrace Shares for Resulting Issuer Shares.

"**Shares**" means common shares without par value in the capital of the Company.

"**SIGPAC**" has the meaning ascribed thereto in "*Regulatory Framework – Spain*".

"**Spanish Agency**" has the meaning ascribed thereto in "*Regulatory Framework – Spain*".

"**Spanish Ministry**" has the meaning ascribed thereto in "*Regulatory Framework – Spain*".

"**Stock Option Plan**" means the Company's stock option plan.

"**Subco**" means Terrace Acquisition Corp., the wholly-owned subsidiary of the Company.

"**Subscription Receipt**" means a subscription receipt of Terrace.

"**Subscription Receipt Advisory Warrants**" means the warrants issued to PI Financial Corp. and Sprott Capital Partners LP in connection with certain advisory services performed in connection with the non-brokered portion of the Subscription Receipt Financing, with each such Subscription Receipt Advisory Warrant exercisable into one Terrace Share.

"**Subscription Receipt Agent**" means Computershare Trust Company of Canada.

"**Subscription Receipt Agreement**" means the subscription receipt agreement between the Company, Terrace, the Subscription Receipt Agent and the Lead Agent dated July 19, 2019.

"**Subscription Receipt Broker Warrants**" means the warrants issued to the Agents in connection with the brokered portion of the Subscription Receipt Financing, with each such Subscription Receipt Broker Warrant exercisable into one Terrace Share.

"**Subscription Receipt Financing**" means the brokered and non-brokered private placement of 34,000,000

Subscription Receipts for aggregate gross proceeds of $17,000,000, with each Subscription Receipt convertible into one Terrace Share upon satisfaction or waiver of the Escrow Release Conditions set forth in the Subscription Receipt Agreement.

"**Subscription Receipt Warrants**" means collectively the Subscription Receipt Advisory Warrants and the Subscription Receipt Broker Warrants.

"**Subscription Receipt Holders**" means those holders of Subscription Receipts of Terrace.

"**Surplus Security Escrow Agreement**" has the meaning ascribed thereto in "*Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*".

"**Surplus Security Escrow Agreement Law**" has the meaning ascribed thereto in *"Escrowed Securities of the Resulting Issuer – QT Escrow Agreement"*.

"**Terra Nova**" means Terra Nova Business Holdings Inc., a subsidiary of Terrace.

"**Terra Nova Portugal**" has the meaning ascribed thereto in "*Prospectus Summary – Terrace*".

"**Terrace**" means Terrace Inc. and, unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

"**Terrace Preferred Shares**" has the meaning ascribed thereto in "*Description of Securities*".

"**Terrace Private Placement**" means the private placement financing of common shares in the capital of Terrace for gross proceeds of approximately $5,900,000.

"**Terrace Shareholders**" means the holders of Terrace Shares.

"**Terrace Shares**" has the meaning ascribed thereto in "*Description of Securities*".

"**THC**" means tetrahydrocannabinol.

"**Transfer Agent**" means Computershare Investor Services Inc.

"**Uruguayan Cannabis Law**" means Uruguayan Law No. 19,172 passed **o**n December 20, 2013.

"**Uruguayan Drugs Law**" means Uruguayan Decree-Law No. 14,294.

"**U.S.**" means the United States of America.

"**U.S. Persons**" has the meaning given to the term in Regulation S under the U.S. Securities Act.

"**U.S. Securities Act**" means United States Securities Act of 1933, as amended.

"**Value Securities**" means securities issued pursuant to a transaction, for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities which are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement.

"**Value Security Escrow Agreement**" has the meaning ascribed thereto in "*Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*".

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

The Company

The full corporate name of the Company is Apolo II Acquisition Corp. The Company was incorporated pursuant to articles of incorporation dated December 15, 2017 under the OBCA. The Company is a CPC, which completed its initial public offering on March 6, 2018, by way of a prospectus dated February 21, 2018. The Shares became eligible to commence trading on the Exchange on March 12, 2018. The registered and head office of the Company is located at 365 Bay Street, Suite 800, Toronto, Ontario, M5H 2V1. The Shares are listed on the TSX Venture Exchange under the trading symbol "APII.P".

The Company has one subsidiary, Subco. The Company's principal business is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the completion of the Qualifying Transaction, the Company will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Proposed Qualifying Transaction is intended to be the Company's Qualifying Transaction. For information on the proposed principal business to be conducted following the Proposed Qualifying Transaction, see "*Information Concerning the Resulting Issuer – General Description of The Business of The Resulting Issuer*".

Terrace

Terrace was incorporated pursuant to the provisions of the OBCA on August 28, 2018. Terrace is a multi-country operator focused on the development and acquisition of international cannabis assets.

Terrace has entered into the Call Option Agreement with Inception to acquire: (i) 100% of the shares of Oransur, a Uruguayan corporation holding a hemp production license in Uruguay; and (ii) 33.75% of the shares of Faises, a Uruguayan corporation holding a recreational cannabis production license in Uruguay, upon receipt of applicable regulatory approvals, including the Exchange with respect to the shares of Faises. It is expected that Terrace will exercise its rights under the Call Option Agreement as soon as practicable following the completion of the Proposed Qualifying Transaction. Terrace also owns 100% of: (i) Pharmabinoide, a Spanish company holding a hemp production license in Spain; and (ii) Terra Nova, a British Virgin Islands corporation which owns all of the quotas (equivalent to common shares) of Terra Nova Produção e Comercialização de Produtos Naturais e Farmacêuticos, LDA ("**Terra Nova Portugal**"). See "*Corporate Structure – Inter-corporate Relationships*".

Oransur is the holder of an industrial hemp license in Uruguay. Oransur leases farms across Uruguay to cultivate various crops with imported genetics. Oransur currently operates on 83 hectares (205 acres) of land located in Florida, Uruguay, with the ability to expand its production upon further negotiation with local land-owners and upon the approval of the Ministry of Livestock, Agriculture and Fisheries.

Terrace acquired all of the issued and outstanding securities of Pharmabinoide pursuant to a share purchase agreement dated February 11, 2019 between Terrace and Mr. Francisco Javier Gutiérrez Rivas. Pharmabinoide is a Spanish company that cultivates hemp for industrial use and is currently in the process of exploring the path to obtaining a license to cultivate cannabis for medicinal use.

Terrace acquired all of the issued and outstanding shares of Terra Nova pursuant to a share purchase agreement dated May 17, 2019. Terra Nova owns all of the issued and outstanding quotas (equivalent to common shares) of Terra Nova Portugal. Terra Nova Portugal has applied for a license to cultivate, import and export cannabis at its site in Pinhal Novo, Palmela, Portugal. In December 2018, INFARMED, the governing regulatory body in Portugal, issued a declaration to Terra Nova confirming the compliance with the applicable law concerning the construction of up to a 350,000 sq. ft. greenhouse and 2.5 acres of outdoor cultivation. The final license is to be issued upon final inspection by INFARMED of Terra Nova's facilities. Terra

Nova Portugal has commenced the planning of the greenhouse facility and is in the process of preparing the appropriate municipal and federal applications to commence construction. Terra Nova Portugal has engaged an external architectural advisor and construction managers to assist with the planning and construction of the greenhouse. Terra Nova Portugal expects to complete construction of the greenhouse in the third quarter of 2020.

Faises has one of five licenses in Uruguay to produce and distribute recreational cannabis through approved pharmacies. Upon exercise of the Call Option Agreement, Faises will be regarded as a passive investment of the Resulting Issuer. As a minority shareholder, the Resulting Issuer will have limited access to the books and records of Faises.

Terrace's business operations are at an early stage in their development. In the case of Terra Nova Portugal, no operations have yet commenced. While Oransur has harvested one outdoor crop of hemp for research and experimental purposes, no sales have been made to-date and a buyer for its hemp has not yet been identified. Pharmabinoide has harvested one outdoor crop of hemp and is in the process of delivering it to a purchaser and is in the process of completing its second harvest of hemp.

Terrace's registered and head office is located at 365 Bay Street, Suite 800, Toronto, Ontario. See "*Overview of the Terrace*".

Proposed Qualifying Transaction, Consolidation and Name Change

The Company has identified the Proposed Qualifying Transaction with Terrace as an appropriate transaction for the purpose of completing its Qualifying Transaction as required under the CPC Policy. The Proposed Qualifying Transaction will be completed by way of the Business Combination Agreement, pursuant to which the Company will acquire all issued and outstanding Terrace Shares through a three-cornered amalgamation of Terrace and Subco, a wholly-owned subsidiary of the Company. The Proposed Qualifying Transaction will constitute a reverse take-over of the Company inasmuch as the former shareholders of the Company will own (on a non-diluted basis) approximately 2.8% of the equity of the Resulting Issuer immediately after the QT Closing Date, taking into account the Subscription Receipt Financing. The completion of the Proposed Qualifying Transaction is subject to, among other things, prior satisfaction or waiver of a number of conditions, including the final Exchange acceptance of the Proposed Qualifying Transaction, completion of the Consolidation and the satisfaction or waiver of the conditions in the Business Combination Agreement. Terrace will have amalgamated with Subco and the amalgamated company will become a wholly-owned subsidiary of the Resulting Issuer. Upon completion of the Proposed Qualifying Transaction, the Resulting Issuer is expected to meet all of the Exchange's minimum listing requirements. The Proposed Qualifying Transaction is intended to serve as the Company's Qualifying Transaction under the CPC Policy. The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction pursuant to the definition of such term in the CPC Policy and is not a Related Party Transaction under MI 61-101. Consequently, the Proposed Qualifying Transaction does not require any approval of Company Shareholders.

On July 17, 2019, the Company entered into the Business Combination Agreement with Terrace, whereby Terrace has agreed to, among other things, exchange all issued and outstanding Terrace Shares on the basis of one Post-Consolidation Share for each Terrace Share (the "**Exchange Ratio**").

Upon completion of the Business Combination, it is expected that shareholders of both the Company and Terrace will hold freely tradable shares of the Resulting Issuer listed on the Exchange, with the exception of: (i) Insiders and certain other shareholders of the Company and Terrace who will be subject to escrow provisions under the policies of the Exchange; and (ii) shareholders of Terrace who participated in the Terrace Private Placement who are subject to a six month lock-up from the date of the listing of the Resulting Issuer Shares on the Exchange, subject to a Change of Control of the Resulting Issuer. Please see "*Escrowed Securities of the Resulting Issuer*" for more information regarding the voluntary lock-up of certain Terrace Shares.

Immediately prior to the completion of, and as a condition to, the Business Combination, the Company proposes to complete the Consolidation. The Consolidation was approved at the

Company Meeting and remains subject to approval of the Exchange**.**

It is intended that, immediately prior to the completion of the Business Combination, the Company will change its name to "Terrace Global Inc." (the "**Name Change**").

Subscription Receipt Financing

Terrace completed the Subscription Receipt Financing on July 19, 2019, issuing 30,000,000 Subscription Receipts for gross proceeds of $15,000,000. On August 28, 2019, Terrace completed a second tranche closing of the Subscription Receipt Financing issuing an additional 4,000,000 Subscription Receipts for gross proceeds of $2,000,000. Each Subscription Receipt is convertible into one Terrace Share. PI Financial Corp. acted as lead agent and sole bookrunner together with Sprott Capital Partners LP in connection with the brokered component of the Subscription Receipt Financing.

No Proceeds Raised

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the OSC for the purpose of allowing the Company to complete the Proposed Qualifying Transaction. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

Estimated Available Funds and Principal Uses

Upon completion of the Securities Exchange (including the expenses associated therewith) and the release of the funds received under the Subscription Receipt Financing, the Resulting Issuer is expected to have total funds available to it of approximately $17,046,000.

The Resulting Issuer's principal business objectives include becoming a leading dry flower and derivatives producer globally. The major initiatives and investments the Resulting Issuer intends to undertake between the QT Closing Date and the first anniversary of the QT Closing Date in order for the Resulting Issuer to meet this business objective include, but are not limited to:

- Second outdoor hemp harvest in Spain;
- Second plantation of outdoor hemp in Uruguay;
- Completion of greenhouse facility in Portugal; and
- Completion of ethanol extraction lab in Uruguay.

The Resulting Issuer intends to use the funds available to it for the following:

Principal Use of Available Funds	Amount ($)
Ethanol Extraction Plant (Uruguay)	$1,500,000
Terra Nova Greenhouse (Portugal)	$4,500,000
M&A and Other Opportunities(1)	$6,546,000
G&A (18 Months)(2)(3)	$4,500,000
Total	$17,046,000

Notes:

(1) It is currently expected that $3,000,000 of such funds would be allocated as the minimum cash amount for the acquisition of the remaining 66.25% of Faises and greenhouse improvements following such acquisition should an agreement be reached between the parties, however the total acquisition price and the form of consideration (i.e. cash, shares or a combination thereof) have not been determined as at the date of this Prospectus.

(2) In the past, historical G&A has been approximately $110,000 per month, with approximately $25,000 per month going to salaries payable to employees and rent payable and the remainder relating predominantly to non-recurring expenses such as legal fees, audit fees and other consultant fees associated with the Proposed Qualifying Transaction.

(3) The increase in G&A reflects the expected growth of the Company as well as the expenses relating to public company costs. A more detailed description of the expected G&A is set out below.

Notwithstanding the proposed uses of funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to affect the planned activities of the Resulting Issuer.

See "Information Concerning The Resulting Issuer – Available Funds and Principal Uses".

Directors and Executive Officers of the Resulting Issuer	Subject to Exchange approval, on completion of the Proposed Qualifying Transaction, the following individuals will be the directors and/or executive officers of the Resulting Issuer: *Francisco Ortiz von Bismarck, Chief Executive Officer & Director, Age 39* Francisco Ortiz von Bismarck is an international entrepreneur and founder of Terrace, who brings extensive investment experience across Europe and South America. Mr. Ortiz von Bismarck has been an entrepreneur and investor since he finished university. In 2006, he co-founded and was the first investor in the "Spanish Facebook", called "Tuenti", sold to Telefonica in 2010. In 2008, he co-founded and was the majority shareholder in a project called Glass. From 2009 until 2018, Mr. Ortiz von Bismarck was the Business Development Manager of GT Group, a multi-family wealth management firm based in Zürich, Switzerland. In 2011, Mr. Ortiz von Bismarck co-founded Inception Capital S.L., a venture capital fund focused in seed Internet investments in Spain and is currently a director of this fund. Over the years, Mr. Ortiz von Bismarck created and invested in several other tech start-ups such as Youzee Entertainment in Spain (2011), Dupli Limited in Malta (2014) and Y Experiment in Poland (2015) with limited traction. Mr. Ortiz von Bismarck is also an advisor (2016) and director (2017) in Easy Payment Gateway in Gibraltar. Until recently, he was a director (2016-2018) in Agriculture Investment Group Corp. with assets in Uruguay. Mr. Ortiz von Bismarck holds a Bachelor Degree in Economics from Harvard University and is a resident of Nassau, Bahamas. *Michael Galego, Director, Age 40* Michael Galego is an executive and lawyer with M&A and corporate finance experience. Mr. Galego is currently CEO of Apolo Capital Advisory Corp. and sits on the board of directors of several public and private companies. Mr. Galego was a co-founder and director of ICC Labs (TSXV: ICC) until its sale to Aurora Cannabis Inc. (TSX:ACB) in November 2018. Mr. Galego served as CEO at the Stronach Group, Agricultural Division. He has also previously served as a director or officer to several public companies, including as a director of Western Atlas Resources Inc. (TSXV:WA), General Counsel, Secretary & Managing Director of Acasta Enterprises Inc. (TSXV:AEF), Deputy General Counsel and Secretary of Frontera Energy Corp. (formerly Pacific Rubiales Energy Corp.) (TSX: FEC) and General Counsel, Secretary and Director of CGX Energy Inc. (TSXV: OYL), and as a director of Woulfe Mining Corp. (CSE: WOF). Mr. Galego began his legal career as an associate in the business law department of Osler, Hoskin & Harcourt LLP. Mr. Galego is a graduate of York University (Hons. B.A.) and the University of Windsor (LL.B). Mr. Galego has previously served on the Board of Directors of the Trillium Gift of Life Network and on the Board of Directors of the Canadian Liver Foundation. *Vincent Gasparro, Director, Age 40* Vincent Gasparro has over eleven years of private equity experience. Mr. Gasparro has completed acquisitions in the manufacturing and retail sectors. Since June 2010 to April 2017, Mr. Gasparro has served as Managing Director at The Green Tomorrow Fund, where he has been investing in and financing renewable energy projects as well as revenue-generating green businesses. Prior to that, Mr. Gasparro was a Senior Associate as Succession Capital Corp. Mr. Gasparro has a B.A. (Honours) from York University and an MBA from Villanova University. Currently, Mr. Gasparro serves as Principal Secretary to the Mayor of the City of Toronto. *Stephen Arbib, Director, Age 42* In 2013, Stephen Arbib founded MedReleaf (TSX:LEAF), the first and only ISO 9001 certified cannabis producer in North America and one of the global leaders in the production and research of medicinal cannabis which recently sold to Aurora for $3.2 billion. Having founded the company, Mr. Arbib was involved with every facet of the business since inception up until MedReleaf went public, at which point he stepped off the board but continued in an advisory capacity until the sale to Aurora. In 2013, Mr. Arbib also founded Momentum Solutions, one of the world's leading logistics and life support service providers, specializing in humanitarian and emergency operations, and currently serves as CEO. Stephen is also the co-founder of Cycura Inc., an offensive cyber security firm which provides advanced, customized, and confidential cyber security services to governments, companies, and organizations with particularly high intellectual property (IP) value as well as critical data protection needs such as infrastructure. Mr. Arbib was born in Tel Aviv, Israel in 1977, and moved to Toronto at the age of ten. He attended Ryerson University for Business and following his second year, enrolled

in a joint entrepreneurship program in Vancouver, with Harvard University, where he founded his first company, Simso Online Inc. He successfully divested Simso after two years. Mr. Arbib is an active member of the Toronto Jewish community, having founded Shalom Life Media Inc., Canada's largest online Jewish media outlet, the vice-Chairman of the Canadian Friends of Tel Aviv University and a member of the Board of Six Points Jewish Philanthropy Fund.

Dennis Mills, Director, Age 71
Mr. Mills was a director of Pacific Rubiales Energy Corp. and was Vice Chairman and CEO of MI Developments Inc. from 2004 to 2011, and a Vice President at Magna International from 1984 to 1987. Mr. Mills served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. His positions in the federal parliament included Parliamentary Secretary to the Minister of Industry (1993 to 1996). He is currently on the boards of Hut 8 Mining Corp. (TSXV: HUT) and CGX Energy Inc. (TSXV: OYL).

Leon Dadoun, Chief Financial Officer, Age 62
Leon Dadoun is a debt capital markets expert with more than 30 years of experience in the Canadian, U.S. and European financial markets with a particular emphasis on Banking and Structured Finance. Among various senior roles he has been Managing Director for Global Securitization at CIBC World Markets. Mr. Dadoun was responsible for developing and issuing the first Credit Card Securitizations by CIBC, Canadian Tire and MBNA in Canada. Mr. Dadoun successfully grew the securitization business from $3 billion in outstandings to $15 billion in outstandings. He went on to be the Founder and CEO of a structured credit boutique which formed as a joint-venture with Desjardins. He has co-founded NHA MBS Issuers Association, American Securitization Forum and helped structure the Canadian Mortgage and Housing Corporation's Canada Mortgage Bonds Program (which today has over $200 billion in outstandings). Mr. Dadoun has significant experience with bank regulators and has collaborated with the Basel Committee on Global Banking Regulation in drafting the Basel II and Basel III Accord on capital adequacy reforms for the global banking system. In addition, he has provided expert testimony in proceedings related large Capital Markets litigation and led a group that successfully obtained Letters Patent to form a Schedule A Canadian Bank. Mr. Dadoun has previous public company experience as an Advisor to Highvista (a TSXV listed Mining and Real Estate public company). Mr. Dadoun holds a B. Comm. from the University of Toronto as well as being a C.A, C.P.A.

Jeff Hergott, Corporate Secretary, Age 41
Mr. Hergott is a partner at the law firm Wildeboer Dellelce LLP and Chair of the Cannabis Group and practices in the areas of corporate finance, mergers and acquisitions and corporate/commercial law. In his practice, Mr. Hergott represents issuers, investment dealers, private equity firms and other stakeholders in a wide variety of capital markets and M&A transactions. He regularly advises clients on both public offerings and private placements of equity and debt securities, across a broad section of industries, including cannabis, mining and oil and gas. Mr. Hergott has extensive experience in the cannabis industry and has represented a range of cannabis industry participants as legal counsel, including licensed producers and applicants, licensed dealers, cannabis technology and hardware manufacturers and distributors, family offices and broker dealers. He has a LL.B. from the University of Windsor and a B.A. from the University of British Columbia.

See "*Information Concerning the Resulting Issuer – Directors and Executive Officers*".

Interests of Insiders, Promoters or Control Persons

Except as set out below, no Insider, Promoter or Control Person of the Company or its Associates and Affiliates (before giving effect to the Business Combination) has any interest in Terrace.

Vincent Gasparro, the CEO, CFO, shareholder and director of the Company is also a director of Terrace and a proposed director of the Resulting Issuer. Mr. Gasparro abstained from voting on matters related to the Proposed Qualifying Transaction in accordance with applicable corporate law.

Arm's Length Transaction

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction and does not require the approval of the Company Shareholders. However, the approval of the Company Shareholders of, among other things, the Name Change and the Consolidation are conditions of closing in favour of Terrace. The Company held the Company Meeting at which such matters were approved.

Pro-Forma Capitalization The completion of the Consolidation and the Business Combination will result in the Resulting Issuer having the following securities issued and outstanding:

Designation of Security	Amount Authorized	Outstanding After Giving Effect to the Securities Exchange and Subscription Receipt Financing
Shares	Unlimited	133,340,956
Options	N/A	1,190,000
Apolo Broker Warrants	N/A	500,000
Subscription Receipt Warrants	N/A	754,200
Subscription Receipts	N/A	34,000,000

The following table sets out the number of Shares and percentage of the Shares of the Resulting Issuer held after giving effect to the Consolidation and the Business Combination on an undiluted basis:

	Number of Securities and Percentage Held After Giving Effect to the Securities Exchange	
	Shares	% of undiluted total
Current Company Shareholders after giving effect to Consolidation	4,760,000	2.8%
Current Terrace Shareholders	128,580,956	76.8%
Subscription Receipt Holders	34,000,000	20.4%
Total	167,340,956	100%

Risk Factors An investment in the Shares involves a high degree of risk. See sections entitled "*Risk Factors*". You should carefully consider the information in the Prospectus the information set out under section entitled "*Risk Factors*" beginning on pages 27, 51 and 70 of this Prospectus.

SELECTED PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION

The following table sets out certain financial information for the Company and Terrace as at June 30, 2019, as well as unaudited Pro-Forma Financial Statements, after giving effect to the Proposed Qualifying Transaction and the Subscription Receipt Financing as if such events had occurred on June 30, 2019 for balance sheet purposes. Such information is derived from and should be read in conjunction with the Pro-Forma Financial Statements and the notes thereto attached hereto.

Pro-Forma Balance Sheet	Company as at June 30, 2019	Terrace as at June 30, 2019	Pro-Forma Adjustments	Pro- Forma Consolidated
Cash and cash equivalents(1)	$412,090	$3,301,091	$16,250,000	$19,963,181
Other Current Assets	$404,400	$531,975	-	$936,375
Non-current Assets	$Nil	$4,142,782	-	$4,142,782
Total Assets	$816,490	$7,975,848	$16,250,000	$25,042,338
Current Liabilities	$50,627	$3,145,249	-	$3,195,876
Non-current Liabilities	$Nil	$131,764	-	$131,764
Total Liabilities	$50,627	$3,277,013	-	$3,327,640
Shareholders' Equity	$765,863	$4,698,835	$16,250,000	$21,714,698

Note:

(1) Includes restricted cash.

INFORMATION CONCERNING THE COMPANY

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated as Apolo II Acquisition Corp. under the OBCA on December 15, 2017.

The Company's head and registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1.

INTERCORPORATE RELATIONSHIPS

The Company has one wholly-owned subsidiary, Subco. Subco was incorporated as Terrace Acquisition Corp. pursuant to the OBCA on May 24, 2019.

BUSINESS

Overview of the Company

The Company is a CPC, which completed its initial public offering on March 6, 2018 by way of a prospectus dated February 21, 2018. The Shares became eligible to commence trading on the Exchange on March 12, 2018.

The Company's principal business is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses with a view to completing a Qualifying Transaction and, once identified and evaluated, to negotiate an acquisition or participation in such assets or businesses. Until the completion of the Qualifying Transaction, the Company will not carry on business other than the identification and evaluation of assets or businesses in connection with a potential Qualifying Transaction. The Proposed Qualifying Transaction is intended to be the Company's Qualifying Transaction. For information on the proposed principal business to be conducted following the Proposed Qualifying Transaction, see "*Information Concerning the Resulting Issuer – General Description of the Business of the Resulting Issuer*".

On November 12, 2018, the Company entered into the Letter of Intent to acquire all of the issued and outstanding shares of Terrace. Terrace is a Canadian company focused on the development and acquisition of international cannabis assets. The Letter of Intent was superseded by the entering into of the Business Combination Agreement on July 17, 2019.

USE OF AVAILABLE FUNDS

This is a non-offering prospectus. The Company is not raising any funds in conjunction with this Prospectus and accordingly, there are no proceeds. The sole purpose of this Prospectus is to permit the Company to complete its Proposed Qualifying Transaction.

Funds Available

As of June 30, 2019, the Company has $765,863 available in working capital. For more information on available funds after completion of the Proposed Qualifying Transaction see "*Information Concerning the Reporting Issuer – Available Funds and Use of Proceeds*".

The Company may be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Company as those previously obtained or at all. See sections entitled "*Risk Factors*".

DIVIDEND POLICY

The Company has not declared dividends on its Shares in the past. The Company currently intends to reinvest all future earnings in order to finance the development and growth of the business. As a result, the Company does not intend to pay dividends on its Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board deems relevant.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MD&A OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents selected financial information of the Company for the periods indicated. This table and the Company's MD&A should be read in conjunction with, and are qualified in their entirety by, the Consolidated Financial Statements and the notes thereto, which are set forth in Schedule "F" to this Prospectus.

This table contains financial information derived from financial statements that have been prepared in accordance with IFRS.

	For the three months ended June 30, 2019
Professional Fees	$14,550
Filing Fees	$5,906
Office and General	$NIL
Total Operating Expenses	$20,477
Amounts deferred in connection with the Proposed Qualifying Transaction	Nil

The Company's MD&As are included hereto in Schedule "F". Certain information included in the MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Forward Looking Statements*".

DESCRIPTION OF SHARE CAPITAL

Existing Shares

The authorized capital of the Company consists of an unlimited number of Shares without par value and an unlimited number of preferred shares issuable in series. As of the date of this Prospectus, 11,900,000 Shares were issued and outstanding as fully paid and non-assessable shares in the capital of the Company and no preferred shares have been issued. Prior to the completion of the Proposed Qualifying Transaction, the Company intends, pending receipt of all required approvals, to consolidate the Pre-Consolidation Shares on the basis of one post-consolidation share for every two and one-half issued and outstanding Pre-Consolidation Shares. Thus, prior to the completion of the Proposed Qualifying Transition, a total of 4,760,000 post-consolidation shares (the "**Post-Consolidation Shares**") will be issued and outstanding.

The holders of the Shares are entitled to receive notice of and attend any meeting of the Company Shareholders and are entitled to one vote for each Share held. Shareholders are entitled to receive dividends, if, as and when declared by the Board and to receive a proportionate share, on a per share basis, of the assets of the Company available for distribution in the event of a liquidation, dissolution or winding-up of the Company.

Provisions as to the modification, amendment or variation of the rights attached to the Shares are contained in the Company's bylaws.

Proposed Securities Issuances

To complete the Proposed Qualifying Transaction, the Company proposes to issue to holders of Terrace Shares an aggregate of 167,340,956 Post-Consolidation Shares from treasury in exchange for all of the Terrace Shares issued and outstanding immediately prior to closing of the Proposed Qualifying Transaction.

CONSOLIDATED CAPITALIZATION

For information regarding changes in the Company's consolidated capitalization as at June 30, 2019, that will result from the Proposed Qualifying Transaction, see "*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*" and "*Information Concerning the Resulting Issuer – Pro-Forma Fully Diluted Share Capital of the Resulting Issuer*".

OPTIONS TO PURCHASE SHARES

Options

In February 2018, the Company adopted a stock option plan (the "**Stock Option Plan**"), which permits the Board to grant options to purchase up to ten percent of the issued number of Shares outstanding at the date of the grant. The Stock Option Plan is the Company's only equity compensation plan. The Stock Option Plan provides for the grant of options to purchase Shares to eligible directors, officers, employees and consultants of the Company or any of its affiliates ("**Participants**"). The purpose of the Stock Option Plan established by the Company, pursuant to which it may grant incentive stock options, is to promote the profitability and growth of the Company by facilitating the efforts of the Company to obtain and retain key individuals. The Stock Option Plan is administered by the Board. As of the date of this Prospectus, 1,190,000 options are granted and outstanding under the plan.

For a summary of the terms of the Stock Option Plan, see *"Information Concerning the Resulting Issuer – Executive Compensation — Compensation Discussion and Analysis – Plan"*.

Holder of Options	Number of Optionees	Pre-Consolidation Shares Underlying Options	Exercise Price	Expiry Date
Executive Officers and Former Executive Officers	2	554,888	$0.10	Mar 6, 2028
Directors (other than those who are also executive officers) and Former Directors	2	635,112	$0.10	Mar 6, 2028
Other Current and Former Employees	Nil	Nil	N/A	N/A
Current and Former employees of subsidiaries of the Company	Nil	N/A	N/A	N/A
Consultants	Nil	N/A	N/A	N/A
Total	4	1,190,000	N/A	N/A

PRIOR SALES

There have been no prior sales of the securities issued by the Company during the 12-month period prior to the date of this Prospectus.

Stock Options and Agent Warrants

Date of Issuance	Number of Securities	Price per Security	Description of Security
March 6, 2018(1)	1,190,000	$0.10	Options
March 6, 2018(2)	500,000	$0.10	Apolo Broker Warrants

Notes:
(1) Granted to directors and officers of the Company.
(2) Granted to Richardson GMP Limited, agent of the Company for the Company's IPO.

TRADING PRICE AND VOLUME

The Shares are traded on the Exchange under symbol "APII.P" and have traded since March 2018.

The following table sets forth the range of monthly high and low closing bid prices of the Shares during the periods indicated below. Please note that all stock quotes presented in the table below are in Canadian dollars and have been rounded to the nearest half cent.

Month	High	Low	Volume
March 12 to 31, 2018	$0.27	$0.16	164,050
April, 2018	$0.20	$0.125	135,250
May, 2018	$0.17	$0.15	46,664,245
June, 2018	$0.16	$0.145	43,512,159
July, 2018	$0.135	$0.135	30,366,154
August, 2018	$0.145	$0.11	42,758,959
September, 2018	$0.125	$0.12	37,383,754

October, 2018	$0.17	$0.125	59,685,171
November 1 to 13, 2018[(1)]	-	-	-

Note:
(1) Reflects the trading activity for the Shares from March 12, 2018 (the first day of trading of the Shares on the Exchange) to November, 13, 2018 (the date upon which the Shares were halted in connection with the announcement of the Proposed Qualifying Transaction).

ESCROWED SECURITIES

As at the date of this Prospectus, the following securities are held in escrow and subject to contractual restrictions on transfer:

Designation of Class	Number of Securities Held in Escrow or that are Subject to Contractual Restrictions on Transfer	Percentage of Class
Pre-Consolidated Shares	4,650,000	39.1%

Note:
(1) Held in escrow with the CPC Escrow Agent under the terms of the CPC Escrow Agreement. See "*Information Concerning the Resulting Issuer – Escrowed Securities*". Upon any Change of Control of Terrace, Terrace has agreed to use its commercially reasonable efforts to seek a termination of the CPC Escrow Agreement.

PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, to the knowledge of the directors and executive officers of the Company, no person beneficially owns or exercises control over or direction over Shares carrying more than 10% of the votes attached to the Shares.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, province or state and country of residence, position with the Company, the date on which the person became a director or officer and the securities held by each. The Company's directors are expected to hold office until completion of the Proposed Qualifying Transaction or until their successors are elected or appointed. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 1,800,000 Shares, representing 15.13% of the Shares outstanding as at the date of this Prospectus.

Directors and Executive Officers

Name and Province or State and Country of Residence	Position with the Company	Director/Officer Since	Securities Held[(2)]
Vincent Gasparro[(1)] *Ontario, Canada*	CEO, CFO, Director	December 2017	1,000,000 Shares, 8.4% 334,270 Options, 28%
Michael Young[(1)] *Tennessee, United States*	Director	July 10, 2019	100,000 Shares, 0.8%
Ryan Roebuck[(1)] *Ontario, Canada*	Director	December 2017	400,000 Shares, 3.4% 200,562 Options, 17%
Jeff Hergott *Ontario, Canada*	Corporate Secretary	December 2017	300,000 Shares, 2.5% 220,618 Options, 19%

Notes:
(1) Member of the audit committee.
(2) The securities noted above are on referred to on a Pre-Consolidation basis.

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Vincent Gasparro, Chief Executive Officer, Chief Financial Officer and Director, *Age 40*

Vincent Gasparro has over eleven years of private equity experience. Mr. Gasparro has completed acquisitions in the manufacturing and retail sectors. Since June 2010 to April 2017, Mr. Gasparro has served as Managing Director at The Green Tomorrow Fund, where he has been investing in and financing renewable energy projects as well as revenue generating green businesses. Prior to that, Mr. Gasparro was a Senior Associate as Succession Capital Corp. Mr. Gasparro has a B.A. (Honours) from York University and an MBA from Villanova University. Currently, Mr. Gasparro serves as Principal Secretary to the Mayor of the City of Toronto.

Michael Young, Director, Age 40

Mr. Young has extensive senior level executive management and trading experience in the Canadian and U.S. capital markets. Throughout his career in finance and banking, he has built a strong network of Canadian, American, and international investors. Mr. Young is the founding partner of Cottingham Capital LLC and was the Managing Director and Co-Head of Trading for GMP, a Canadian Investment Bank. Prior to this, he ran the Equity Capital Markets desk for GMP in New York City. Mr. Young is an active advisor and board member of the private company Aerues Inc., as well as ICC Labs, which is listed on the Exchange. Most recently he had a successful exit of Nuuvera Inc., which was sold for $550 million. Mr. Young sits on the advisory board of Navy Capital LLC, a New York based family office. He obtained a finance diploma at George Brown College.

Ryan Roebuck, Director, Age 34

Mr. Roebuck currently serves as a partner of XDR Capital Group ("**XDR**"), a private investment firm located in Toronto where he specializes in investing in public and private event driven and special situations in North America. Prior to joining XDR, Mr. Roebuck worked as an equity research analyst at M Partners where he covered companies in various sectors in North America including natural resource-focused companies. Currently, Mr. Roebuck is a member of the board of directors of Epsilon Energy Ltd. (TSX: EPS).

Jeff Hergott, Corporate Secretary, Age 41

Mr. Hergott is a partner at the law firm Wildeboer Dellelce LLP and Chair of the Cannabis Group and practices in the areas of corporate finance, mergers and acquisitions and corporate/commercial law. In his practice, Mr. Hergott represents issuers, investment dealers, private equity firms and other stakeholders in a wide variety of capital markets and M&A transactions. He regularly advises clients on both public offerings and private placements of equity and debt securities, across a broad section of industries, including cannabis, mining and oil and gas. Mr. Hergott has extensive experience in the cannabis industry and has represented a range of cannabis industry participants as legal counsel, including licensed producers and applicants, licensed dealers, cannabis technology and hardware manufacturers and distributors, family offices and broker dealers. He has a LL.B. from the University of Windsor and a B.A. from the University of British Columbia.

Corporate Cease Trade Orders

None of the directors or executive officers has, within the ten years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company (including the Company) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Bankruptcies

None of the directors or executive officers has, within the ten years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Except as set out below, to the best of the Company's knowledge, there are no known existing or potential conflicts of interest among it and its directors, officers or other members of management as a result of their outside business interests except that certain of its directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Vincent Gasparro, the CEO, CFO, shareholder and director of the Company is also a director of Terrace and a proposed director of the Resulting Issuer. Michael Young, a director and shareholder of the Company, is also a shareholder of Terrace. Gasparro and Young abstained from voting on matters related to the Proposed Qualifying Transaction in accordance with applicable corporate law.

EXECUTIVE COMPENSATION

Overview

The Company has not yet completed a Qualifying Transaction pursuant to the CPC Policy. Accordingly, the executive officers of the Company were not paid any compensation from incorporation to the date of this Prospectus, as the CPC Policy prohibits directors and officers from receiving remuneration while the Company is a CPC.

Compensation Discussion and Analysis

Summary of Compensation

No compensation has been provided to executive officers, from the date of incorporation to the date of this Prospectus.

Long-Term Incentives

Company Options to purchase up to 1,190,000 Pre-Consolidation Shares were granted to the executive officers and the directors of the Company in connection with the closing of the IPO on March 6, 2018. While the Company is a CPC, the total number of Shares reserved under option for issuance pursuant to the Company' Stock Option Plan may not exceed 10% of the Shares outstanding as at the closing of the IPO. The grant of the Company Options was approved by the Board. Company Options issued in connection with closing the IPO will expire on March 6, 2028 and as of the date hereof there are 1,190,000 Company Options outstanding. For more information regarding the equity incentive plan, please see "*Plan*" below.

Plan

The Stock Option Plan originally received approval from the Board on February 9, 2018. Initial shareholder approval of the Stock Option Plan was not required as the Company adopted the plan prior to completing its IPO and disclosed the details of the Stock Option Plan in its (final) prospectus, dated February 21, 2018.

Under the Stock Option Plan, the Board is authorized to grant incentive Company Options to directors, senior officers, employees and consultants of the Company entitling them to purchase Shares. The purpose of the Stock Option Plan is to attract and retain employees, consultants, officers or directors to the Company and to motivate them to advance the interests of the Company by affording them with the opportunity to acquire an equity interest in the Company through Company Options granted under the Stock Option Plan to purchase Shares.

In connection with its IPO, the Company granted Company Options to purchase a total of 1,190,000 Pre-Consolidation

Shares under the Stock Option Plan, all of which were granted to directors and executive officers. All of the Company Options vested immediately upon their grant date and were exercisable at a price of $0.10 per Pre-Consolidation Share.

Compensation of Named Executive Officers

As a CPC, the Company does not have any paid employees or employment agreements. No compensation was paid to any executive officers. All of the Company Options granted to the executive officers vested upon their grant date and expire on March 6, 2028.

Incentive Plan Awards – Outstanding Option-Based Awards

The following table sets out information concerning the stock option awards that the Company expects will be outstanding for each NEO as at the date of this Prospectus

Name	Number of Securities Underlying Unexercised Options(1)	Option Exercise Price Range ($)	Option Expiration Date Range	Value of Unexercised In-the-Money Options ($)(2)
Vincent Gasparro	334,270	$0.10	March 6, 2028	$6,685.40

Notes:

(1) The securities noted above are referred to on a Pre-Consolidation basis.

(2) Based upon the closing price of the Shares on November 12, 2018, being the last trading date prior to the announcement of the Proposed Qualifying Transaction of $0.125.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth particulars of the value of option-based awards and share-based awards which are anticipated to be vested during the year ending December 31, 2018 (assuming the continued employment of each NEO):

Name	Option-based awards – value expected to be vested during the fiscal year ($)	Share-based awards – value expected to be vested during the fiscal year ($)	Non-equity incentive plan compensation – value expected to be earned during the fiscal year ($)
Vincent Gasparro	334,270	Nil	Nil

Employee Agreements and Termination and Change of Control Benefits

There are no employment contracts, compensatory plans, or other arrangements in place with the executive officers of the Company, nor are there any agreements between Company and the executive officers that provide for payment to the executive officers in connection with any termination, resignation, retirement, change in control of the Company or change in responsibilities of the executive officers.

DIRECTOR COMPENSATION

Summary of Director Compensation

No compensation was paid to the directors of the Company in their capacity as directors during the financial year ended December 31, 2018. The directors of the Company are eligible to receive Company Options to purchase Shares pursuant to the terms of the Stock Option Plan.

Outstanding Option-Based Awards

The following table sets out for each of the Company's directors, other than directors who are also NEOs, information concerning all option-based awards outstanding at December 31, 2018.

Option-Based Awards				
Named Executive Officer	**Number of Securities Underlying Unexercised Options**	**Option Exercise Price ($)**	**Option Expiration Date**	**Value of Unexercised in-the-money Options ($)(1)**
Ryan Roebuck Director	200,562	0.10	March 6, 2028	$5,014.05

Notes:

(1) Based upon the closing price of the Shares on November 12, 2018, being the last trading date prior to the announcement of the Proposed Qualifying Transaction of $0.125.

(2) The securities noted above are referred to on a Pre-Consolidation basis.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's directors or officers or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of our subsidiaries.

CORPORATE GOVERNANCE

Board of Directors

The Board is currently composed of three directors: Vincent Gasparro, Michael Young and Ryan Roebuck. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

NI 58-101 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors, within the meaning set out under NI 52-110, which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

Of the current directors, Vincent Gasparro, the CEO and CFO of the Company, is an executive officer and accordingly is not considered to be "independent". In assessing NI 58-101 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors. Both Michael Young and Ryan Roebuck are considered to be independent since they are independent of management and free from any material relationship with the Company. In the event of a conflict of interest at a meeting of the Board, the conflicted director will, in accordance with corporate law and in accordance with his fiduciary obligations as a director of the Company, disclose the nature and extent of his interest to the meeting and abstain from voting on or against the approval of such participation. In addition, the members of the Board who are not members of management of the Company are encouraged by the management members of the Board to communicate and obtain advice from such advisors and legal counsel as they may deem necessary in order to reach a conclusion with respect to issues brought before the Board.

Other Reporting Issuer Experience

The following table sets out the directors, officers and Promoters of the Company that are, or have been within the last five years, directors, officers or Promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction (or the equivalent in a jurisdiction outside of Canada):

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	Term
Michael Young	XIB I Capital Corp.	TSXV	Director	March 2018 – present
	ICC Labs Inc.	TSXV	Director	March 2017 – present
	Eve & Co Incorporation (formerly Carlaw Capital V Corp.)	TSXV	Director	June 2018 – present
	Nuuvera Inc.	TSXV	Director	November 2017 – March 2018
	GMP Capital Inc.	TSX	Director	June 2011 – March 2016

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	Term
Ryan Roebuck	Searchtech Ventures	TSXV	Officer	June 2014 – October 2014
	Epsilon Energy Ltd.	TSX	Director	July 2013 – present
	RG One Corp.	N/A	Officer	October 2014 – present
	Cronos Group	TSXV	Director	December 2014 – November 2015
	Apolo Acquisition Corp.	TSXV	Director	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Director	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Director	January 18, 2018 – present
Vincent Gasparro	Apolo Acquisition Corp.	TSXV	Director, CEO and CFO	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Director, CEO and CFO	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Director, CEO and CFO	January 18, 2017 – present
Jeff Hergott	Apolo Acquisition Corp.	TSXV	Corporate Secretary	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Corporate Secretary	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Corporate Secretary	January 18, 2018 -present
	County Capital One Ltd.	TSXV	Corporate Secretary	March 20, 2018 – May 27, 2019

Nomination

The Board nominates candidates for director after carefully reviewing and assessing the professional qualifications and skills, personality and other qualifications of each candidate, including the time and energy that such candidate is able to devote to the task and the contribution he can make to the Board.

Compensation

As a CPC, no salaries have or will be paid until following a Qualifying Transaction. Given the Company's size, its stage of development as a CPC and the fact that no officers or directors receive any financial compensation, the Company has not appointed a compensation committee or formalized any guidelines with respect to compensation. If and when a Qualifying Transaction is completed the Board intends to appoint such a committee and adopt such guidelines.

Orientation and Continuing Education

The Company does not presently have a formal orientation and continuing education program for new directors. The Board encourages directors to pursue pertinent education programs offered by the various regulatory bodies and offers them the opportunity to develop their knowledge of the Company's business and activities. However, if the growth of the Company's operations warrants it, it is likely that a formal orientation process will be implemented.

Ethical Business Conduct

The Board expects management to operate the business of the Company in a manner that enhances shareholder value and is consistent with the highest level of integrity. Management is expected to execute the Company's business plan and to meet performance goals and objectives. To date, the Board has not adopted a formal written code of business conduct and ethics. However, the current limited size of the Company's operations and the small number of officers allow the independent members of the Board to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. Should the Proposed Qualifying Transaction be completed, the Board anticipates that it would then implement an Anti-Bribery and Anti-Corruption Policy.

Committees of the Board

Audit Committee

The members of the Audit Committee are Ryan Roebuck, Michael Young and Vincent Gasparro. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not a party to the relevant discussions. To assist the Board to fulfill its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee. The text of the Audit Committee's charter is set out in Schedule "A". All of the members of the Audit Committee consider themselves to be financially literate and possess relevant industry experience.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found under the heading "*Directors and Executive Officers —Biographies*". For the purposes of NI 52-110, Michael Young and Ryan Roebuck are independent.

The Company has established procedures for the selection and appointment of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

For the fiscal year ended December 31, 2018, the Company was billed the following fees by its external auditor, MNP:

	Fiscal Year Ended December 31, 2018
Audit Fees(1)	$11,000
Audit-Related Fees(2)	Nil
Tax Fees(3)	Nil
Total Fees Paid	$11,000

Notes:

(1) Fees for audit services.
(2) Fees for assurance, due diligence and related services not included in audit services above.
(3) Fees for tax compliance, tax advice and tax planning.

Other Board Committees

The Board has no committees, other than the Audit Committee.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Provinces of Ontario, Alberta and British Columbia to qualify the Company's Proposed Qualifying Transaction and is a non-offering prospectus as such there are no securities being offered under this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the U.S. or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"). None of the Shares have been or will be registered under the U.S. Securities Act, or the securities laws of any state of the U.S. and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. Persons, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

RISK FACTORS

INVESTMENT IN SECURITIES OF THE COMPANY SHOULD BE REGARDED AS HIGHLY SPECULATIVE DUE TO THE PROPOSED NATURE OF THE COMPANY'S BUSINESS AND ITS PRESENT STAGE OF DEVELOPMENT. THE COMPANY HAS NEITHER A HISTORY OF EARNINGS NOR HAS IT PAID ANY DIVIDENDS AND IT IS UNLIKELY TO PAY DIVIDENDS IN THE IMMEDIATE OR FORESEEABLE FUTURE.

Investing in the Shares involves significant risks. You should carefully consider the risks described below, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus, and all other information contained in this Prospectus, including the consolidated financial statements and accompanying notes. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Shares could decline and you could lose part or all of your investment.

Risks Generally Related to the Company

The Company does not own any ongoing business operations and has no assets other than cash. There is no assurance that the Company will successfully complete the Proposed Qualifying Transaction with Terrace, or even if it does, that the Terrace businesses acquired will be profitable or will succeed. Any additional funds may be required to successfully complete the Proposed Qualifying Transaction and the Company may not be able to obtain such funds to do so.

Other risk factors related to the Company include:

- there can be no assurance that an active and liquid market for the Shares will develop and an investor may find it difficult to resell its Shares;
- completion of the Proposed Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange;
- trading in the Shares was halted and will remain halted for an indefinite period of time. Reinstatement to trading provides no assurance with respect to the merits of the Proposed Qualifying Transaction or the likelihood of the Company completing the Proposed Qualifying Transaction; and
- neither the Exchange nor any securities regulatory authority passes upon the merits of the Proposed Qualifying Transaction.

For further risk factors relating to the Resulting Issuer, see "*Information Concerning the Resulting Issuer – Risk Factors*".

PROMOTERS

During the two years immediately preceding the date of this Prospectus, there have been no persons or companies that would be considered Promoters of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Since the beginning of the most recently completed financial year for which financial statements of the issuer are included, there are no legal proceedings outstanding, threatened or pending as of the date of this Prospectus by or against the Company or to which it is a party or its business or any of its assets is the subject of, nor to the knowledge of the Company are any such legal proceedings contemplated.

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no director, officer, Insider or Promoter of the Company has had any material interest, direct or indirect, in any transaction since incorporation to the date hereof that has materially affected or is reasonably expected to materially affect the Company.

See "*Information Concerning the Company – Directors and Executive Officers – Conflict of Interest*".

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditor is MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4. MNP LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The Company's transfer agent and registrar is Computershare Investor Services Inc. (the "**Transfer Agent**"), at its principal office at 100 University Ave, Toronto, Ontario M5J 2Y1.

MATERIAL CONTRACTS

The Company has not entered into contracts material to investors in the Shares hereunder, other than:

1. The Transfer Agency and Registrarship Agreement dated as of February 1, 2018 between the Company and the Transfer Agent.

2. The Escrow Agreement dated as of February 20, 2018 among the Company, the Transfer Agent and those shareholders that executed such Escrow Agreement.

3. The Agency Agreement dated as of February 21, 2018 between the Company and Richardson GMP Limited.

4. Business Combination Agreement entered into on July 17, 2019 between Terrace and the Company in respect of the Proposed Qualifying Transaction.

The material contracts described above may be found under the Company's profile on SEDAR at www.sedar.com.

EXPERTS

See "*Information Concerning the Resulting Issuer – Experts*".

INFORMATION CONCERNING TERRACE INC.

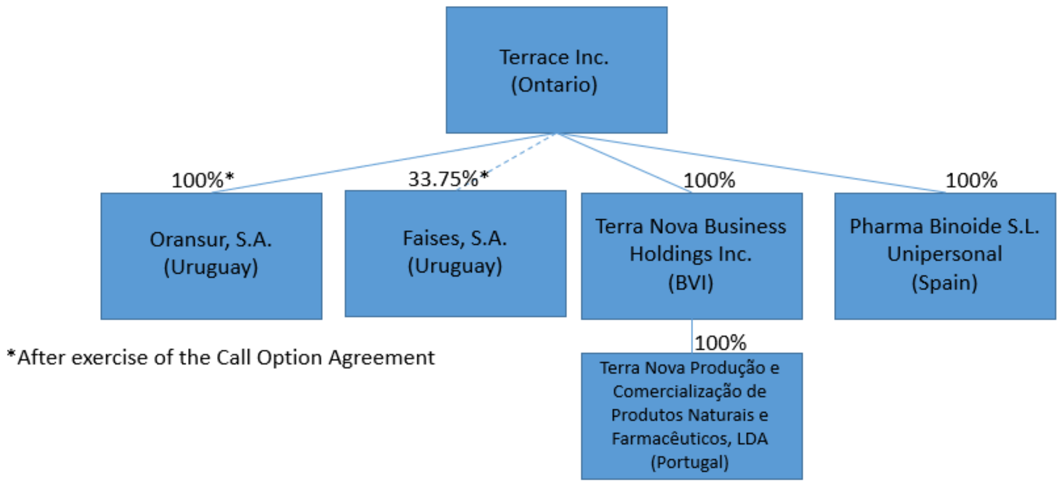
CORPORATE STRUCTURE

Name, Address and Incorporation

Terrace was incorporated as Terrace Inc. under the OBCA on August 28, 2018.

Terrace's head and registered office is located at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1.

Intercorporate Relationships



Terrace has two wholly-owned subsidiaries, Pharmabinoide and Terra Nova. On February 11, 2019, Terrace entered into a quota purchase agreement with Mr. Francisco Javier Gutiérrez Rivas for the purchase all of the issued and outstanding quotas in the capital of Pharmabinoide (the "**Pharmabinoide SPA**") for consideration of €400,000 paid by Terrace to Mr. Rivas. The Pharmabinoide SPA contained customary representations and warranties given by each of Terrace and Mr. Rivas, including but not limited to, incorporation and corporate power, corporate authorization, no litigation and required consents and authorization.

On May 17, 2019, Terrace entered into a share purchase agreement with Apolo Capital Advisory Corp., an entity owned and controlled by a director of Terrace, with respect to the acquisition of all the issued and outstanding shares of Terra Nova by Terrace (the "**Terra Nova SPA**") in consideration for the issuance by Terrace of 5,000,000 Terrace Shares at a deemed value of $0.25 per Terrace Share. The Terra Nova SPA contained customary representations and warranties from each of Terrace and Apolo Capital Advisory Corp., including but not limited to, incorporation and corporate power, corporate authorization, no litigation and required consents and authorization. Terra Nova owns all of the issued and outstanding quotas (equivalent to common shares) of Terra Nova Portugal.

Terrace has entered into the Call Option Agreement with Inception pursuant to which Terrace has the right to acquire 100% of the shares held or after acquired by Inception of Oransur and Faises upon receipt of the applicable Uruguayan regulatory approvals and, with respect to the shares of Faises, the prior approval of the Exchange. Inception owns 100% of Oransur, a Uruguayan corporation holding a hemp production license, and 33.75% of Faises, a Uruguayan corporation holding a recreational cannabis production license. Terrace expects to exercise its rights under the Call Option Agreement as soon as practicable following completion of the Proposed Qualifying Transaction, subject to receipt of applicable regulatory approvals, including of the Exchange with respect to the shares of Faises.

TERRACE'S BUSINESS

Overview of the Business

Terrace is a Canadian company focused on the development and acquisition of international cannabis assets. Terrace, through its subsidiaries, will ultimately have production assets in Uruguay, Portugal and Spain and is working towards securing addition operations in other locations where lawfully permitted throughout Latin America and Europe.

The following chart is an overview of the business of each of Terrace's subsidiaries.

	Oransur	Pharmabinoide	Terra Nova
Jurisdiction	Uruguay	Spain	Portugal
Ownership	Proposed Acquisition: Terrace intends to acquire 100% of the Oransur Shares following completion of the Proposed Qualifying Transaction pursuant to the Call Option Agreement. For more information on the proposed acquisition see the heading "Oransur" below.	100%	100%
Operations	*Current*: Production of hemp. *Future Plans*: Extraction of cannabinoids and sale of cannabinoid derivative products. Oransur will require additional authorizations for both the extraction and sale of cannabinoids as well as the sale of hemp. Oransur intends to apply for the authorization to extract and sell cannabis derivatives immediately following completion of the Proposed Qualifying Transaction. If Oransur is not granted an extraction authorization, then Oransur would apply for an authorization to sell its hemp.	*Current*: Production and sale of hemp. *Future Plans*: Explore the path to obtaining a license to cultivate cannabis for medicinal use. Production and sale of hemp, extraction of cannabinoids and sale of cannabinoid derivative products.	*Current*: Working to obtain an authorization to cultivate, import and export medicinal cannabis. *Future Plans*: Obtain the required authorization to cultivate, import and export medicinal cannabis in Portugal and throughout Europe where lawful.
Licenses	Authorization to plant and harvest hemp granted by the Ministry of Livestock, Agriculture and Fisheries. The Hemp Authorization expires on October 12, 2020.	Authorization to produce, harvest and sell hemp by the Spanish Ministry of Agriculture, Fishing and Food. The authorization does not expire, but prior to each cultivation, Pharmabinoide is required to communicate and inform the local authorities of its new cultivation plan.	In December 2018, received declaration from INFARMED confirming that Terra Nova's application request to cultivate, import and export cannabis is in compliance with applicable laws. Upon completion of construction of the facilities and final inspection by INFARMED, a final license is expected which will provide authorization to cultivate, import and export medical cannabis in Portugal and abroad where lawful. Terra Nova has not yet been granted a license to cultivate, import and export cannabis.
Facilities	Oransur has leased approximately 83 hectares (205 acres) of land in Uruguay for outdoor hemp cultivation.	Pharmabinoide has leased 29 hectares (71 acres) of land located in Jaen, Spain.	Construction of a greenhouse facility on the 10 acre site leased by Terra Nova is expected to be completed by third quarter of 2020.

BUSINESS SEGMENTS

Terrace Inc.

Terrace Inc. is the parent company and functions as a holding company for its various subsidiaries. Terrace itself has no business operations other than the management of and holding the securities of the subsidiaries. Terrace intends to remain a holding company in the future, with its focus being on the development and acquisition of further international cannabis assets and any business operations will be conducted through its subsidiaries.

Terrace's business operations are at an early stage in their development. In the case of Terra Nova, no operations have yet commenced. While Oransur has harvested one outdoor crop of hemp for research and experimental purposes, no sales have been made to-date and a buyer for its hemp has not yet been identified. Pharmabinoide has harvested one outdoor crop of hemp and is in the process of delivering it to a purchaser and is in the process

of completing its second harvest of hemp.

__Oransur, S.A.__

Oransur is a Uruguayan company that produces industrial hemp in Uruguay. Oransur was granted an authorization to plant and harvest hemp by the Ministry of Livestock, Agriculture and Fisheries (the "**Hemp Authorization**") in October of 2018 which was subsequently renewed on October 18, 2019. The current Hemp Authorization expires on October 12, 2020, at which time Oransur will require a new Hemp Authorization from the Livestock, Agriculture and Fisheries Ministry to continue the cultivation and production of hemp.

On June 26, 2019, Oransur applied for approval of the Executive Power in respect of the transfer of the Oransur Shares from Inception to Terrace following the completion of the Proposed Qualifying Transaction, including the exercise of the Call Option Agreement governing the Oransur Shares.

The change of control of Oransur requires notice be issued to the Ministry of Livestock, Agriculture and Fishery with respect to the transfer of the Oransur Shares from Inception to Terrace. Such ministry is subsequently entitled (not obligated) to request the approval of the Anti-Money Laundering Secretariat, prior to granting a new hemp authorization. Following the notice that was provided to the Livestock, Agriculture and Fisheries Ministry, the ministry requested the Anti-Money Laundering Secretariat to review the proposed transfer of the Oransur Shares.

On August 19, 2019, the Executive Power approved the transfer of the Oransur Shares from Inception to Terrace upon the completion of the Proposed Qualifying Transaction.

On August 21, 2019, Oransur provided notice to the Anti-Money Laundering Secretariat in respect of the transfer of the Oransur Shares from Inception to Terrace following the completion of the Proposed Qualifying Transaction. The notice included: (i) the constating documents of Terrace and Apolo; and (ii) personal information and criminal background checks for the directors and officers of the Resulting Issuer. Upon the closing of the Proposed Qualifying Transaction, Oransur is required to provide notice of the closing of the Proposed Qualifying Transaction to the Anti-Money Laundering Secretariat at which point the transfer of the Oransur Shares will be completed.

In the event the Proposed Qualifying Transaction is not completed, Terrace may nonetheless exercise its rights pursuant to the Call Option Agreement and complete the transfer of the Oransur Shares from Inception to Terrace. In order to do so, Oransur would amend its existing regulatory notice applications to the Executive Power, Anti-Money Laundering Secretariat and Ministry of Livestock, Agriculture and Fishery to reflect Terrace being the new beneficial shareholder as a private company. Such revised applications would include: (i) the constating documents of Terrace; (ii) information and criminal background checks for the directors, officers and shareholders of Terrace; and (iii) a production plan for Oransur.

To date, Oransur has harvested one crop of hemp for a total of 1,083 kg of raw material extraction (3,000 kg gross dry flower) which is to be used for experimental and research purposes. In 2018, Oransur entered into an agreement with an agricultural partner to provide facilities for the drying, packaging and storing of its dried flower hemp in 2019. Oransur's hemp was dried and packaged between March and May 2019. Oransur paid a fee of U.S.$30,000 plus tax per month to rent the facilities for drying and packaging of the 2019 hemp crop, for an aggregate total of U.S.$75,000 in 2019. Currently, Oransur is negotiating the terms of a similar agreement for its 2020 harvest with this current partner and expects to pay U.S.$30,000 per month for two and a half months (U.S.$75,000 annually) to rent this facility. Oransur anticipates its second plantation of outdoor hemp to occur in the fourth quarter of 2019 on a weekly basis to ensure variable time for planting. Oransur will commence plantation of its second outdoor hemp crop in late October and into November of 2019. Each crop takes approximately 120 days to mature to harvest. Oransur expects to commence harvesting in April of 2020. In 2019, Oransur expects to be planting hemp over approximately 60 hectares (150 acres) with a wide variety of genetics, including high CBD genetics. It is Oransur's intention to use the hemp for the extraction of cannabinoids, including CBD extract for formulations in oils and other derivative products.

The Hemp Authorization allows Oransur to produce and harvest hemp. In order to sell the hemp already produced or to extract cannabinoids, Oransur will need to obtain other authorizations for such purpose.

Oransur intends to apply for an authorization for the extraction of cannabinoids and sale of cannabinoid derivative products. In order to obtain the authorization, Oransur will need to submit the corresponding extraction project to IRCCA (including the technical and financial aspects of the project). IRCCA shall require previous control of the origin of the funds by the Anti-Money Laundering Secretariat. If the derivative products are intended to be used for medicinal purposes or human consumption in any way, it shall also require the control and prior authorization of the Ministry of Health. If Oransur is not granted the authorization for the extraction of cannabinoids and sale of cannabinoid derivative products it will apply for an authorization to sell its hemp.

Oransur has not yet made any sales of its hemp and may apply for an authorization for the sale of hemp once it has identified a buyer. Once Oransur has identified a buyer and what the intended use of the hemp will be, the buyer must be authorized to process or use hemp by the authorities (Ministry of Agriculture, Livestock and Fisheries, if hemp is intended to be used for industrial purposes; or IRCCA, for medicinal or investigation purposes; in the case of IRCCA, it requires approval by the Anti-Money Laundering Secretariat, while the Ministry of Agriculture, Livestock and Fisheries is entitled but not obliged to ask for the origin of the funds). If Oransur decides to export hemp, it will need a specific export authorization from the Ministry of Agriculture, Livestock and Fisheries, for which it will have to identify the variety and amount of hemp to export, its THC concentration (below 1%), the importer, and provide the import certificate issued by the competent authority of the destination country. If hemp is intended to be used for medicinal or scientific investigation purposes, it also requires the control and prior authorization of the Ministry of Health. The authorities will typically grant the authorizations, as long as these requirements are achieved.

A loss or revocation of the Hemp Authorization would prohibit Oransur from producing and harvesting its hemp and later selling it wholesale or extracting cannabinoids for sale. The contingency plan in the event that Oransur lost or did not have the Hemp Authorization renewed would be to: (i) remediate and/or work with the regulatory authorities to ensure the license is back in good standing; or (ii) divert resources to other product types in other jurisdictions. Terrace has a global strategy with diversified assets and product types to mitigate any risk that loss of one business line may have on the consolidated business.

In order to be able to extract CBD, once Oransur has prepared its technical and financial plan, it shall submit such plan for IRCCA's authorization. Terrace intends to submit the technical and financial plan for IRCCA's extraction authorization in the first quarter of 2020. The technical plan submitted to IRCCA will include the proposal for extraction and marketing/sale of cannabinoids.

The extraction of cannabinoids from the hemp plant requires use of a solvent in the processing to separate the cannabinoids from the other constituent parts of the feedstock. Examples of the mostly commonly used solvents are ethanol, CO^2 and butane. Oransur has elected to utilize ethanol extraction due to the product types it desires to formulate, the associated cost of the manufacturing equipment, and the team's prior experience with extraction using ethanol.

Oransur expects to use its dry flower hemp for its own extraction purposes. If Oransur is not granted an extraction authorization, there is also a market for the sale of the dry flower hemp to other extraction firms. If Oransur decides to sell its hemp, once a buyer has been identified, Oransur can make an application for the corresponding authorization to sell its hemp.

Oransur is not currently owned by Terrace. Terrace has the option, pursuant to the Call Option Agreement, to purchase 100% of Oransur from Inception. Terrace anticipates exercising the call option as soon as practicable following completion of the Proposed Qualifying Transaction.

Cycles

Oransur's business activities are inherently seasonal. Industrial hemp will be grown outdoors, as a result there may be variations in Terrace's financial results from one quarter to another.

Facilities and Land

Oransur has leased approximately 83 hectares (205 acres) of land in Uruguay for outdoor hemp cultivation. Oransur has the ability to increase its land package upon further negotiation with local land-owners.

Oransur also has an administrative business office located in Montevideo, Uruguay.

Terrace anticipates using approximately $1,500,000 for the completion of an ethanol extraction lab, which is expected to occur in the third quarter of 2020. See "*Information Concerning the Resulting Issuer – Available Funds and Use of Proceeds*". Oransur intends to begin construction of the extraction lab prior to the extraction authorization being granted.

Terrace anticipates that construction on the extraction plant will begin promptly following closing of the Proposed

Qualifying Transaction. Set out below is the proposed timeline for the design and construction of an extraction lab in Uruguay:

Phase	Timeline
Design of the ethanol extraction lab	10 weeks
Project licensing (documentation preparation and delivery to regulatory authorities)	10 weeks
Constructions drawings and tender process	6 weeks
Tendering and award process	8 weeks
Approval and construction of the ethanol extraction lab	24 weeks

Oransur has identified a location for the proposed extraction lab in the science free trade zone in Canelones, Uruguay, which is located approximately 3.5 kilometers from the Montevideo airport. Oransur has signed a term sheet for the lease of this facility and has also engaged a construction project manager for the build out of the site. The monthly lease amount is U.S.$8,200, commencing upon receipt of the approval for the definitive lease agreement from the Free Trade Zone Area (a division of the Ministry of Economy that must approve the lease agreements and business plan of projects to be developed in free trade zones, as the premises to be leased are located in a free trade zone –"Parque de las Ciencias"). It is expected that the definitive agreement will be executed before October 15, 2019, and after that it will be submitted to the Free Trade Zone Area together with the business plan. The approval from the Free Trade Zone Area to begin with the construction of the lab would be expected to be received within three months of submission of the definitive lease agreement. The final approval to start operations shall be provided after getting the approvals of IRCCA (and eventually the Ministry of Health, if necessary).

Competitive Conditions

The market for extracts and derivatives of cannabis and industrial hemp is characterized by a structural shortage of supply, with few authorized producers. Although competition in the market is growing, management of Terrace believes that Oransur is competitively positioned to satisfy the demand for extracts and derivative cannabis products and industrial hemp given Oransur's experience and knowledge of utilizing Uruguayan countryside for agricultural production.

Pharmabinoide, S.L.

Pharmabinoide is a Spanish company that produces and sells hemp in Spain and other countries in the European Union. Pharmabinoide was granted an authorization to produce, harvest and sell hemp by the Spanish Ministry of Agriculture, Fishing and Food. Pharmabinoide harvested its first crop in 2018. The harvested hemp has been processed and stored pending its delivery to the purchaser of the hemp.

In 2018, Pharmabinoide produced 2.87 tonnes of dry flower hemp for extraction and acquired 4.42 tonnes from third party contract farmers. In 2019, Pharmabinoide expects to produce approximately 15 tonnes of hemp ready for extraction which will satisfy the remainder of its supply obligations. Pharmabinoide expects to deliver approximately 9 tonnes in the fourth quarter of 2019 and the remainder during the first quarter of 2020.

Pharmabinoide is in the process of completing its second harvest of outdoor hemp. Pharmabinoide has leased 29 hectares (71 acres) of land located in Jaen, Spain from 2018 to 2021. Pharmabinoide expects to start the selling of its product in the fourth quarter of 2019. Pharmabinoide expects to be able to harvest approximately 15 tonnes of dry flower hemp for extraction of which approximately 3 tonnes have been identified for sale, research and development or for future extraction.

A loss or revocation of this authorization would prohibit Pharmabinoide from selling its hemp and later exporting its hemp to Uruguay or Portugal, as applicable, for extraction purposes. The contingency plan would be to: (i) remediate and/or work with the regulatory authorities to ensure the authorization is back in good standing; or (ii) divert resources to other product types in other jurisdictions. Terrace has a global strategy with diversified assets and product types to mitigate any risk that loss of one business line may have on the consolidated business.

On November 26, 2018, Pharmabinoide registered with the Autonomous Community of Valencia to be included in the Registry of Suppliers of Seeds and Nursery Plants to the extent Pharmabinoide wishes to act as an intermediary in the sale to third parties of certified seeds of Cannabis Sativa, variety Felina 32, which it obtains from France, and has rented warehouses in Valencia for such purposes. In April 2019, Pharmabinoide obtained approximately 175 kg of hemp seeds from France certified as the Felina 32 variety and these seeds were planted as part of the 2019 hemp crop. No additional authorizations were required and no buyers were identified because those seeds were planted. Pursuant to the warehouse rental agreement, Pharmabinoide pays €400/month to rent the warehouse in Valencia. The warehouse rental agreement has a term of two years, ending in December 2020, with the possibility of renewal at the end of the term.

Pharmabinoide is currently in the process of exploring the path to obtaining a license to cultivate cannabis for medicinal use. While it has not been definitely determined if Pharmabinoide will pursue this path, cultivation of medicinal use cannabis may be a future business line of Pharmabinoide.

Cycles

Pharmabinoide's business activities are inherently seasonal. Industrial hemp is grown outdoor and therefore the production yields are impacted by planting, growing and harvesting cycles.

Facilities

In addition to the field located in Cazorla which does not have any indoor installation, Pharmabinoide has rented a warehouse in Benifaio (Valencia) for storage of seeds in order to carry out its activity of intermediation in the sale of hemp seeds to third parties.

Competitive Conditions

There is no official data related to the hectares destined for hemp cultivation but all publications agree that hemp cultivation has been increasing in Spain since 2014.

Terra Nova Portugal

Terra Nova Portugal, which is held through Terra Nova, is an applicant for an authorization to cultivate, import and export medical cannabis in Portugal and throughout Europe, where such activities are lawful. Terra Nova Portugal has leased a 10 acre site in Pinhal Novo, Palmela, Portugal for a period of seven years. The cost of this lease is €1,200 per month.

In December 2018, INFARMED, the governing regulatory body in Portugal, issued a declaration to Terra Nova Portugal confirming the compliance with the applicable law concerning the construction of up to a 350,000 sq. ft. greenhouse and 2.5 acres of outdoor cultivation (the "**INFARMED Declaration**"). The licensing process for the license to cultivate, import and export medical cannabis in Portugal and throughout Europe is in its final stage, whereby after the construction of the site facilities, INFARMED shall inspect Terra Nova Portugal's site and facilities after which the final license is expected to be issued. Terra Nova Portugal has commenced the planning of the greenhouse facility and is in the process of preparing the appropriate municipal and federal applications to commence construction. Terra Nova Portugal has engaged an external architectural advisor and construction managers to assist with the planning and construction of the greenhouse. Terra Nova's external design and construction consultants expect the municipal and local regulatory approvals to be obtained within approximately six weeks of submission of the design of the greenhouse facility. Upon completion of the greenhouse facility, Terra Nova will issue a request to INFARMED to audit the facility and expects such audit to be completed within 60 days of providing such notice. Terra Nova Portugal expects to complete construction of the greenhouse in the third quarter of 2020.

Set out below is the estimated construction timeline:

Phase	Timeline
Design of the greenhouse facility	10 weeks
Project licensing (documentation preparation and delivery to municipal authorities)	4 weeks
Project licensing by municipal authorities	6 weeks
Constructions drawings and tender process	4 weeks
Tendering and award process	8 weeks
Approval and construction of greenhouse facility	24 weeks

Currently, Terra Nova Portugal has no active business operations other than the construction of the greenhouse facilities in anticipation of it receiving its license from INFARMED. If Terra Nova Portugal is not ultimately issued a medical cannabis license in Portugal, it will be prohibited from cultivating, selling or exporting medical cannabis in Portugal. The contingency plan would be to seek a similar license in another jurisdiction, such as Uruguay or Spain.

Please see "*Regulatory Framework – Portugal – Prescription and Distribution of Medical Cannabis Products*" for information regarding authorizations required for the marketing and sale of medical cannabis.

Competitive Conditions

The first cannabis cultivation authorization was granted in 2014. However, according to an article in Diario de Noticias,[1] the holder of the authorization has not started cultivation activities Subsequently, around 2017/2018 several applicants submitted applications to cultivate cannabis and manufacture products based on the cannabis plant. INFARMED does not disclose any information on the number of applicants, nor related data. To the knowledge of Terra Nova Portugal, there have been two authorizations granted to date. INFARMED has issued licenses to Terra Verde (a joint venture involving GW Pharmaceuticals Plc) and Tilray Inc.

Faises, S.A.

Faises is not currently owned by Terrace. Terrace has the option, pursuant to the terms and conditions of the Call Option Agreement and the prior approval of the Exchange, to purchase 33.75% of Faises from Inception. Faises is a Uruguayan company that holds a license to produce and sell recreational cannabis to registered pharmacies in Uruguay (the "**Recreational License**"). Faises is one of only five companies in Uruguay which has been granted a license to grow, produce and distribute psychoactive cannabis for dispensing to pharmacies licensed to sell to individuals for recreational use. Faises' Recreational License was granted by IRCCA on January 14, 2016 and expires on January 13, 2021. Faises has been growing recreational cannabis since 2016, and has been selling recreational cannabis to authorized pharmacies in Uruguay since November 2017.

Terrace anticipates exercising the call option as soon as practicable following completion of the Proposed Qualifying Transaction. Terrace has not received approval from any of the Exchange, IRCCA, the Executive Power or the Anti-Money Laundering Secretariat for the transfer of the shares of Faises from Inception to Terrace. Terrace intends to apply for such approvals following the completion of the Proposed Qualifying Transaction. Terrace will need to submit to regulatory authorities the following in order to be granted approval for the transfer of the shares of Faises: (i) the constating documents of Terrace and Apolo; (ii) personal information and criminal background checks for the directors and officers of the Resulting Issuer; (iii) confirmation that the Resulting Issuer is listed on a recognized exchange; and (iv) any other information the Anti-Money Laundering Secretariat may reasonably request.

Upon exercise of the Call Option Agreement, Terrace will own 33.75% of the shares of Faises. Terrace has assigned a value of $nil to the call option to acquire 33.75% of Faises. At this time, Terrace (through Inception) does not have a controlling interest in Faises and Faises is considered to be a passive investment. Terrace/Inception does not have access to the books and records nor any data room of Faises to be able to perform financial accounting due diligence. Terrace/Inception does not have access nor influence over the operations, employees, and facilities of Faises. The relationship between Inception and the majority shareholders of Faises is characteristically adversarial; however, Inception/Terrace have been working diligently with the majority shareholders of Faises to attempt to negotiate a transaction that could lead to the acquisition of the remaining 66.25% of the shares of Faises by the Resulting Issuer. Such an acquisition is not considered probable at this time and would be subject to, among other things, approval of the Exchange, due diligence by the parties, negotiation on deal terms and Uruguayan regulatory approvals and applicable board approvals. There can be no assurance the majority shareholders of Faises will ultimately agree to sell their shares.

Inception, the current holder of the 33.75% interest in Faises, has never received dividends or revenues from Faises.

A loss or revocation of the Recreational License would prohibit Faises from selling recreational cannabis in Uruguay. The contingency plan in the event that Faises loses or does not have the Recreational License renewed would be to: (i) remediate and/or work with the regulatory authorities to ensure the license is back in good standing; or (ii) divert resources to other product types in other jurisdictions. Terrace has a global strategy with diversified assets and product types to mitigate any risk that loss of one business line may have on the consolidated business.

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[1] https://www.dn.pt/vida-e-futuro/interior/dezenas-de-empresas-interessadas-em-produzir-canabis-em-portugal-9701644.html.

Competitive Conditions

There are currently only five companies licensed to grow and sell recreational cannabis in Uruguay. Three of these licenses were awarded by IRCCA on October, 18, 2019 and are not yet operational. Further, given that IRCCA, through its licensing regime, regulates price and the allocation of orders to the licensees, including Faises, the market for recreational cannabis is not considered a competitive market.

REGULATORY FRAMEWORK

Uruguay

Industrial Hemp Segment

Terrace will operate in the Uruguayan hemp industry through its interest in Oransur, in accordance with the laws and regulations in Uruguay and in the terms and scope of the authorization granted to Oransur to plant and harvest hemp by the Ministry of Livestock, Agriculture and Fisheries (the "**Hemp Authorization**").

The industrial hemp portion of the business is expected to involve textile (fiber) and human food components (through oil extraction). Hemp is a high performance harvest which has a number of industrial uses. Initially, Oransur will use the surplus hemp not used for medicinal extracts and derivatives for its industrial hemp business. Oransur expects to produce and develop products for sale domestically and, where lawful, for export. Oransur leases farms across Uruguay to cultivate various crops with imported genetics. Oransur's current operation is 83 hectares (205 acres) and located in Florida, Uruguay, with the ability to expand its production area upon negotiations with local land owners and authorization of the Ministry of Livestock, Agriculture and Fisheries.

According to a presentation of the Agriculture Services General Directorate of the Ministry of Livestock, Agriculture and Fisheries, the expectations of the Ministry of Livestock, Agriculture and Fisheries since the legalization of the production of hemp in Uruguay have been to have a significant increase in the planted area across the country, as well as an increase in the performance of non-organic crops in open air, to develop cannabinoid extraction techniques, to promote the provision of supplies (inflorescensces) for the local pharmaceutical industry, and to develop technologies involving textile fiber.[2]

The Hemp Authorization is for a period of 360 days commencing October 2018 and expiring in October 2019. The Ministry of Livestock, Agriculture and Fisheries may suspend or revoke the Hemp Authorization should Oransur not comply with the approved plan and/or regulations in force in Uruguay.

Oransur may ask the Ministry of Livestock, Agriculture and Fisheries at any time for an increase or change of the intended production, as well as for the renewal of the Hemp Authorization.

The first outdoor harvest of hemp took place in February 2019. Hemp will continue to be harvested on an annual basis to reach annual production targets. Following the harvest, the hemp will be processed following high quality standards to obtain medicinal, pharmaceutical or industrial material for local selling and/or exportation.

Recreational Cannabis Segment

Recreational cannabis is being distributed by Faises and Aurora Cannabis Inc., respectively, through pharmacies across 10 departments (i.e. states) of Uruguay, and the Uruguayan government expects the current number of pharmacies to increase significantly throughout the 19 departments of Uruguay, as the number of individuals registered and enabled to buy cannabis has continually increased since selling commenced.[3] Each pharmacy must be registered and approved by the government to sell recreational cannabis and must be equipped with the appropriate fingerprint identification software to verify the identity of each purchaser and to track the quantities purchased. To be able to buy recreational cannabis, individuals must be registered before IRCCA and meet certain legal requirements, including being of age of majority and being a resident in Uruguay.

The Recreational License is for a period of five years, expiring in January 2021. IRCCA may suspend or revoke the

[2] http://www.mgap.gub.uy/sites/default/files/multimedia/charla_sobre_canamo_in_dustrial.pdf
[3] http://www.lr21.com.uy/comunidad/1386454-junta-nacional-drogas-diego-olivera-cannabis-marihuana-thc

Recreational License should Faises not comply with the obligations under the Recreational License. The increase of production and the renewal of the Recreational License may be subject to a public tender process similar to the process when the initial Recreational License was granted.

The initial plant cuttings were provided to Faises by IRCCA. Faises multiplied the initial cuttings, which were then planted and harvested. This process ensured that the variety of plant remained consistent and within government approved levels of CBD and THC.

Recreational cannabis began being sold to authorized pharmacies at a fixed cost of U.S.$0.90 per gram for the first production year, adjusted annually in accordance with the terms of the Recreational License which include, among other things, an adjustment for Uruguayan inflation. Faises expects that the production cost per gram will decrease over time with the increase in the amount of production.

The first harvest and beginning of storage of recreational cannabis took place in 2017, some months before the selling of recreational cannabis was authorized by the government. Recreational cannabis continues to be harvested on a perpetual basis to reach the annual production target of two tonnes. Following completion of the drying process, the recreational cannabis is packaged and distributed to pharmacies.

Faises is required to have sufficient infrastructure to package cannabis for recreational use. IRCCA strictly regulates the labelling and packaging, including disclosure on the package regarding the expiry date, health and safety risks, and THC and CBD content. No advertising is permitted on the packaging.

On April 6, 2017, the Government of Uruguay announced that recreational cannabis users could commence registering with the national registry system on May 2, 2017. Faises commenced selling recreational cannabis through registered pharmacies in November 2017.

Licenses and Authorizations

Cannabis Legalization Framework

In June 2012, the Uruguayan Government, under then President Mujica, announced plans to legalize state-controlled sales of cannabis as a way to minimize drug-related crime and health issues.

On December 20, 2013, Uruguayan Law No. 19,172 (the "**Uruguayan Cannabis Law**") was passed, providing the Government of Uruguayan with control over and the capacity to regulate the activities of importing, exporting, planting, cultivation, harvesting, production, acquisition, storage, marketing and distribution of cannabis and its derivatives.

The Uruguayan Cannabis Law also created IRCCA, which regulates and controls the production, planting, growing, harvesting, processing, storage, distribution and dispensing of cannabis in Uruguay. IRCCA's main objectives are to increase awareness and reduce risks and health damage associated with the over-use of cannabis as well as enforcement of regulations included in the Uruguayan Cannabis Law. IRCCA also advises the Presidency of Uruguay on the design of cannabis policies.

Under Uruguayan Decree-Law No. 14,294 (the "**Uruguayan Drugs Law**"), subject to certain exemptions provided by the Uruguayan Cannabis Law and detailed below, the Uruguayan State has a monopoly over the import and export of drugs. The planting, cultivation, harvesting and commercialization of any plant from which any drug and other substances that create physical or psychological dependence, including cannabis, are prohibited. The performance of activities involving drugs carried out illegally, or involving goods, products or instruments proceeding from the aforementioned, are considered to be criminal offenses, including money laundering.

In order to regulate the Uruguayan Cannabis Law, three initial decrees (i.e. regulations) were issued by the executive branch of the Uruguayan government:

- Decree 120/2014 dated May 6, 2014, concerning psychoactive cannabis for non-medicinal or scientific research use, which includes regulation of the production for dispensing to pharmacies licensed to sell to individuals domestically produced cannabis for personal or shared consumption at home, and cannabis clubs' production for the consumption of by their members (recreational cannabis);
- Decree 372/2014 dated December 16, 2014, concerning hemp for industrial use, non-medicinal or scientific research use (non-psychoactive cannabis plants or parts containing less than 1% THC and seeds not exceeding

0.5% THC); and
- Decree 46/2015 dated February 4, 2015, concerning psychoactive and non-psychoactive cannabis to be intended for scientific research or the development of specialties for medicinal use.

Definitions of psychoactive and non-psychoactive cannabis vary in relation to the different activities (considering different cannabis categories, plants, seeds, products or the active principles). The Uruguayan Cannabis Law lays out three legal methods of accessing recreational cannabis, open to all Uruguayan citizens and permanent residents over the age of 18. These are:

- Individuals can purchase up to 40 grams of cannabis per month (10 grams per week, according to the regulations) in pharmacies licensed by IRCCA without any prescription, which is to be produced by commercial growers who are specifically licensed by IRCCA. To access cannabis, users must first register with IRCCA.
- Users can grow up to six female flowering cannabis plants per household for their own consumption, so long as they have first registered their plants with IRCCA. The total annual production of cannabis must not exceed 480 grams.
- Cannabis enthusiasts can join cooperatives to collectively grow cannabis with others. These "cannabis clubs" must first be authorized by the executive branch of the Uruguay government, IRCCA and other authorities, and must have between 15 and 45 members. The clubs may plant up to 99 plants in the same space, but cannot dispense more than 480 grams of cannabis to each of their members per year. Any surplus yield must be turned over to IRCCA.

The decrees make these three options mutually exclusive - "acquiring psychoactive cannabis from more than one of the above sources is prohibited".

Decree 250/2015 was subsequently issued on September 14, 2015, to provide for ownership and anti-money laundering restrictions with respect to the holders of licenses.

Article 5 of the Uruguayan Cannabis Law, which replaced Article 3 of the Decree-Law 14,294, expressly provides certain exceptions to the ban on planting, cultivating, harvesting and/or marketing any plant from which narcotics can be extracted, including cannabis. Some of these exceptions are as follows:

- those made for scientific research, or for the development of specific medicinal use, previously authorized by IRCCA and the Ministry of Public Health in Uruguay;
- plantations, cultivation, harvesting, industrialization and dispensing of psychoactive cannabis for other purposes, provided that due prior authorization of IRCCA is obtained;
- plantations, cultivation, harvesting as well as the industrialization and commercialization, of non-psychoactive cannabis (hemp) where previously authorized by the Uruguayan Ministry of Livestock, Agriculture and Fisheries;
- planting, cultivation, collection for purposes of research as well as the industrialization for pharmaceutical use, where previously authorized by IRCCA; and
- retail of psychoactive cannabis under licenses granted to pharmacies by IRCCA.

The law provides that the executive branch of the Uruguay government shall regulate the mechanisms for access to cannabis seeds under the preceding exceptions.

Regulatory decrees regulate competent authorities in order to perform import or export activities regarding cannabis, or for granting authorizations to such effects.

While the use of cannabis for scientific research or the pharmaceutical use is also specifically provided under authorizations introduced under the Uruguayan Cannabis Law, it has not received as much public attention as the provisions relating to the recreational cannabis market.

Regulations regarding the social acceptance of this recently legalized substance in the market are still being updated and implementations by the competent authorities are still in process. For instance, labor regulations prohibiting on duty smoking as well as working under the influence, labelling conditions for commercialization, shops where recreational cannabis can be sold (currently, pharmacies) and hours for commercialization in pharmacies have been enacted or are in discussion. Other medical (different to elaboration of specialties for medicinal use) and particular industrial purposes have not been yet expressly regulated (for instance, food, biological products or medicinal herbs).

Sanctions provided under the Uruguayan Cannabis Law include fines, forfeiture or destruction of goods, partial or total suspension in the corresponding register, temporary or permanent disqualification, temporary or permanent closing of the establishments of licensees, whether of their own or not. Sanctions may be cumulative. The foregoing is without prejudice to the sanctions that may correspond in accordance with other applicable laws, such as the configuration of criminal offenses under the Uruguayan Drugs Law.

Oversight of Uruguayan Cannabis and Hemp Industries

Article 17 of the Uruguayan Cannabis Law created IRCCA, a non-state legal person governed by public laws, which is in charge of: (a) regulating the whole chain from planting to the sale of cannabis; (b) promoting actions to reduce risks and harms associated with the use of cannabis; and (c) monitoring compliance of individuals with the Uruguayan Cannabis Law. IRCCA is responsible for developing processes and taking the necessary steps to carry out the implementation of these standard actions. IRCCA also grants licenses to produce, develop, collect, distribute and sell recreational cannabis.

Regarding rural real estate land authorizations, see "*Risk factors – Risk Inherent on Uruguayan Rural Real Estate*" below.

Hemp and Extraction Authorizations

In Uruguay, Decree 372/2014 regulates the exception for import, export, plantation, cultivation, harvesting, as well as the industrialization and commercialization of certain cannabis ("hemp" for the purposes of this Prospectus), which is destined for industrial purposes, subject to the prior authorization of the Uruguayan Ministry of Livestock, Agriculture and Fisheries.

Authorizations determine the express terms and conditions regarding the following, among others: the site where the activity would be performed, the origin of seeds or plants, the varietal characteristics of crops to be used, the THC content in plant and seeds, security procedures, destination of the production and waste, characteristics of the final product, terms and conditions of the authorization and volumes and conditions for production, industrialization or commercialization.

On October 30, 2018, Oransur was granted specific authorization by the Uruguayan Ministry of Livestock, Agriculture and Fisheries to seed, harvest and store hemp. Oransur was granted specific authorization by the Uruguayan Ministry of Livestock, Agriculture and Fisheries to import from Lithuania, plant and harvest the Futura 75 variety of cannabis sativa for a term of 360 days. Oransur is required to notify the Agriculture Services General Directorate, or Dirección General de Servicios Agrícolas ("**DGSA**") of the Uruguayan Ministry of Livestock, Agriculture and Fisheries, of imports of the Futura 75 variety and origin authorized. If changes in origin or variety are desired, Oransur must request approval from the DGSA. Initially, the Company will use the surplus hemp not used for medicinal extracts and derivatives for its industrial hemp business, which will require the Uruguayan Ministry of Livestock, Agriculture and Fisheries authorization.

See "*Risk Factors – Reliance on Licenses and Authorizations*" below.

Recreational Cannabis Licenses

Only licensed pharmacies in Uruguay may purchase psychoactive cannabis produced from licensed producers according to their respective license. The sale to individuals may only be performed by certain categories of pharmacies, duly authorized by the Uruguayan Ministry of Health, and which would have obtained the corresponding license and registry from IRCCA. Terms and conditions regarding commercialization and dispensing to individuals shall be established in the licenses granted to the pharmacies.

In all cases, all forms of advertising, direct or indirect promotion or sponsorship of psychoactive cannabis products, by any means of communication, as well as contests or public events promoting cannabis is prohibited. The sale of cannabis is prohibited outside the authorized pharmacies, as well as any other form of sale (e.g. by internet, telephone, home delivery or other).

The license determines the express terms and conditions regarding the following, among others: the site in which it is authorized to produce, the origin of seeds or plants used in the plantation, varietal characteristics of crops to be used, production volumes authorized, security procedures, guarantees, conditions of distribution and dispensing to authorized pharmacies, prohibition on the sale of products to unauthorized third parties, the appointment of a technical manager of the production process, destination of surplus production and products, packaging and labeling conditions of the product, installation procedures previously authorized by IRCCA and procedures which allow traceability and geo-referencing from planting to the dispensing of psychoactive cannabis.

See "*Risk Factors – Reliance on Licenses and Authorizations*" below.

<u>Spain</u>

Legislative Background

In Spain, cannabis plants not exceeding 0.2% of THC may be cultivated for hemp fiber (industrial application). Additionally, provided the relevant authorization is obtained, cannabis may be cultivated for medicinal, research or exclusive educational purposes. Such authorization is required even if cannabis does not exceed 0.2% of THC. In Spain, consumption of cannabis (with a THC limit over 2%), even for recreational purposes, is not penalized but its commercialization is prohibited. The Spanish law on Narcotics (Law 17/1967) qualifies the sale and cultivation of cannabis exceeding 2% THC as illegal and restricts consumption and possession to private spaces.

Within the last couple of years there have been two different proposals to legalize the use of the cannabis on a national basis. In February 2017, the political party Ciudadanos submitted a non-legislative proposal to regulate and facilitate access to therapeutic treatments with cannabis and cannabis derivatives under medicinal prescription. The other three big Spanish political parties seemed to be in favor of such proposal. Consequently, a commission with representatives of the four big Spanish political parties was created to promote and develop a non-legislative proposal relating to this subject matter. Nevertheless, such commission has been suspended without any agreement having been reached. On October 2018, political party Podemos took the debate on the legalization of cannabis to the Spanish Congress. In this case, Podemos proposed a total legalization of the plant following countries such as Uruguay and Canada. The other three major parties have positioned themselves against this proposal.

Additionally, three regional laws regulating cannabis (including the collective cultivation and consumption of cannabis) have been declared unconstitutional by the Spanish Constitutional Court. This is the case of the laws approved by Navarra, the Basque Country and Catalonia in 2014-2017. The Constitutional Court has not debated the legality of collective cultivation and consumption of cannabis, but has simply annulled the laws because it has considered that such autonomous regions had exceeded their competences, with the Spanish State having the competence to regulate on narcotics matters.

In July 2018, the Valencian Parliament approved a non-legislative proposal which urged the Valencian Government to make the appropriate legal amendments to regulate self-cultivation of cannabis for personal use and to amend all those legal aspects necessary for it to cease to be punishable. Such non-legislative proposal has been approved by Podemos, PSOE (Socialist Party) and Ciudadanos and rejected by PP. This non-legislative proposal is mainly focused on the therapeutic use of cannabis. Specifically, the non-legislative proposal establishes the creation of a Commission of the Valencian Parliament to legally and technically study how to guarantee access to cannabis to therapeutic users, considering the right of the users to cultivate their own cannabis for consumption, and promote the scientific study of the therapeutic properties of cannabis.

Oversight of Spanish Cannabis and Hemp Industries

As per article 148.1.7 of the Spanish Constitution, Spanish autonomous regions have assumed exclusive competence for agriculture, in accordance with the general organization of the economy which corresponds to the State. Such competences, to the extent Spain belongs to the European Union, must always be in line with the Common EU Agricultural Policy. The Spanish Ministry of Agriculture, Fishing and Food (the "**Spanish Ministry**"), is the department responsible within the Spanish National Administration for proposing and implementing the Government's policy on farming resources, including hemp crops. Spanish Royal Decree 9/2015 has created the General Register for the Agricultural Production ("**REGEPA**") within the Spanish Ministry. All hemp crops must be duly registered with such registry. Although REGEPA belongs to the Spanish Ministry, all registration formalities are carried out through the autonomous regions which have created for this purpose Agricultural Regional Offices ("**OCA**").

With regard to cannabis for medicinal or research use, competences related to the potential authorization have been granted to the Ministry of Health, Consumption and Social Welfare through the Spanish Medicinal Products and Medical Devices Agency (the "**Spanish Agency**").

Hemp Authorizations

In the European Union, and therefore, in Spain, it is legal to cultivate and supply cannabis plants for hemp fiber if they do not exceed 0.2% of THC.

The maximum level of THC was initially imposed for subsidy purposes. The granting of subsidies under the Common EU Agricultural Policy is conditional upon the use of certified seeds of specific hemp varieties intended for industrial purposes: only varieties with a THC content not exceeding 0.2% may be used (EU Regulation 1782/2003, EU Regulation 1307/2013 and Spanish Royal Decree 1729/1999). Subsidies are therefore granted only for areas sown with varieties of hemp offering certain guarantees with regard to their psychotropic content, cultivated with certified seeds, and exclusively intended for industrial use. There is a procedure for the determination of hemp varieties and the verification of their THC content. Imports of hemp are also subject to certain conditions to ensure the abovementioned THC limit is respected (EU Regulation 1308/2013).

The European Court of Justice has considered that cultivation and possession of cannabis plants for hemp fiber for levels of THC under 0.2% may not be prohibited in the European Union. According to its Order of July 11, 2008 (case C-207/08 - Babanov), the EU Regulation 1782/2003 established common rules for direct support schemes under the common agricultural policy and established certain support schemes for farmers must be interpreted as meaning that it precludes national legislation which has the effect of prohibiting the cultivation and possession of hemp grown for fiber covered by that Regulation (that is to say, hemp with a THC composition not exceeding 0.2%).

In the European Union, specific THC thresholds for industrial hemp were first determined in 1984. Until 1987 a limit of 0.5% applied. For subsequent years a limit of 0.3% was set. The justification of such decision was the protection of public health. Nevertheless, the Regulations in the European Union were tightened up in 1999. The THC limit was lowered from 0.3% to 0.2%. This further lowering of THC level was justified to prevent the cultivation of illicit drug type cannabis in industrial hemp fields.

In order to sow and cultivate hemp in Spain for industrial use, a license is not required. The only requirement, which also applies to all other kinds of crops, is to have the field registered with the REGEPA and to renew such registration on an annual basis. Such registration is required for ensuring crop safety and hygiene.

Royal Decree 9/2015 governing the conditions of application of EU legislation on hygiene in primary agricultural production requires farmers to give the following information for the purposes of registration in the REGEPA: identification and contact details of the farmer (telephone, fax or e-mail address); list of parcels of the Geographical Information System of Agricultural Plots (the "**SIGPAC**") included within the holding, of which at least the SIGPAC code must be identified, as well as the area, the crop and, if they have been voluntarily implemented, the corresponding self-controls. The SIGPAC is a GIS application of the Spanish Ministry that allows the geographical identification of the plots declared by farmers.

Pharmabinoide requested the registry of its field located in Cazorla (Jaén) with the REGEPA on June 17, 2019. Such field is currently duly registered with the Code REGEPA 0123145060 as granted by the Spanish Ministry, permitting Pharmabinoide to sow and cultivate hemp in Spain for the 2019 growing seaso (the "**REGEPA Registration**"). A renewal of the REGEPA Registration will be obtained for the 2020 growing season.

The cannabis seed species to be used in the hemp crops must be certified seeds registered with the Registry of Commercial Varieties of Seeds and Plants (*Registro de Variedades Comerciales de Semillas y Plantas*) of the Spanish Ministry or with the Common Agricultural Catalogue of the European Union (Spanish Law 30/2006 and Royal Decree 170/2011) for industrial uses. Hemp varieties with a THC level higher than 0.2% cannot be registered.

Pharmabinoide uses certified French seeds of cannabis sativa, variety Felina 32, which are registered in the Common Agricultural Catalogue of the European Union.

The quality of the seeds and plants is controlled by the Spanish Ministry. According to section 47 of the Spanish Law 43/2002 on Plant Health, the authorities of the Spanish autonomous regions are authorized to carry out inspections and investigations in order to confirm that the seeds and plants are legally compliant both upon the arrival of the seeds into Spain and where they are cultivated or stored. These powers are overseen by the Spanish Ministry. Inspectors have the right to enter and inspect facilities, farming lands or any other facilities related to the business. If any health measure is not met a sanctioning proceeding may be initiated. The company being inspected has the obligation to provide all information requested in order to establish that the business is operating within the law and that the seeds and plants meet the required health standards. To this end, it is essential for hemp farmers to retain the original labels of the cannabis seeds which show that such seeds have a THC composition under 0.2% and the invoice which documents the acquisition of such seeds.

Both original labels and invoices for the acquisition of the cannabis seeds are duly retained by Pharmabinoide.

Finally, the companies undertaking the importing, storing or commercializing, or placing onto the market of seeds must communicate to the autonomous region in which they have the facilities, the start of their activities with the Registry of Suppliers of Seeds and Nursery Plants.

Finally, the position of the Spanish authorities in respect of the use of the harvest obtained from the plantation of hemp seems to be that irrespective of the level of THC of the cannabis plants, cultivation of hemp for uses other than industrial uses is subject to authorization. With regard to the scope of the term "industrial use", there is no Spanish law that defines this term. It is the United Nations' Single Convention on Narcotic Drugs of 1961 (amended in 1971) which explains that "industrial use" refers to fiber and seeds. Consequently, following the construction of the Spanish authorities, Pharmabinoide is entitled to cultivate and commercialize fiber or any derivative of the seeds for industrial purposes, but, it can neither use nor commercialize the flowers of the hemp nor any other part of the plant for, by example, extracting CBD, or producing CBD oil or any other CBD related product.

Portugal

Medical Cannabis Authorization (license)

In Portugal the cultivation, manufacture, commercialization, wholesale distribution, import and export of cannabis for medical, veterinary and scientific investigation purposes is dependent on previous authorization (generic authorization) granted by INFARMED, in accordance with Decree Law 15/93 of January 22, 1993 and Implementing Decree 61/94 of October 12, 1994, as amended. Such authorization is to be granted by a dispatch of INFARMED's Board of Directors by way of a notification provided to applicants. Terra Nova received notification on December 5, 2018 confirming that its application request to cultivate, import and export cannabis is in compliance with applicable laws.

Legislative Framework

The authorization request submitted by applicants shall contain the information and documents listed in the applicable provisions of the above-mentioned legislation. However, INFARMED under its regulatory and supervision powers, may require the submission of additional documentation, including a business plan for five to ten years of operation and documents to be issued by the municipality in which the premises of the cannabis activity is to be located, evidencing that there is no objection for such activities to be performed in the municipality. In case of export activity, documentation evidencing the interest of potential buyers in the acquisition of the products of the future authorization holder must also be submitted along with application.

It was also established by INFARMED that separate authorization application requests are to be submitted by applicants for the activities of cannabis cultivation and manufacture of cannabis products (cannabis-based medicines, substances and preparations). The granting of manufacturing of cannabis products requires compliance with the Good Manufacture Practice guidelines. Compliance with the GACP is required for the authorization to cultivate cannabis. Hence, cannabis manufacturing activities are to be performed by the manufacture authorization holder in accordance with the applicable legal provisions established by the above-mentioned Decree Law.

In addition to the authorizations mentioned above, each of the import, export, transportation of cannabis substances and the manufactured derivative thereof requires a specific authorization. Each specific authorization will be valid for the period established in the respective authorization and will not exceed a one-year period.

INFARMED may limit the quantities of cannabis substances and preparations that may be cultivated, manufactured, distributed, imported or exported, due to public health reasons or undertaken international commitments in accordance with the rules arising from the United Nations Conventions. However, INFARMED does not provide information on the limits that it eventually may impose on the quantities of cannabis substances and preparations, nor are same established by a legal diploma or a specific ruling.

Generic authorizations are valid for one year and may be renewed for subsequent one-year periods upon request of the respective holder or otherwise will expire. The authorization cannot be transferred, assigned or used by any third parties.

Security is a crucial topic to be addressed by applicants due to the nature of the product, and is thoroughly analyzed by INFARMED not only in the assessment phase prior to the granting of the authorization, namely of the respective Standard Operational Procedures, but also through inspections of the premises in which cannabis activities take place. By the recent amendment of the Implementing Decree 61/94, published in Decree Law 8/2019 of January 15, 2019, cultivation and manufacturer authorization holders are required to maintain designated security personnel at their facilities.

In view of the assurance of quality of cannabis cultivation, the license holder is required to designate a qualified person as Technical Responsible. The holder of a manufacture license is also required to appoint a qualified person (pharmacist specialized in the pharma industry) as Technical Director, who will be committed to comply with several obligations as established in Decree Law 176/2006 (Portuguese Medicine Act).

Traceability of cultivated cannabis is strictly regulated. The holder of a cultivation authorization is required to execute and maintain up-to-date records of all incoming and outgoing substances, in accordance with the procedures established by the applicable law – Implementing Decree 61/94.

The granted authorizations are communicated by INFARMED to the General Directorate for Intervention on Addictive Behaviors and Dependencies, committed to the promotion of the reduction of use of psychoactive substances, the prevention of addictive behaviors and the decreasing of dependencies, which will inform the Criminal Investigation Police, the Public Security Police, the Republican National Guard and the Tax and Customs Authority, specifying which of these authorities are specifically responsible for the control of the operations and respective terms.

Finally, the granted authorizations shall expire in case of termination of the activity of the respective holder or in case of lack or delay in the submission requesting the maintenance of the granted authorization to INFARMED in the 60 days after the occurrence of the following events: (i) death of the individual holder (natural person) of the authorization; (ii) replacement of the authorization holder or of the legal representative of the company holding the authorization or of the authorized entity or (iii) change of the name of the company that holds the authorization. If this request of maintenance of the granted authorization is submitted after the quoted 60-day term, the request will be rejected.

The authorization may immediately expire if the prohibition to cultivate certain plants, to manufacture, prepare or commercialize certain substances or preparations is imposed by a Ministerial Order.

The authorizations may also be revoked when the requirements that lead to its granting are not met and may also be revoked or suspended for a maximum period of six months, depending on the gravity, in case of technical accident, of deterioration of cannabis substances and preparations or of any other irregularity that may determine a significant health risk or the illicit supply to the market, as well as in case of breach of the obligations imposed on the authorized holder. The communication of a revocation or suspension is published in the Official Journal.

Prescription and Distribution of Medical Cannabis Products

The prescription and dispensing of cannabis plant medicines, preparations and substances for medical purposes has been permitted since August 1, 2018, the date in which Law 33/2018 of July 18, 2018 entered into force, which established the legal framework on the use of such products. Subsequently, Decree Law 8/2019 of January 15, 2019 (which came into force on February 1, 2019) established the specific ruling on the medical use of such products.

The prescription of cannabis medicines, preparations and substances requires a specific medical prescription in a template to be approved by an order to be issued by the Ministry of Health, which was not yet been issued. The use of cannabis can solely be prescribed when the conventional treatments with authorized medical products are not producing the expected effects or cause adverse effects.

The distribution of these products is required to occur in pharmacies and requires a medical prescription and the verification of the identity of the prescribed user.

INFARMED's Board of Directors Decision 11/CD/2019 of January 31, 2019 approved the following list of illnesses or diseases considered appropriate for the prescription of preparations and substances based on the cannabis plant:

- (i) spasticity associated to the multiple sclerosis or spinal cord injuries;
- (ii) nausea, vomiting (caused by chemotherapy, radiotherapy and HIV combined therapy and hepatitis C medication);

(iii) stimulation of the appetite during the palliative care of patients under cancer or AIDS treatment;
(iv) chronic pain (associated with cancer or diseases of the nervous system, for instance neuropathic pain caused by the injury of a nerve, phantom limb pain, trigeminal neuralgia or after zoster herpes);
(v) gilles de la Tourette Syndrome;
(vi) epilepsy and treatment of child convulsive disorders, such as Dravet ad Lennox-Gastaut syndromes; and
(vii) glaucoma resistant to treatment.

For the purposes of the permitted use of medicinal cannabis and related activities, it is important to highlight the definitions established by Decree Law 8/2019 on:

(i) "*Medicine based on the cannabis plant*" means a medicine which has exclusively as its active substance: (i) one or more substances derived from the cannabis plant; (ii) one or more preparations based on the cannabis plant; or (iii) one or more substances derived from the cannabis plant in association with one or more preparations based on the cannabis plant;

(ii) "*Preparations based on the cannabis plant*" means preparations obtained by subjecting the substances derived from the cannabis plant to processes such as extraction, distillation, expression, fractionation, purification, concentration or fermentation, such as derived substances from the pulverized or powdered cannabis plant, tinctures, extracts, essential oils, squeezed juices or processed exudates; and

(iii) "*Substances based on the cannabis plant*" means cannabis plants, or parts thereof, whether whole, fragmented or cut, together with exudates not subject to specific processing, or other substances derived from part of the cannabis plant and defined in botanical taxonomy, including the species, variety and producer.

Decree Law 8/2019 establishes the following:

(i) The medicines based on the cannabis plant for medical purposes is subject the previous granting of a marketing authorization ("**MA**") as ruled by Decree Law 176/2006 of August 30 (Portuguese Medicine Act), as amended, and shall follow the procedures established in this diploma; and

(ii) The placing on the market of preparations or substances based on the cannabis plant for medical purposes is subject to the granting of a previous marketing placement authorization ("**MPA**"), under the procedures established by Decree Law 8/2019, which are less stringent than the ones concerning the medicines MA, referred in (i), above.

Both MA and MPA are valid for periods of five years and can be renewed under the procedures established by the above-mentioned legal diplomas, which impose on the respective holder compliance with several obligations, namely on pharmacovigilance of the products, among several others.

In January 31, 2019, Order 44-A/2019 was published containing the ruling concerning the pricing regime for preparations and substances based on the cannabis plant for medical purposes. The price of these products is to be communicated by the MPA holder to INFARMED for approval. The price shall include the commercialization margins to be defined between the production and distribution agents, fees and taxes established by the applicable law. The applicable law does not address the regime applicable to the price of the medicines based on the cannabis plant. As a result, such regime seems to be the one applicable to the medicinal products.

DIVIDEND POLICY

Terrace has not declared dividends on the Terrace Shares in the past. See "*Information Concerning the Resulting Issuer – Dividends or Distributions of Resulting Issuer*".

DESCRIPTION OF SECURITIES

The authorized capital of Terrace consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the date hereof, there are currently 128,580,956 common shares ("**Terrace Shares**") issued and outstanding and nil preferred shares ("**Terrace Preferred Shares**") issued and outstanding. The holders of the Terrace Shares are entitled to receive notice of and attend any meeting of Terrace Shareholders and are entitled to one vote for each Terrace Share held. The holders of Terrace Shares are entitled to receive dividends if, as and when declared by the board of directors of Terrace and to receive a proportionate share, on a per share basis, of the assets of Terrace available for distribution in the event of a liquidation, dissolution or winding-up of Terrace. The Terrace Preferred Shares are entitled to a preference and priority over the Terrace Shares with respect to the payment of dividends and the distribution of assets or return of capital if there is a voluntary or involuntary liquidation, dissolution or winding-up of Terrace.

Terrace issued 34,000,000 Subscription Receipts through Subscription Receipt Financing at a price of $0.50 per Subscription Receipt for gross proceeds of $17,000,000. In connection with the Subscription Receipt Financing, Terrace issued an aggregate of 754,200 Subscription Receipt Warrants to the Agents.

For information on the summary of the securities Terrace has issued and outstanding as of the date hereof, see "*Information Concerning Terrace – Consolidated Capitalization*".

PRINCIPAL SECURITYHOLDERS

To the knowledge of the directors and officers of Terrace, as of the date of this Prospectus date, no shareholders beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the registered capital of Terrace, except as follows:

Name and Municipality of Residence	Type of Ownership	Securities Held	% of Terrace Shares Prior to Giving Effect to the Subscription Receipt Financing and the Securities Exchange
Francisco Ortiz von Bismarck, *Nassau, Bahamas*	Direct	46,632,600	36.3%
Michael Galego, *Ontario, Canada*	Direct	22,133,000	17.2%
Goldman Ventures Inc.[(1)] *Ontario, Canada*	Direct	13,500,000	10.5%
AJA Holdings 2013 Inc.[(2)] *Ontario, Canada*	Direct	13,500,000	10.5%

Notes:
(1) Goldman Ventures Inc. is beneficially owned by the Goldman family, including Jonathan Goldman.
(2) AJA Holdings 2013 Inc. is beneficially owned by Stephen Arbib.

For information on principal securityholders of the Resulting Issuer, see "*Information Concerning the Resulting Issuer – Principal Shareholders of the Resulting Issuer*".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Terrace as at June 30, 2019 and as at the date of this Prospectus. The table should be read in conjunction with the financial statements of Terrace and the notes thereto included in this Prospectus in Schedule "F".

Description of Security	Authorized Number	Outstanding as at June 30, 2019 (unaudited)	Outstanding as at the Date of this Prospectus (unaudited)
Terrace Shares	Unlimited	128,580,956	128,580,956
Terrace Preferred Shares	Unlimited	Nil	Nil
Subscription Receipts	Up to 40,000,000	Nil	34,000,000

For the information on the pro-forma consolidated capitalization giving effect to the Subscription Receipt Financing, see "*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*" and "*Information Concerning the Resulting Issuer – Pro-Forma Fully Diluted Share Capital of the Resulting Issuer*".

OPTIONS TO PURCHASE SECURITIES

As of the date hereof, Terrace has not granted any options. The Resulting Issuer intends to review the incentive program for its officers, directors, employees and consultants after completion of the Proposed Qualifying Transaction. See "*Information Concerning the Resulting Issuer – Options to Purchase Securities of the Resulting Issuer*" and "*Information Concerning Terrace – Directors and Executive Officers of Terrace – Executive Compensation Discussion and Analysis*".

Prior Sales

The following table summarizes details of the securities issued by Terrace during the 12-month period prior to the date of this Prospectus.

Date of Issue	Number of Securities	Price per Security	Description of Security
August 28, 2018	1(1)	$0.001	Terrace Shares
September 12, 2018	100,000,000(2)	$0.0001	Terrace Shares
November 6, 2018	12,640,000	$0.25	Terrace Shares
November 13, 2018	100,000	$0.25	Terrace Shares
January 11, 2019	460,000	$0.25	Terrace Shares
January 14, 2019	329,500	$0.25	Terrace Shares
March 4, 2019	51,456	$0.25	Terrace Shares
May 17, 2019	5,000,000	$0.25(3)	Terrace Shares
May 24, 2019	10,000,000	$0.25	Terrace Shares
July 19, 2019	30,000,000(4)	$0.50	Subscription Receipts
July 19, 2019	754,200(4)	$0.50	Subscription Receipt Warrants
August 28, 2019	4,000,000(4)	$0.50	Subscription Receipts

Notes:

(1) This Terrace Share was issued in connection with the organization of Terrace and has been cancelled.

(2) 94,000,000 Terrace Shares were issued to Francisco Ortiz von Bismarck and 6,000,000 Terrace Shares were issued to Michael Galego. Such shares were issued in connection with the organization and incorporation of Terrace and the entering into of the Call Option Agreement. Mr. Bismarck and Mr. Galego subsequently transferred 47,367,400 shares and 1,000,000 shares respectively to third parties pursuant to private agreements, all of such shares are subject to escrow. See "*Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*".

(3) Issued in connection with the acquisition by Terrace of Terra Nova.

(4) Issued in connection with the Subscription Receipt Financing.

DIRECTORS AND EXECUTIVE OFFICERS OF TERRACE

The names and municipalities of residence of, and the number and percentage of voting securities and options beneficially owned, directly or indirectly, or over which control or direction is exercised by the current executive officers and directors of Terrace as well as the offices held by each and the principal occupation of each during the past five years are as follows:

Name, Province or State and Country of Residence	Position within Terrace	Director/Officer Since	Principal Occupation During the Last Five Years	Securities Held
Francisco Ortiz von Bismarck *Nassau, Bahamas*	Director and Chief Executive Officer	August 2018	Self Employed – consultant, angel investor in the tech start-up industry (2010 - January 2018); Chief Executive Officer at Inception Investments Corp. (January 2018 – present)	46,632,600 Terrace Shares, 36.3%
Leon Dadoun *Ontario, Canada*	Chief Financial Officer	November 2018	Founder and CEO of Bodiam Financial Inc. (October 2006 - present)	Nil, 0%
Michael Galego *Ontario, Canada*	Director	August 2018	CEO of Apolo Capital Advisory Corp. (September 1, 2018 – present); General Counsel, Secretary & Managing Director of Acasta Enterprises Inc. (September 2017 – July 2018); CEO of the Stronach Group, Agricultural Division (February 2017 – September 2017); Director of ICC Labs Inc. (November 2016 – November 2018); General Counsel & Secretary at CGX Energy Inc. (2013 - 2016); Deputy General Counsel & Secretary at Pacific Rubiales Energy Corp. (2010 – 2016)	22,133,000 Terrace Shares, 17.2%
Vincent Gasparro *Ontario, Canada*	Director	March 2019	Managing Director at The Green Tomorrow Fund (June 2010 – April 2017); CFO, Apolo Acquisition Corp. (May 2017 – January 2018); CEO and CFO, Apolo III	Nil, 0%

			Acquisition Corp. (January 2018 – present)	
Stephen Arbib[(1)] *Ontario, Canada*	Director	May 2019	CEO of Momentum Solutions Inc. (2013 – present); Founder at MedReleaf (2013 – 2018)	13,500,000 Terrace Shares, 10.5%
Jeff Hergott	Corporate Secretary	August 2018	Partner at Wildeboer Dellelce LLP	Nil, 0%

Note:
(1) Held indirectly through Mr. Arbib's holding company, AJA Holdings 2013 Inc.

The total aggregate number of Terrace Shares beneficially owned, directly or indirectly, by all directors and executive officers of Terrace is 82,265,600, which is equal to 64% of the issued and outstanding Terrace Shares at the time of this Prospectus, excluding the Subscription Receipt Financing.

In addition to any other requirements of the Exchange, the Exchange expects management of Terrace to meet a high management standard. The directors of Terrace believe that, on a collective basis, management possesses the appropriate experience, qualifications and history to be capable of carrying out Terrace's business.

Biographies

Francisco Ortiz von Bismarck, Director and Chief Executive Officer, Age 39

Francisco Ortiz von Bismarck is an international entrepreneur and founder of Terrace, who brings extensive investment experience across Europe and South America. Mr. Ortiz von Bismarck has been an entrepreneur and investor since he finished university. In 2006, he co-founded and was the first investor of the "Spanish Facebook", called "Tuenti", sold to Telefonica in 2010. From 2009 until 2018, Mr. Ortiz von Bismarck was the Business Development Manager of GT Group, a multi-family wealth management firm based in Zürich, Switzerland. In 2011, Mr. Ortiz von Bismarck co-founded Inception Capital S.L., a venture capital fund focused in seed Internet investments in Spain. Over the years, Mr. Ortiz von Bismarck created and invested in several other tech start-ups such as Youzee Entertainment in Spain (2011), Dupli Limited in Malta (2014), and Y Experiment in Poland (2015) with limited traction. Mr. Ortiz von Bismarck is also an advisor (2016) and director (2017) in Easy Payment Gateway in Gibraltar. Until recently, he was a director (2016-2018) in Agriculture Investment Group Corp. with assets in Uruguay. Mr. Ortiz von Bismarck holds a Bachelor Degree in Economics from Harvard University and is a resident of Nassau, the Bahamas.

Leon Dadoun, Chief Financial Officer, Age 62

Leon Dadoun is a debt capital markets expert with more than 30 years of experience in the Canadian, U.S. and European financial markets with a particular emphasis on Banking and Structured Finance. Among various senior roles he has been Managing Director for Global Securitization at CIBC World Markets. Mr. Dadoun was responsible for developing and issuing the first Credit Card Securitizations by CIBC, Canadian Tire and MBNA in Canada. Mr. Dadoun successfully grew the securitization business from $3 B in outstandings to $15 B in outstandings. He went on to be the Founder and CEO of a structured credit boutique which formed as a joint-venture with Desjardins. He has co-founded NHA MBS Issuers Association, American Securitization Forum and helped structure the Canadian Mortgage and Housing Corporation's Canada Mortgage Bonds Program (which today has over $200 B in outstandings). Mr. Dadoun has significant experience with bank regulators and has collaborated with the Basel Committee on Global Banking Regulation in drafting the Basel II and Basel III Accord on capital adequacy reforms for the global banking system. In addition, he has provided expert testimony in proceedings related large Capital Markets litigation and led a group that successfully obtained Letters Patent to form a Schedule A Canadian Bank. Mr. Dadoun has previous public company experience as an Advisor to Highvista (a TSXV listed Mining and Real Estate public company). Mr. Dadoun holds a B. Comm from the University of Toronto as well as being a C.A, C.P.A.

Michael Galego, Director, Age 40

Michael Galego is an executive and lawyer with M&A and corporate finance experience. Mr. Galego is currently CEO of Apolo Capital Advisory Corp. and sits on the board of directors of several public and private companies. Mr. Galego was a co-founder and director of ICC Labs (TSXV: ICC) until its sale to Aurora Cannabis Inc. (TSX:ACB) in November 2018. Mr. Galego served as CEO at the Stronach Group, Agricultural Division. He has also previously served as a director or officer to several public companies, including as a director of Western Atlas Resources Inc. (TSXV:WA), General Counsel, Secretary & Managing Director of Acasta Enterprises Inc. (TSXV:AEF), Deputy General Counsel and Secretary of Frontera Energy Corp. (formerly Pacific Rubiales Energy Corp.) (TSX: FEC) and General Counsel, Secretary and Director of CGX Energy Inc. (TSXV: OYL), and as a director of Woulfe Mining Corp. (CSE: WOF). Mr. Galego began his legal career as an associate in the business law department of Osler, Hoskin & Harcourt LLP. Mr. Galego is a graduate of York University (Hons. B.A.) and the University of Windsor (LL.B). Mr. Galego has previously served on the Board of Directors of the Trillium Gift of Life Network and on the Board of Directors of the Canadian Liver Foundation.

Vincent Gasparro, Director, Age 40

See biography in section entitled "*Information Concerning the Company - Directors and Executive Officers – Biographies*".

Stephen Arbib, *Director, Age 42*

In 2013, Stephen Arbib founded MedReleaf (TSX:LEAF), the first and only ISO 9001 certified cannabis producer in North America and one of the global leaders in the production and research of medicinal cannabis which recently sold to Aurora for CAD $3.2B. Having founded the company, Mr. Arbib was involved with every facet of the business since inception up until MedReleaf went public, at which point he stepped off the board but continued in an advisory capacity until the sale to Aurora. In 2013, Mr. Arbib also founded Momentum Solutions, one of the world's leading logistics and life support service providers, specializing in humanitarian and emergency operations, and currently serves as CEO. Stephen is also the co-founder of Cycura Inc., an offensive cyber security firm which provides advanced, customized, and confidential cyber security services to governments, companies, and organizations with particularly high intellectual property (IP) value as well as critical data protection needs such as infrastructure. Mr. Arbib was born in Tel Aviv, Israel in 1977, and moved to Toronto at the age of ten. He attended Ryerson University for Business and following his second year, enrolled in a joint entrepreneurship program in Vancouver, with Harvard University, where he founded his first company, Simso Online Inc. He successfully divested Simso after two years. Mr. Arbib is an active member of the Toronto Jewish community, having founded Shalom Life Media Inc., Canada's largest online Jewish media outlet, the vice-Chairman of the Canadian Friends of Tel Aviv University and a member of the Board of Six Points Jewish Philanthropy Fund.

Jeff Hergott, Corporate Secretary, Age 41

See biography in section entitled "*Information Concerning the Company - Directors and Executive Officers – Biographies*".

Corporate Cease Trade Orders

None of the directors or executive officers of Terrace has, within the ten years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company (including Terrace) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Bankruptcies

Except as set out below, none of the directors or executive officers of Terrace has, within the ten years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Michael Galego previously served as Deputy General Counsel and Secretary of Pacific Rubiales Energy Corp. ("**Pacific**"). On April 27, 2016, Pacific commenced proceedings and obtained court protection under the *Companies' Creditors Arrangement Act* and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code and Colombia Law 1116 (the "**Pacific Restructuring Transaction**"). As part of the Pacific Restructuring Transaction, Mr. Galego was identified as a key executive and guided the restructuring of Pacific's more than U.S.$5.4 billion of indebtedness. The Pacific Restructuring Transaction closed on November 2, 2016 and its common shares were listed for trading on the Toronto Stock Exchange on November 3, 2016 under the ticker symbol “PEN”.

On May 6, 2013 Mr. Dadoun filed a consumer proposal. Mr. Dadoun’s proposal was accepted and he paid the proposed amount in full. Mr. Dadoun’s consumer proposal was discharged on June 25, 2013.

Penalties or Sanctions

No director or executive officer of Terrace or shareholder holding sufficient securities of Terrace to affect materially the control of Terrace has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflict of Interest

See “*Information Concerning the Company – Directors and Executive Officers – Conflict of Interest*”.

International Advisory Board

Terrace has an International Advisory Board consisting of Maria Consuelo Araujo, Hon. James Peterson, Lorne Gertner and Jonathan Goldman. The International Advisory Board’s function is to provide guidance to management and the Board in evaluating the entry into any new jurisdiction. The individuals on the International Advisory Board leverage their international business experiences and background and offer a diverse skill set and perspective to the Company and assist with due diligence and governance matters.

Maria Consuelo Araujo

Maria Consuelo Araujo is an executive with finance and international relations experience, including being a specialist in government, management and public affairs. Ms. Araujo is currently the General Manager of Transmilenio, S.A., the entity that oversee public transportation in Bogota, Colombia. Previously, Ms. Araujo was the Chief Executive Officer and President of Gran Colombia Gold Corp. (TSX – GCM) from 2010 to 2013. Prior to that Ms. Araujo had a career in politics that included being Minister of Foreign Affairs of Colombia (2006-2007) and Minister of Culture of Colombia (2002-2006).

Hon. James Peterson

A former federal Minister and Secretary of State, Jim Peterson has extensive knowledge and first-hand experience of government affairs. He served the Government of Canada as Minister of International Trade, Secretary of State (International Financial Institutions), and Chair of the House of Commons Standing Committee on Finance.

A former Minister of International Trade between 2003 and 2006, Mr. Peterson has extensive experience in trade policy and trade disputes. While minister, Mr. Peterson represented Canada at the World Trade Organization’s Doha round of negotiations, which were focused on expanding trade and investment in leading emerging markets Brazil, Russia, India and China, and with complex issues related to trade with Canada's NAFTA partners, the European Union, the Middle East and the Americas.

While Secretary of State from 1997 to 2002, Mr. Peterson was instrumental in piloting significant financial institution reforms through Parliament including legislation permitting foreign bank branching and aligning Canada with international standards in the fight against money laundering and terrorism. He also handled the insurance industry demutualization file. Working with caucus and stakeholders, Mr. Peterson approved major financial institution mergers including BNS – National Trust, Great West Life – London Life, Clarica – Met Life, and TD – Canada Trust.

Mr. Peterson served as Chair of the House of Commons Finance Committee between 1993 and 1997. While there, he began the practice of public pre-budget hearings and completed a number of major studies including a review of Canada's value added tax (the GST). Mr. Peterson retired from the House of Commons in 2007 after 23 years of public service as the Member of Parliament for Willowdale (Toronto). Mr. Peterson is currently counsel at Fasken Martineu DuMoulin LLP in Toronto.

Lorne Gertner

Mr. Gertner is a serial entrepreneur with experience in start-ups, going public transactions, fashion, retail, architecture, real estate, finance and cannabis. Mr. Gertner is a co-founder and former chairman of PharmaCan Capital Corporation (MMJ.V) (now Cronos), Canada's first publicly traded merchant bank in the medical marijuana sector with investments in five of the thirty-eight legal licensed producers in Canada. He is also a co-founder of Tokyo Smoke. Mr. Gertner was a Co-founder and Director of Cannasat Pharmaceuticals Inc. (CYNA), the first medical marijuana company to be listed on the Toronto stock exchange with an investment in the first government contracted facility growing medical marijuana in Canada called Prairie Plant Systems now called Cannimed Therapeutics Inc. (CMED.TO).

Mr. Gertner is the current Chairman of HG2 Capital Corp., an investment, merchant bank in the cannabis sector. Mr. Gertner is currently on the board of Emblem Corp. (EMC.V), Green Acre Capital and on the board of the Design Exchange, and an adjunct professor of the Daniel School of Architecture Landscape and Urban Design at The University of Toronto. Mr. Gertner is a graduate of The John H. Daniels Faculty of Architecture, University of Toronto and has completed the ICD.D designation at the Rotman School of Management.

Jonathan Goldman

Jonathan Goldman is an accomplished real estate and infrastructure developer as well as business builder with over 25 years of work experience. Mr. Goldman started his career in commercial real estate and subsequently founded, built, and sold one of the country's most successful renewable energy development firms. Mr. Goldman joined Stafford Developments in 1995 and became the president in 2015. Stafford is a diversified private property development company that carries out land development, construction, and property management with its sister company Goldman Group. Stafford and the Goldman Group have deployed over $1 billion of equity capital with current managed assets over $2 billion on behalf of investors. As a result, Mr. Goldman brings a wealth of experience funding and executing the physical build out of many technically advanced facilities. Mr. Goldman has recently been involved in building multiple new businesses including a cannabis venture fund, a technology infrastructure business, an international cannabis company, a Canadian retail platform, an entertainment company and a CBD CPG business. Outside of work, Mr. Goldman is a member in good standing of the Young Presidents Organization (YPO), serves on the board of several charities and has recently made contributions to Mount Sinai Hospital, Baycrest, Sunnybrook Hospital, Lifeline, Crohn's & Colitis Canada, Sick Kids Hospital, Boost Child and Youth Advocacy Centre and the United Way.

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

The below disclosure relating to the executive compensation of Terrace includes executive compensation of the executive officers and directors of Terrace.

Compensation Discussion and Analysis

The board of directors of Terrace is responsible for setting the overall compensation strategy of Terrace and evaluating and making determinations for the compensation of its directors and executive officers. The board of directors of Terrace annually reviews and determines base salary, incentive compensation and long-term compensation for Terrace directors and executive officers.

It is the objective of Terrace's compensation program to attract and retain highly qualified executives and to link incentive compensation to performance and shareholder value. It is the goal of the board of directors of Terrace to endeavor to ensure that the compensation of executive officers is sufficiently competitive to achieve the objectives of the executive compensation program. The board of directors of Terrace gives consideration to Terrace's performance as well to the qualitative aspects of the individual's performance and achievements.

No personal benefits are granted to the executive officers of Terrace and no objective or subjective bonus has been contemplated. Terrace does not offer any group benefit plans, such as medical, dental, life, accidental death and dismemberment and long-term disability coverage.

Summary Compensation

None of the directors or officers of Terrace have received any compensation from the date of incorporation of Terrace to the date of this Prospectus. Pursuant to management consulting agreements, each of Michael Galego and Leon Dadoun have been compensated $5,000 monthly, and Francisco Ortiz von Bismarck has been compensated U.S.$5,000 monthly.

Incentive Plan Awards and Outstanding Share-Based Awards and Option-Based Awards

Terrace does not currently have any share-based or plans to introduce shared-based awards for officers or directors.

Pension Benefits

Terrace does not have a pension plan that provides for payments or benefits to the executive officers or directors at, following, or in connection with retirement. See "*Information Concerning the Resulting Issuer – Proposed Executive Compensation of the Resulting Issuer.*"

Termination and Change of Control Benefits

There are no employment contracts, compensatory plans or other arrangements in place with the executive officers of Terrace, nor are there any agreements between Terrace and the executive officers that provide for payment to the executive officers in connection with any termination, resignation, retirement, change in control of Terrace or change in responsibilities of the executive officers.

DIRECTOR COMPENSATION

Summary of Director Compensation

No compensation was paid to the directors of Terrace in their capacity as directors during the financial year ended December 31, 2018.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As of the date hereof, none of the directors, the officers or any Promoter of Terrace, nor any of their respective Associates or Affiliates is indebted to Terrace.

CORPORATE GOVERNANCE

Audit Committee and Corporate Governance

As of the date hereof, Terrace's board of directors is comprised of four directors and Terrace does not have a formal audit committee. After completion of the Proposed Qualifying Transaction, the Resulting Issuer will implement the appropriate provisions of NI 52-110. See "*Information Concerning the Resulting Issuer – Audit Committees and Corporate Governance*".

RISK FACTORS

Limited Operating History

Terrace is an early stage company having been founded in 2018 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Terrace will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Terrace to meet future operating and debt service requirements, it will need to be successful in its growing, marketing and sales efforts. Additionally, where Terrace experiences increased sales, Terrace's current operational infrastructure may require changes to scale Terrace's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Terrace's products and services are not accepted by new customers, Terrace's operating results may be materially and adversely affected.

The business of Terrace, which will be the business of the Resulting Issuer, is subject to a number of risk factors. See "*Information Concerning the Resulting Issuer – Risk Factors*".

PROMOTERS

Except for Francisco Ortiz von Bismarck and Michael Galego, founders of Terrace, during the two years immediately preceding the date of this Prospectus, there have been no persons or companies that would be considered Promoters of Terrace.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Since the beginning of the most recently completed financial year for which financials statements of the issuer are included, there are no material legal proceedings involving Terrace as at the date of this Prospectus and Terrace knows of no such proceedings currently contemplated. There have been no material penalties, sanctions, or settlement agreements imposed by a court or regulatory body upon Terrace as at the date of this Prospectus and Terrace knows of no such proceedings currently contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Prospectus, none of the directors or executive officers of Terrace, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Terrace Shares, or any Associate or Affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which Terrace has participated within the three years before the date of this Prospectus, which has materially affected or is reasonably expected to materially affect Terrace.

See "*Information Concerning the Company – Directors and Executive Officers – Conflict of Interest*".

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors Terrace are MNP LLP, Certified Public Accountants, located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4.

Terrace does not have a transfer agent and registrar.

MATERIAL CONTRACTS OF TERRACE

The following are the only material contracts entered into by Terrace since its incorporation to the date of this Prospectus, which are currently in effect and considered to be currently material:

1. Call Option Agreement between Terrace and Inception dated August 30, 2018, as amended on June 28, 2019. See "*Corporate Structure – Intercorporate Relationships*".

2. Business Combination Agreement between the Company, Terrace and Subco. See "*Information Concerning the Proposed Qualifying Transaction – The Business Combination Agreement*".

3. Value Security Escrow Agreement with Escrow Agent and certain Terrace Shareholders to be entered into prior to or on the QT Closing Date. See "*Information Concerning the Resulting Issuer – Escrowed Securities and Other Securities Subject to Contractual Restrictions on Transfer*".

4. The Terra Nova SPA. See *"Information Concerning the Resulting Issuer – Corporate Structure – Intercorporate Relationships"*.

5. The Pharmabinoide SPA. See *"Information Concerning the Resulting Issuer – Corporate Structure – Intercorporate Relationships"*.

6. The Hemp Authorization. See *"Business Segments – Oransur, S.A."*.

7. The REGEPA Registration. See *"Regulatory Framework – Spain"*.

8. The INFARMED Declaration. See *"Business Segments – Terra Nova Portugal"*.

Copies of all material contracts are, or will be, as applicable, available under the SEDAR profile of the Company at www.sedar.com.

EXPERTS

See "*Information Concerning the Resulting Issuer – Experts*".

INFORMATION CONCERNING PROPOSED QUALIFYING TRANSACTION

The Company has identified the Proposed Qualifying Transaction with Terrace as an appropriate transaction for the purpose of completing its Qualifying Transaction as required under the CPC Policy. The Proposed Qualifying Transaction will be completed on the terms set forth in the Business Combination Agreement, pursuant to which the Company will acquire all issued and outstanding Terrace Shares and Terrace will become a wholly-owned subsidiary of the Company via an amalgamation with Subco to form Amalco.

The completion of the Proposed Qualifying Transaction is subject to, among other things, prior satisfaction or waiver of a number of conditions, including the final Exchange acceptance of the Proposed Qualifying Transaction, completion of the Subscription Receipt Financing, completion of the Consolidation and the Name Change, and the satisfaction or waiver of the conditions in the Business Combination Agreement. Upon completion of the Proposed Qualifying Transaction, the Resulting Issuer is expected to meet all of the Exchange's minimum listing requirements for an Exchange listed issuer.

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction pursuant to the definition of such term in the CPC Policy. Consequently, the Proposed Qualifying Transaction does not require any approval of the Company Shareholders.

THE SECURITIES EXCHANGE AND THE BUSINESS COMBINATION AGREEMENT

The Proposed Qualifying Transaction is structured as a three-cornered amalgamation pursuant to the Business Combination Agreement and, as a result, Terrace will be a wholly-owned subsidiary of the Resulting Issuer. On July 17, 2019, the Company entered into the Business Combination Agreement with Terrace and Subco, pursuant to which Terrace Shares will be exchanged for Shares.

Pursuant to the Business Combination Agreement, the deemed value ascribed to each Pre-Consolidation Share shall be $0.10 (based on the currently issued and outstanding Pre-Consolidation Shares). Upon completion of the Securities Exchange, and subject to the seed share resale rules of the Exchange, it is expected that shareholders of both the Company and former shareholders of Terrace will hold freely tradable shares of the Resulting Issuer listed on the Exchange, with the exception of Insiders of the Company and Terrace and others who will be subject to escrow provisions under the policies of the Exchange.

Business Combination Agreement

The Business Combination Agreement contains covenants, representations and warranties of and from each of the Company and Terrace and various conditions precedent, both mutual and with respect to each entity. The following is a summary of certain provisions of the Business Combination Agreement. The Business Combination Agreement is filed on SEDAR under the Company's profile and reference is made thereto for the full text thereof.

Representations, Warranties and Covenants

The Business Combination Agreement contains customary representations and warranties made by each of the Company and Terrace. Those representations and warranties were made solely for the purposes of the Business Combination Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms.

Moreover, some of the representations and warranties contained in the Business Combination Agreement are qualified by knowledge or by reference to a contractual standard of materiality (including a Material Adverse Effect, as such term is defined in the Business Combination Agreement) that may be different from that generally applicable to public disclosure to shareholders, or those standards used for the purpose of allocating risk between parties to an agreement.

The representations and warranties provided by each of the Company and Terrace relate to, among other things: their valid incorporation and existence, authorized capital and outstanding securities, authority and capacity to enter into the Business Combination Agreement, no material defaults under any contracts, agreements or licenses, and an absence of certain material changes and litigation.

In addition, the Business Combination Agreement contains customary affirmative and negative covenants whereby, among other things, each of the Company and Terrace covenants to maintain their respective businesses and not take certain actions outside the ordinary course until the QT Closing Date or the termination of the Business Combination

Agreement, and to use commercially reasonable efforts to satisfy certain conditions precedent to their respective obligations under the Business Combination Agreement. Upon any Change of Control of Terrace, Terrace has agreed to use its commercially reasonable efforts to seek a termination of the CPC Escrow Agreement and any related restrictions.

Conditions to the Proposed Qualifying Transaction Becoming Effective

The respective obligations of the Company and Terrace to complete the Proposed Qualifying Transaction are subject to the satisfaction or waiver, on or before the QT Closing Date (or such other time as is specified in the condition), of certain conditions, including, among others, the following:

Closing Conditions: The completion of the Proposed Qualifying Transaction is subject to certain conditions given by each of the Company and Terrace in favour of the other. These conditions include:

(i) obtaining necessary regulatory and shareholder approvals;
(ii) corporate approvals;
(iii) completion of the Subscription Receipt Financing including the satisfaction or waiver of the Escrow Release Conditions;
(iv) delivery of certain certificates by officers;
(v) representations and warranties remaining true;
(vi) performance of covenants;
(vii) lack of legal proceedings;
(viii) lack of Material Adverse Effect;
(ix) the completion of the Consolidation and the Name Change; and
(x) delivery of other certificates and documents.

Shareholder Approval

The Proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the CPC Policy) and does not require the approval of the Company Shareholders, except that the approval of the Company Shareholders of the Name Change, and the Consolidation is a condition of closing in favour of Terrace. The Company held a shareholders' meeting on January 11, 2019 where, among other things, the Company Shareholders approved the Name Change and the Consolidation.

Regulatory Approval

The Business Combination Agreement provides that receipt of all regulatory, governmental and third-party approvals and consents is a condition precedent to the Securities Exchange becoming effective. The Proposed Qualifying Transaction is subject to final acceptance of the Exchange. Listing of the Shares to be issued in connection with the Proposed Qualifying Transaction is subject to the Company fulfilling all of the listing requirements of the Exchange.

The Company has received conditional approval from the Exchange for the Proposed Qualifying Transaction and listing.

Mutual Covenants Regarding Non-Solicitation

Each of the parties to the Business Combination Agreement has agreed that, from the date of the acceptance of the Business Combination Agreement until completion of the Securities Exchange or the earlier termination of the Business Combination Agreement, the Company and Terrace will not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with, or provide information relating to its securities or assets, business, operations, affairs or financial condition to any persons in connection with the acquisition or distribution of any securities of the Company and Terrace, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing, sale of any material assets of the Company or Terrace, unless such action, matter or transaction is part of the transactions contemplated in the Business Combination Agreement or is satisfactory to, and is approved in writing in advance by the parties thereto or is necessary to carry on the normal course of business.

Termination

The Business Combination Agreement may be terminated at any time prior to the QT Closing Date: (a) by mutual written consent of the parties; (b) by either Terrace or the Company, if there has been a misrepresentation, breach or non-performance by the breaching party of any representation, warranty, covenant or obligation contained in the Business Combination Agreement, which could reasonably be expected to have a Material Adverse Effect on the terminating party, provided the breaching party has been given notice of and ten days to cure any such misrepresentation, breach or non-performance; (c) by either Terrace or the Company, if a condition for the terminating party's benefit has not been satisfied or waived; or (d) by either Terrace or the Company, if the closing has not occurred on or before December 31, 2019, or such later date as may be agreed to by Terrace and the Company (provided, that the right to terminate the Business Combination Agreement is not available to any party whose failure to fulfill any of its obligations under the Business Combination Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated thereby by such date).

In the event of the termination of the Business Combination Agreement in the circumstances set out above, the Business Combination Agreement will forthwith become void and no party shall have any liability or further obligations to the other parties to the Business Combination Agreement, except with respect to each party's obligations of confidentiality in the Business Combination Agreement and each party's respective transaction costs, which survive such termination.

Pro-Forma Capitalization

The following table sets out the number of Shares and the percentage of the Shares held after giving effect to the Consolidation, Securities Exchange and the Subscription Receipt Financing on an undiluted basis.

	Number of Securities and Percentage Held After Giving Effect to the Consolidation, Securities Exchange and the Subscription Receipt Financing	
	Post-Consolidation Shares	**% of undiluted total**
Current Company Shareholders after giving effect to Consolidation	4,760,000	2.8%
Current Terrace Shareholders	128,580,956	76.8%
Subscription Receipt Holders	34,000,000	20.4%
Total	167,340,956	100%

Completion of the Securities Exchange is conditional upon the approval of the Exchange, and other conditions which are typical for a business combination transaction of this type. See "*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*".

INFORMATION CONCERNING THE RESULTING ISSUER

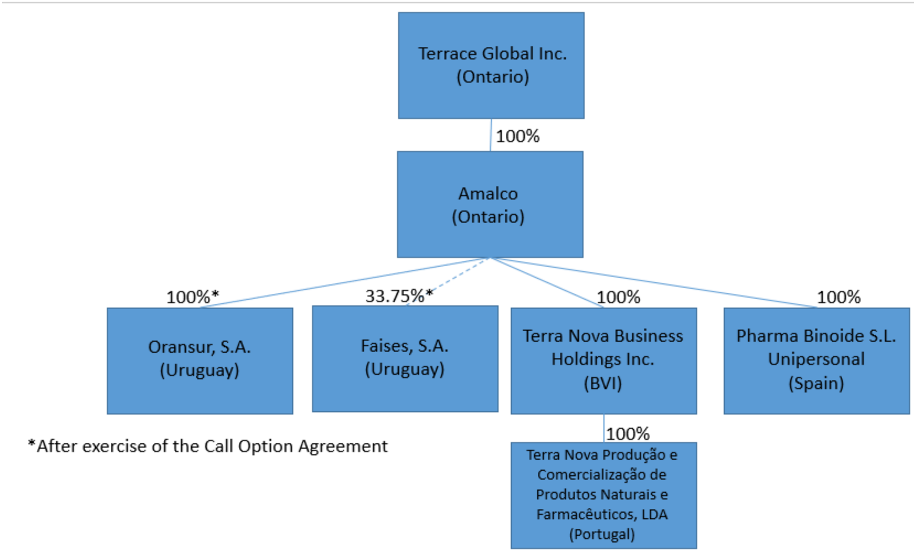
Information contained in this part assumes completion of the Consolidation, the Securities Exchange and the acceptance by the Exchange of the Proposed Qualifying Transaction.

CORPORATE STRUCTURE, NAME, ADDRESS AND INCORPORATION

The Resulting Issuer is expected to be named "Terrace Global Inc." or another name that is acceptable to Terrace and to applicable regulatory authorities. It shall remain incorporated pursuant to the OBCA and will have its registered office at 365 Bay Street, Suite 800, Toronto, Ontario M5H 2V1.

INTERCORPORATE RELATIONSHIPS

The following chart displays the intercorporate relationships between the Resulting Issuer and its material Subsidiaries following completion of the Proposed Qualifying Transaction.



BUSINESS OF THE RESULTING ISSUER

Following completion of the Proposed Qualifying Transaction, the Resulting Issuer will carry on the business currently carried on by Terrace. See "*Information Concerning Terrace – General Description of Business*".

After completing the Proposed Qualifying Transaction, Terrace's management intends to pursue a corporate growth strategy focusing on the following pillars:

- *Organic growth* – continue to cultivate business relationships within the cannabis sector and continue to fund projects from internally generated cashflow. With additional cash infusions the Resulting Issuer expects to expand its cultivation, manufacturing and retail footprint in emerging cannabis jurisdictions.
- *Geographical expansion in new categories* – the Resulting Issuer intends to open additional production facilities in new markets in order to establish business relationships in new markets. These markets include countries in the European Union where medical cannabis operations are permitted and other emerging cannabis jurisdictions, where the Resulting Issuer's management sees an opportunity within the segment that it has strength in. This also includes potential expansion in the legal cannabis sector.

AVAILABLE FUNDS AND PRINCIPAL USES

Upon completion of the Securities Exchange (including the expenses associated therewith) and the release of the funds received under the Subscription Receipt Financing, the Resulting Issuer is expected to have total funds available to it of approximately $17,046,000.

Available Funds	Amount ($)
Subscription Receipt Financing	$17,000,000
Estimated Working Capital of Terrace(1)	$340,000
Estimated Working Capital of the Company(2)	$785,000
Estimated fees and expenses of the Subscription Receipt Financing and the Proposed Qualifying Transaction(3)	$(1,079,000)
Total	$17,046,000

Notes:

(1) Includes working capital (calculated as current assets less current liabilities) as at October 31, 2019, based on unaudited internal estimates prepared by management of Terrace. This figure excludes proceeds from the Subscription Receipt Financing.

(2) Includes working capital (calculated as current assets less current liabilities) as at October 31, 2019, based on unaudited internal estimates prepared by management of the Company.

(3) Includes expected fees and commissions and expenses of the Agents of approximately of approximately $376,440 and listing, transfer agent, Subscription Receipt Agent, legal and other miscellaneous fees.

The Resulting Issuer intends to use the funds available to it for the following:

Principal Use of Available Funds	Amount ($)
Ethanol Extraction Plant (Uruguay)	$1,500,000
Terra Nova Greenhouse (Portugal)	$4,500,000
M&A and Other Opportunities(1)	$6,546,000
G&A (18 Months)(2)(3)	$4,500,000
Total	$17,046,000

Notes:

(1) It is currently expected that $3,000,000 of such funds would be allocated as the minimum cash amount for the acquisition of the remaining 66.25% of Faises and greenhouse improvements following such acquisition should an agreement be reached between the parties, however the total acquisition price and the form of consideration (i.e. cash, shares or a combination thereof) have not been determined as at the date of this Prospectus.

(2) In the past, historical G&A has been approximately $110,000 per month, with approximately $25,000 per month going to salaries payable to employees and rent payable and the remainder relating predominantly to non-recurring expenses such as legal fees, audit fees and other consultant fees associated with the Proposed Qualifying Transaction.

(3) The increase in G&A reflects the expected growth of the Company as well as the expenses relating to public company costs. A more detailed description of the expected G&A is set out below.

Set out below is a summary of the estimated G&A expenses for the Resulting Issuer over the course of an 18 month period following completion of the Proposed Qualifying Transaction:

Expense	Amount (annual)	6 months
Corporate		
Salaries	$665,000	$450,000
Rent (Toronto)	$50,000	$30,000
Legal	$50,000	$50,000
Audit	$50,000	$42,500
Other Services (including D&O insurance, listing fees, printing)	$75,000	$50,000
Oransur		
Salaries	$250,000	$250,000
Rent (Montevideo)	$20,000	$10,000
Rent (Science Free Trade Zone)	$124,000	$62,000
Legal	$20,000	$10,000
Audit	$15,000	$7,500
Pharmabinoide		
Salaries	$100,000	$50,000
Rent (Jaen)	$20,000	$10,000
Legal	$30,000	$10,000
Audit	$25,000	$15,000
Terra Nova		
Salaries	$150,000	$100,000

Rent (Lisbon)	$20,000	$10,000
Pinhal Novo Rental	$22,000	0
Legal	$30,000	$15,000
Audit	$20,000	$10,000
Other Costs	$200,000	$200,000
Contingency	$650,000	$532,000
	$2,586,000	**$1,914,000**

For the quarter ended June 30, 2019, Terrace had cash flow used in operating activities of $1,241,452 and the Resulting Issuer's working capital available for funding ongoing operations is expected to meet its expenses for a minimum period of approximately 12 months commencing immediately after the completion of the Proposed Qualifying Transaction

The following chart provides a breakdown of business objectives and applicable time periods and stages of progress:

	Ethanol Extraction Plant (Uruguay)	**Terra Nova Greenhouse (Portugal)**	**M&A Opportunities**
Business Objective	A significant event, the construction and implementation of the ethanol extraction plant, allows Terrace to increase the value of its existing hemp producing assets. The margins obtainable from converting Oransur's dry flower hemp into CBD oil and other derivative products improve the margins of the business significantly. Terrace is in the process of entering into a letter of intent with respect to the facilities required to house its ethanol extraction plant. Terrace will also be seeking the applicable regulatory approvals to conduct extraction and ultimately the sale of its CBD oil and other derivative products.	A significant event, the construction of the greenhouse facilities in Portugal, will enable Terra Nova to obtain the final license from INFARMED to cultivate, export and import medical cannabis. Upon the granting of the final license, Terra Nova will submit the required application for the marketing and sale of its medical cannabis within Portugal and seek appropriate importation permits from jurisdictions that allow the importation of medical cannabis, such as Germany.	There is no specific event for this milestone to be achieved. Management and the board of directors of the Resulting Issuer will continually explore appropriate acquisition targets for international, federally legal, cannabis or hemp production and processing acquisitions.
Time Period	Terrace anticipates initiating construction of the extraction plant during the fourth quarter of 2019. Completion of the extraction plant is expected during the third quarter of 2020. Terrace anticipates entering into a binding lease agreement with respect to the facilities required to house its extraction plant in fourth quarter of 2019. Terrace anticipates seeking the applicable regulatory approvals to conduct extraction and for the sale of cannabis derivative products during the second quarter of 2020. Such approval is expected to be granted in the third quarter of 2020.	Terrace anticipates initiating construction of the greenhouse during the first quarter of 2020. Completion of the greenhouse is expected during the third quarter of 2020. Terra Nova anticipates the final approval for its license to cultivate, export and import medical cannabis to be granted in the third quarter of 2020. Terra Nova intends to submit the required application for the marketing and sale of its medical cannabis within Portugal during fourth quarter of 2020.	Ongoing, no specific timeframe.
Stage	Terrace is in the process of entering into a letter of intent with respect to the facilities required to house its ethanol extraction plant. Terrace will also be seeking the applicable regulatory approvals to conduct extraction and ultimately the sale of its CBD oil and other derivative products.	The construction of its greenhouse facilities in Portugal will enable Terra Nova Portugal to obtain the final license from INFARMED to cultivate, export and import medical cannabis. Upon the granting of the final license, Terra Nova Portugal will submit the required application for the marketing and sale of its medical cannabis within Portugal and seek appropriate importation permits from jurisdictions that allow the importation of medical cannabis, such as Germany.	Ongoing, no specific new opportunities identified at this time.

In addition, as noted elsewhere in this Prospectus, the Resulting Issuer will attempt to negotiate a transaction to acquire the remaining 66.25% of Faises. While such an acquisition is not considered probable at this time, in order to meet this objective, the Resulting Issuer must, among other things, negotiate a deal with the majority shareholders of Faises, complete due diligence and obtain the required regulatory approvals, including the approval of the Exchange.

In order to achieve its objectives over the next 18 months, the Resulting Issuer expects to use the net proceeds from the Subscription Receipt Financing and existing cash on hand, totaling approximately $17,046,000. Readers should also refer to the pro forma financial statements of the Resulting Issuer attached as Schedule "F".

Terrace has negative cash flow for the year ended December 31, 2018. Terrace intends to allocate a certain percentage of the proceeds from the Subscription Receipt Financing to fund negative cash flow from its most recently completed financial year. To the extent that Terrace has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. Terrace may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that Terrace will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to Terrace. See "*Information Concerning the Resulting Issuer - Risk Factors*".

The Resulting Issuer's principal business objectives include becoming a leading dry flower and derivatives producer globally. The major initiatives and investments the Resulting Issuer intends to undertake between the QT Closing Date and the first anniversary of the QT Closing Date in order for the Resulting Issuer to meet this business objective include, but are not limited to:

- Second outdoor hemp harvest in Spain;
- Second plantation of outdoor hemp in Uruguay;
- Completion of greenhouse facility in Portugal; and
- Completion of ethanol extraction lab in Uruguay.

Notwithstanding the proposed uses of funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to affect the planned activities of the Resulting Issuer. For these reasons, it is in the best interests of the Resulting Issuer and its shareholders to afford management a reasonable degree of flexibility to allocate the funds among the uses identified above, or for other purposes (including acquisitions to increase the Resulting Issuer's production capacity and strengthen and build its infrastructure), as the need arises. Further, the above uses of available funds should be considered estimates.

The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements to meet its objectives. See "*Information Concerning the Resulting Issuer – Risk Factors*". There is no assurance that any additional funding required by the Resulting Issuer will be available on economic terms or at all. However, it is anticipated that the available funds will be sufficient to satisfy the Resulting Issuer's objectives over the 12 months following completion of the Proposed Qualifying Transaction.

See "*Information Concerning Terrace Inc. – Business Segments*".

The investment policy for unallocated funds will be determined by the directors of the Resulting Issuer. Until such time as unallocated funds are required for use as working capital, the Resulting Issuer plans to invest such funds in securities of, or those guaranteed by, the Government of Canada, any province or territory thereof or the Government of the United States, in certificates of deposit or in interest bearing accounts of Canadian chartered banks and/or trust companies, or a combination thereof.

DIVIDENDS OR DISTRIBUTIONS OF RESULTING ISSUER

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following completion of the Proposed Qualifying Transaction.

DESCRIPTION OF THE SECURITIES

The attributes of the Shares will remain the same after the Securities Exchange. See "*Information Concerning the Company – Description of the Securities*".

OPTIONS TO PURCHASE SECURITIES OF THE RESULTING ISSUER

There are currently 476,000 Post-Consolidation Shares that have been reserved for issuance pursuant to the exercise of the Company Options, and no grants of options are planned prior to completion of the Proposed Qualifying Transaction. See "*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization of the Resulting Issuer*" for information regarding anticipated options and warrants outstanding following the Subscription Receipt Financing.

Pursuant to advisory agreements with the members of the International Advisory Board, Terrace has agreed to issue 300,000 Resulting Issuer Options (75,000 to each individual) following closing of the Proposed Qualifying Transaction. Beyond this initial option grant, no determination has been made yet with respect to any future compensation arrangement for members of the International Advisory Board.

PRO-FORMA CONSOLIDATED CAPITALIZATION OF THE RESULTING ISSUER

The following table sets forth the pro-forma share of the Resulting Issuer, on a consolidated basis, after giving effect to the Proposed Qualifying Transaction as described in the pro-forma financial statements of the Resulting Issuer. See "*Schedule "F" – Pro-Forma Financial Statements of the Resulting Issuer*".

Designation of Security	Amount Authorized	Outstanding After Giving Effect to the Securities Exchange and the Subscription Receipt Financing
Shares	Unlimited	167,340,956
Options	N/A	476,000
Apolo Broker Warrants	N/A	200,000
Subscription Receipt Warrants	N/A	754,200
Resulting Issuer Options	N/A	300,000

Pro-Forma Fully Diluted Share Capital of the Resulting Issuer

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Securities Exchange and the Subscription Receipt Financing:

	Percentage Held After Giving Effect to the Securities Exchange and Subscription Receipt Financing	
	Shares	**% of fully-diluted total**
Current Company Shareholders after giving effect to Consolidation	4,760,000	2.8%
Current Terrace Shareholders (including the Shares issuable pursuant to the Subscription Receipt Financing)	162,580,956	97.2%
Total	167,340,956	100%
Shares issuable upon exercise of Apolo Broker Warrants	200,000	0.1%
Shares issuable upon exercise of the Apolo Options	476,000	0.3%
Shares issuable upon exercise of Subscription Receipt Warrants	754,200	0.5%
Shares issuable upon exercise of the Resulting Issuer Options	300,000	0.2%
Total Shares Reserve for Issuance	1,730,200	1.0%
Total Number of Fully Diluted Shares	169,071,156	

PRINCIPAL SHAREHOLDERS OF THE RESULTING ISSUER

To the knowledge of the directors and officers of the Company and Terrace, it is anticipated that no shareholders will beneficially own, or control or direct, directly or indirectly, voting securities carrying ten percent or more of the voting rights attached to any class of voting securities of the Resulting Issuer upon completion of the Securities Exchange except for the following:

Shareholder and Municipality of Residence	Type of Ownership	Number of Shares held	Percentage held After Giving Effect to the Securities Exchange
Francisco Ortiz von Bismarck *Nassau, Bahamas*	Registered	46,632,600	27.9%
Michael Galego *Ontario, Canada*	Registered	22,493,000	13.4%

DIRECTORS AND EXECUTIVE OFFICERS OF THE RESULTING ISSUER

Subject to Exchange approval, the proposed executive officers and directors of the Resulting Issuer will be as follows:

Name, Province or State and Country of Residence	Proposed Position with the Resulting Issuer	Principal Occupation During the Past Five Years	Number of Shares and Percentage Held	
			%	Number
Francisco Ortiz von Bismarck *Nassau, Bahamas*	Director (not independent) and Chief Executive Officer	Self Employed – consultant, angel investor in the tech start-up industry (2010 - January 2018), Chief Executive Officer at Inception Investments Corp. (January 2018 – present)	27.9%	46,632,600
Leon Dadoun *Ontario, Canada*	Chief Financial Officer	Founder and CEO of Bodiam Financial Inc. (October 2006 - present)	Nil	Nil
Michael Galego *Ontario, Canada*	Director (not independent)	CEO of Apolo Capital Advisory Corp. (September 1, 2018 – present); Director of ICC Labs Inc. (November 2016 – November 2018); General Counsel, Secretary & Managing Director of Acasta Enterprises Inc. (September 2017 – July 2018); CEO of the Stronach Group, Agricultural Division (February 2017 – September 2017); Director of ICC Labs Inc. (2016 – November 2018); General Counsel & Secretary at CGX Energy Inc. (2013 – 2016); Deputy General Counsel & Secretary at Pacific Rubiales Energy Corp. (2010 – 2016)	13.4%	22,493,000
Vincent Gasparro[(1)] *Ontario, Canada*	Director (not independent)	Managing Director at The Green Tomorrow Fund (June 2010 – April 2017); CFO, Apolo Acquisition Corp. (May 2017 – January 2018); CEO and CFO, Apolo III Acquisition Corp. (January 2018 – present)	0.2%	400,000
Stephen Arbib[(1)] *Ontario, Canada*	Director (independent)	CEO of Momentum Solutions Inc. (2013 – present); Advisor at MedReleaf (2013 – 2018)	9.4%	15,720,000[(2)]
Dennis Mills[(1)] *Ontario, Canada*	Director (independent)	Founder and President, Toronto Partners Inc.; Director, CGX Energy Inc.; Director, Hut-8 Mining; Director, Pacific Rubiales Energy Corp.	Nil	Nil
Jeff Hergott *Ontario, Canada*	Corporate Secretary	Partner at Wildeboer Dellelce LLP	0.1%	120,000

Notes:

(1) Proposed member of the audit committee.

(2) Held indirectly through Mr. Arbib's holding company, AJA Holdings 2013 Inc. Includes 2,220,000 Subscription Receipts acquired by Mr. Arbib in connection with the Subscription Receipt Financing.

Subject to Exchange and shareholder approval, on completion of the Proposed Qualifying Transaction, the following individuals are the proposed directors and/or officers of the Resulting Issuer:

Francisco Ortiz von Bismarck, Chief Executive Officer & Director, Age 39

See biography in section entitled "*Information Concerning Terrace – Directors and Executive Officers of Terrace – Biographies*"

Leon Dadoun, Chief Financial Officer, Age 62

See biography in section entitled "*Information Concerning Terrace – Directors and Executive Officers of Terrace – Biographies*"

Michael Galego, Director, Age 40

See biography in section entitled "*Information Concerning the Company – Directors and Executive Officers – Biographies*".

Vincent Gasparro, Director, Age 40

See biography in section entitled "*Information Concerning the Company – Directors and Executive Officers – Biographies*".

Stephen Arbib, Director, Age 42

See biography in section entitled "*Information Concerning Terrace - Directors and Executive Officers – Biographies*".

Dennis Mills, Director, Age 71

Mr. Mills was a director of Pacific Rubiales Energy Corp. and was Vice Chairman and Chief Executive Officer of MI Developments Inc. from 2004 to 2011, and a Vice President at Magna International from 1984 to 1987. Mr. Mills served as a Member of Parliament in Canada's federal parliament from 1988 to 2004. His positions in the federal parliament included Parliamentary Secretary to the Minister of Industry (1993 to 1996). He is currently on the boards of Hut 8 Mining Corp. (TSXV: HUT) and CGX Energy Inc. (TSXV: OYL).

Jeff Hergott, Corporate Secretary, Age 41

See biography in section entitled "*Information Concerning the Company - Directors and Executive Officers – Biographies*".

Conflicts of Interest

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Proposed Qualifying Transaction are also directors, officers and/or Promoters of other reporting and non-reporting issuers. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Resulting Issuer, notwithstanding that they will be bound by the provisions of the OBCA to act at all times in good faith in the interest of the Resulting Issuer and to disclose such conflicts to the Resulting Issuer if and when they arise.

Except as set out below, to the best of its knowledge, the Resulting Issuer is not aware of the existence of any conflicts of interest between the Company, Terrace and any of its directors and officers as of the date of this Prospectus.

See "*Information Concerning the Company – Directors and Executive Officers – Conflict of Interest*".

OTHER REPORTING ISSUER EXPERIENCE

The following table sets out the proposed directors, executive officers and Promoters of the Resulting Issuer that are, or have been within the last five years, directors, executive officers or Promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

Name	Name of Reporting Issuer	Name of Exchange or Market (if applicable)	Position	Term
Dennis Mills	Hut 8 Mining Corp.	TSXV	Director	2018 to present
	CGX Energy Inc.	TSXV	Director	2013 to present
	Pacific Rubiales Energy Corp.	TSX	Director	February 2012 – January 2016
Michael Galego	ICC Labs Inc.	TSXV	Director	November 2016 – November 2018
	Western Atlas Resources Inc.	TSXV	Director	June 2018 – October 2019
	Acasta Enterprises Inc.	TSX	General Counsel, Secretary & Managing Director	September 2017 – July 2018
	Frontera Energy Corp. (formerly Pacific Rubiales Energy Corp.)	TSX	Deputy General Counsel & Secretary	June 2010 – November 2016
	CGX Energy Inc.	TSXV	General Counsel, Secretary & Director	April 2013 – November 2016
	Gran Colombia Gold Corp.	TSXV	Associate General Counsel & Assistant Secretary	June 2010 – August 2012
	PetroMagdalena Energy Corp.	TSX	Associate General Counsel & Assistant Secretary	June 2010 – August 2012
	Woulfe Mining Corp.	CSE	Director	June 2015 – September 2016
	Apolo Acquisition Corp.	TSXV	Director	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Director	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Director	January 18, 2018 – present
Vincent Gasparro	Apolo Acquisition Corp.	TSXV	Director, CEO and CFO	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Director, CEO and CFO	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Director, CEO and CFO	January 18, 2017 – present
Jeff Hergott	Apolo Acquisition Corp.	TSXV	Corporate Secretary	May 18, 2017 – January 25, 2018
	Apolo II Acquisition Corp.	TSXV	Corporate Secretary	December 15, 2017 – present
	Apolo III Acquisition Corp.	TSXV	Corporate Secretary	January 18, 2018 – present
	County Capital One Ltd.	TSXV	Corporate Secretary	March 20, 2018 – May 27, 2019

Corporate Cease Trade Orders

None of the directors or executive officers has, within the ten years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Bankruptcies

Except as set out below and above under the heading "*Information Concerning Terrace Inc. – Directors and Officers of Terrace – Bankruptcies*" and below, none of the directors or executive officers has, within the ten years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Dennis Mills previously served as a director of Pacific until January 2016. Michael Galego previously served as Deputy General Counsel and Secretary of Pacific. As part of the Pacific Restructuring Transaction, Mr. Galego was identified as a key executive and guided the restructuring of Pacific's more than U.S. $5.4 billion of indebtedness. On April 27, 2016, Pacific commenced proceedings and obtained court protection under the *Companies' Creditors Arrangement Act* and ancillary proceedings under Chapter 15 of the United States Bankruptcy Code and Colombia Law 1116. The Pacific Restructuring Transaction closed on November 2, 2016 and its common shares were listed for trading on the Toronto Stock Exchange on November 3, 2016 under the ticker symbol "PEN".

Penalties or Sanctions

No director or executive officer of the Resulting Issuer or shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

None of the directors, officers, Insiders and Promoters of the Resulting Issuer or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Indebtedness of Directors, Officers and Promoters

None of the proposed directors, officers or Promoters of the Resulting Issuer nor any of their respective Associates or Affiliates will be indebted to the Resulting Issuer following the completion of the Proposed Qualifying Transaction.

CORPORATE GOVERNANCE OF THE RESULTING ISSUER

Set forth below is a description of the Resulting Issuer's proposed corporate governance practices, which disclosure is provided pursuant to Form 58-101F2, which is attached to NI 58-101. The Resulting Issuer will implement and adopt a continuous disclosure policy and insider trading policy no later than the date on which the Resulting Issuer's first set of financial statements must be filed following the QT Closing Date.

Board of Directors

NI 52-110 provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. In addition to certain objective criteria, a "material relationship" is defined as a relationship which could, in the view of the Board of the Resulting Issuer, be reasonably expected to interfere with the exercise of a director's independent judgment. The directors have determined that Dennis Mills and Stephen Arbib, proposed members of the Board of the Resulting Issuer, will be independent as such term is defined in NI 58-101, and that: (i) Vincent Gasparro will not be independent as such term is defined in NI 52-110, as he has been within the last three years an executive officer of the Company; (ii) Francisco Ortiz von Bismarck (proposed Chief Executive Officer and director will not be independent as such term is defined in NI 58-101, as he will be an executive officer (as such term is defined in NI 51-102) of the Resulting Issuer; and (iii) Michael Galego will not be considered independent on account of Mr. Galego having received consulting fees from Terrace. In assessing Form 58-101F2 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

Orientation and Continuing Education

The Board of the Resulting Issuer does not intend to adopt any formal policies with respect to the orientation of new directors nor does it anticipate taking any measures to provide continuing education for the directors. However, if the growth of the Resulting Issuer's operations warrants it, a formal orientation process will be implemented.

Ethical Business Conduct

The Resulting Issuer will adopt an anti-bribery and anti-corruption policy (the "**Anti-Bribery and Anti-Corruption Policy**"). The Anti-Bribery and Anti-Corruption Policy is intended to ensure that the business activities of the Resulting Issuer are conducted in an honest and ethical manner, with a zero-tolerance approach to bribery and corruption. The Anti-Bribery and Anti-Corruption Policy will apply to all directors, officers, employees, consultants and contractors of the Resulting Issuer and compliance with the Anti-Bribery and Anti-Corruption Policy will constitute terms of service, employment and engagement, as the case may be. The Anti-Bribery and Anti-Corruption Policy will prohibit corrupt practices such as acceptance of bribes, inducements, advantages or kickbacks, and all directors, officers, employees, consultants and contractors of the Resulting Issuer will be required to comply with and report any violations of the Anti-Bribery and Anti-Corruption Policy. Violations of the Anti-Bribery and Anti-Corruption Policy will be investigated and, if violations are found to have occurred, could result in dismissal for gross misconduct.

Other than the implementation of an Anti-Corruption Policy described above, the Board of the Resulting Issuer does not intend to adopt a formal written "Code of Business Conduct and Ethics". However, the Board of the Resulting Issuer will monitor the activities of management on an ongoing basis to ensure that the highest standard of ethical conduct is maintained. Should the Resulting Issuer's operations grow in size and scope or should the Board of the Resulting Issuer or a committee thereof consider it in the best interests of the Resulting Issuer, the Board of the Resulting Issuer will implement additional policies and standards relating to ethical business conduct, in line with industry standards and any requirements of applicable law.

Related Party Transaction Policy

The Resulting Issuer will adopt a policy for the review and assessment of related party transactions (the "**Related Party Transaction Policy**"). The purpose of the Related Party Transaction Policy is to ensure the proper approval and reporting of transactions between the Resulting Issuer and any of its related parties or Affiliates to ensure that such transactions are in the Resulting Issuer's and its shareholders' best interests. The Related Party Transaction Policy is intended to define and regulate the conduct of related parties of the Resulting Issuer in relation to related party transactions. Each director and senior officer is responsible for providing written notice to the Resulting Issuer of any potential related party transaction involving him or her. To review a related party transaction, the Board of the Resulting Issuer shall be provided with all relevant material information of the related party transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Resulting Issuer and to the related party, and any other material information. The Board of the Resulting Issuer will review and approve the related party transaction based on a number of enumerated factors. The Related Party Transaction Policy mandates that the directors and senior officers of the Resulting Issuer will complete a general declaration of interest that sets out, among other things: (i) any businesses or organizations in which such director or officer has a material interest; (ii) any contracts or commercial dealings between the applicable company (or any member of the group of companies) and those businesses or organizations set out in (i); and (iii) an undertaking to promptly advise the Board of the Resulting Issuer and the Resulting Issuer's general counsel of any updates to the foregoing as well as any interest the director/officer or any member of his/her immediate family may have in any proposed material contract or transaction with the applicable company.

Nomination of Directors

The Resulting Issuer does not intend to adopt a formal process with respect to the appointment of new directors. The Resulting Issuer expects that when the time comes to appoint new directors to the Board of the Resulting Issuer, that the nominees would be recruited by the proposed board members, and the recruitment process would involve both formal and informal discussions among board members and management of the Resulting Issuer.

Compensation

It is anticipated that the Board of the Resulting Issuer will receive appropriate compensation for acting in such capacities which may include cash compensation and options pursuant to the Stock Option Plan. The compensation arrangements will be structured to adequately reflect the responsibilities and risks involved in being an effective director or officer of the Resulting Issuer after completion of the Proposed Qualifying Transaction.

Assessments

The Resulting Issuer will not have a formal process for assessing the effectiveness of the Board of the Resulting Issuer as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant.

Audit Committee of the Resulting Issuer

The Audit Committee

Following the completion of the Proposed Qualifying Transaction, the following individuals will be the members of the Resulting Issuer's audit committee:

Name	Independence(1)	Financial Literacy(2)
Dennis Mills	Independent	Yes
Stephen Arbib	Independent	Yes
Vincent Gasparro	Not Independent	Yes

Notes:
(1) The Resulting Issuer will seek an exemption from having all members of the audit committee be independent and will provide an undertaking to have a completely independent audit committee within three months of listing on the Exchange.
(2) As defined in Section 1.6 of NI 52-110.

Relevant Education and Experience of Proposed Audit Committee Members

All three proposed members of the Resulting Issuer's audit committee have the required financial education and/or experience that would deem them "financially literate" by reason of having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Resulting Issuer's financial statements. See information in each of the Audit Committee member's biographies above.

Audit Committee Charter

The Resulting Issuer plans to continue to use the audit committee charter currently in place for the Company, a copy of which is attached as Schedule "A".

Promoters of the Resulting Issuer

No Promoter of the Resulting Issuer has received or will receive anything of value, including money, property, contracts, options or rights of any kind from the Resulting Issuer in respect of acting as a Promoter of the Resulting Issuer.

Interests of Proposed Management and Others in Material Transactions

Other than as disclosed herein, none of the proposed directors or executive officers of the Resulting Issuer, or persons or companies that beneficially own, control or direct, directly or indirectly, more than ten percent of the outstanding Shares, or any Associate or Affiliate of any of the foregoing, will have any material interest, direct or indirect, in any transactions in which the Resulting Issuer has participated within the three years before the date of this Prospectus, which has materially affected or is reasonably expected to materially affect the Resulting Issuer.

Francisco Ortiz von Bismarck, proposed Chief Executive Officer and director of the Resulting Issuer, will hold 27.9% of the Resulting Issuer Shares on completion of the Proposed Qualifying Transaction.

Michael Galego, proposed director of the Resulting Issuer, will hold 13.4% of the Resulting Issuer Shares on completion of the Proposed Qualifying Transaction.

Proposed Executive Compensation of the Resulting Issuer

Compensation Discussion and Analysis

The Resulting Issuer expects to provide a market-based blend of base salaries and bonuses, and equity incentive components in the form of Resulting Issuer Options to align the interests of executive officers with the interests of the Resulting Issuer's shareholders.

It is anticipated that from time-to-time (including on the QT Closing Date) Company Options will be granted under the Stock Option Plan to: (i) provide an incentive to the participants; (ii) achieve the longer-term objectives of the Resulting Issuer; (iii) give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and (iv) attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer. The Board of the Resulting Issuer will award Company Options to the participants based upon the recommendation of the CEO of the Resulting Issuer, other than directors. Grants to directors will be agreed to by the Board of the Reporting Issuer as a whole.

Other than set out herein, the Resulting Issuer has no other forms of compensation, although payments may be made from time-to-time to individuals or companies they control for the provision of consulting services. Such consulting services will be paid for by the Resulting Issuer at competitive industry rates for work of a similar nature by reputable arm's length services providers.

Summary Compensation Table

All compensation of the executive officers and directors of the Resulting Issuer, other than salaries of the directors which will be $30,000 annual each together with an option grant of 150,000 options at an exercise price of $0.50 per option, will be determined following completion of the Proposed Qualifying Transaction.

Incentive Plan Awards

Stock option grants will be used to align executive interests with those of shareholders and will be based on the executive's performance, level of responsibility, as well as the number and exercise price of options previously issued to the executive as part of his or her overall aggregate total compensation package. Options may be granted on a periodic basis in connection with the review of executive compensation packages, or upon hire or promotion and as special recognition for extraordinary performance and in accordance with the provisionsof the Stock Option Plan.

In addition, no benefits are proposed to be paid to any of the executive officers of the Resulting Issuer or directors of the Resulting Issuer under any pension or retirement plan or under any deferred compensation plan during the 12 months following completion of the Proposed Qualifying Transaction.

ESCROWED SECURITIES OF THE RESULTING ISSUER

An aggregate of 4,650,000 Pre-Consolidation Shares are held in escrow as CPC Escrow Shares with the Escrow Agent under the provisions of the CPC Escrow Agreement. Following completion of the Proposed Qualifying Transaction all such 4,650,000 Pre-Consolidation Shares will continue to be held in escrow with the Escrow Agent. In addition, the Company and Terrace expect that 110,000,000 of the Shares issued to Terrace Shareholders will be subject to escrow as a result of the Proposed Qualifying Transaction, including 82,265,600 Shares issued to principals of the Resulting Issuer, with the remaining 27,734,400 Shares held by Terrace Shareholders who were transferred Terrace Shares by principals of Terrace.

CPC Escrow Agreement

The following table sets out, as of the date hereof and to the knowledge of the Company and Terrace, the name of the securityholders whose Shares will continue to be subject to the CPC Escrow Agreement.

		Prior to Giving Effect to the Proposed Qualifying Transaction and Consolidation		After giving effect to the Proposed Qualifying Transaction and Consolidation	
Name and place of residence of shareholder	**Designation of class**	**Number of Shares held in escrow**	**Percentage of class**	**Number of securities held in escrow**	**Percentage of class**
Brockville International Holdings Ltd. *Vaduz, Liechtenstein*	Shares	200,000	1.7%	80,000	0.05%
Apolo Capital Advisory Corp *Toronto, Canada*	Shares	900,000	7.6%	360,000	0.18%
Vincent Gasparro *Toronto, Canada*	Shares	1,000,000	8.4%	400,000	0.2%
Ryan Roebuck *Toronto, Ontario*	Shares	400,000	3.4%	160,000	0.09%
Michael Siggs *North Vancouver, Canada*	Shares	200,000	1.7%	80,000	0.05%
Balvinder Dadwan *Surrey, Canada*	Shares	200,000	1.7%	80,000	0.05%
Sean Maniaci *Toronto, Ontario*	Shares	100,000	0.8%	40,000	0.02%
2462570 Ontario Inc. *Toronto, Ontario*	Shares	100,000	0.8%	40,000	0.02%
John Coady *Toronto, Ontario*	Shares	100,000	0.8%	40,000	0.02%
Jeff Hergott *Toronto, Canada*	Shares	300,000	2.5%	120,000	0.07%
Carrera Capital Management Inc. *Toronto, Canada*	Shares	100,000	0.8%	40,000	0.02%
2524036 Ontario Limited *Toronto, Canada*	Shares	100,000	0.8%	40,000	0.02%
Marc Sontrop *Toronto, Canada*	Shares	100,000	0.8%	40,000	0.02%
Lauren Boswell *Vancouver, Canada*	Shares	250,000	2.1%	100,000	0.06%
Dana Gilman *North York, Canada*	Shares	500,000	4.2%	200,000	0.12%
Michael Young *Tennessee, United States*	Shares	100,000	0.8%	40,000	0.02%
Total		4,650,000	39.1%	1,860,000	1.01%

Under the CPC Escrow Agreement, 10% of the CPC Escrow Shares will be released from escrow on the date of issuance of the Final Exchange Bulletin and an additional 15% will be released on each of the dates which are six months, 12 months, 18 months, 24 months, 30 months and 36 months following the release of the Final Exchange Bulletin.

If the Resulting Issuer meets the Exchange's Tier 1 listing requirements either at the time the Final Exchange Bulletin is issued or subsequently, the release of the CPC Escrow Shares will be accelerated. An accelerated escrow release will not commence until the Resulting Issuer has made application to the Exchange for listing as a Tier 1 issuer and the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

The Exchange's prior consent must be obtained before a transfer within escrow of CPC Escrow Shares. Generally, the

Exchange will only permit a transfer within escrow to be made to incoming Principals in connection with a proposed Qualifying Transaction. Upon any Change of Control of Terrace, Apolo (the Resulting Issuer) has agreed to use its commercially reasonable efforts to seek a termination of the CPC Escrow Agreement and any related restrictions.

Terrace Voluntary Lock-Up

57,315,356 Terrace Shares are subject to a voluntary lock-up from the date of issuance until six months following the QT Closing Date. These Terrace Shares may not be traded before the date that is six months following date of the listing on a stock exchange of the shares of the Resulting Issuer, provided that if there is a Change of Control of the Resulting Issuer prior to the end of such six month period, such Resulting Issuer Shares will be released from the hold period.

QT Escrow Agreement

In addition to the CPC Escrow Shares held in escrow as set out above, all of the Shares to be issued to Principals of the Resulting Issuer and certain other individuals as determined by the Exchange, will be subject to escrow restrictions, unless otherwise determined by the Exchange. Those Terrace Shareholders who will be Principals of the Resulting Issuer, in addition to certain other individuals as determined by the Exchange, upon completion of the Proposed Qualifying Transaction will have a certain number of the securities of the Resulting Issuer held by them subject to the terms of the QT Escrow Agreement.

The QT Escrow Agreement restricts the ability of the Principals and certain other individuals to deal with the QT Escrow Shares while they are in escrow. The QT Escrow Agreement provides that the escrowed Shares shall not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the written consent of the Exchange. An entity, controlled by one or more persons, that holds escrowed Shares may not participate in a transaction that results in a change of its control or a change in the economic exposure of the persons to the risks of holding escrowed Shares.

Generally, if at least 75% of the securities issued pursuant to the Proposed Qualifying Transaction are Value Securities, then all the securities issued to Principals of the Resulting Issuer pursuant to the Proposed Qualifying Transaction will be deposited into escrow pursuant to a value security escrow agreement ("**Value Security Escrow Agreement**"). Value Securities are securities issued pursuant to a transaction for which the deemed value of the securities at least equals the value ascribed to the asset, using a valuation method acceptable to the Exchange, or securities that are otherwise determined by the Exchange to be Value Securities and required to be placed in escrow under a Value Security Escrow Agreement. However, if at least 75% of the securities issued pursuant to the Proposed Qualifying Transaction are not Value Securities, all securities issued pursuant to the Proposed Qualifying Transaction will be deposited into a surplus security escrow agreement ("**Surplus Security Escrow Agreement**").

All Shares subject to escrow restrictions which are held by persons who are not Principals of the Resulting Issuer, will be subject to a Value Security Escrow Agreement, and all Shares which are held by persons who will be a Principal of the Resulting Issuer will be subject to a Surplus Security Escrow Agreement.

The principal distinction between a Value Security Escrow Agreement and a Surplus Security Escrow Agreement is the time period for release of securities from escrow. In the case of an issuer that will be a Tier 2 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for a three-year escrow release mechanism with ten percent of the escrowed securities being releasable at the time of the Final Exchange Bulletin, and 15% of the escrowed securities being releasable every 6 months thereafter, on each of the six, 12, 18, 24, 30 and 36 month anniversaries of the Final Exchange Bulletin.

In the case of an issuer that will be a Tier 2 issuer, when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for a three year escrow release mechanism with five percent of the escrowed securities releasable at the time of the Final Exchange Bulletin, five percent on the date which is 6 months after the Final Exchange Bulletin, 10% on each of the dates which are 12 and 18 months after the Final Exchange Bulletin, 15% on each of the dates which are 24 and 30 months after the Final Exchange Bulletin and 40% on the date which is 36 months after the Final Exchange Bulletin.

In the case of an issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Value Security Escrow Agreement provides for an 18-month escrow release mechanism with 25% of the escrowed securities being releasable at the time of the Final Exchange Bulletin and with 25% of the escrowed securities being releasable every six months thereafter. In the case of an issuer that will be a Tier 1 issuer when the Final Exchange Bulletin is issued, the Surplus Security Escrow Agreement provides for an 18 month escrow release mechanism with ten percent of the escrowed securities being releasable upon the issuance of the Final Exchange Bulletin, 20% on the date which is six months after the Final Exchange Bulletin, 30% on the date which is 12 months after the Final Exchange Bulletin and 40% on the date which is 18 months after the Final Exchange Bulletin.

The following table lists the Principals that will be subject to either the Value Security Escrow Agreement or Surplus Security Escrow Agreement, as applicable, and the number of securities held by each:

Name and place of residence of shareholder	**Designation of class**	**After Giving Effect to the Securities Exchange and the Subscription Receipt Financing**	
		Number of securities held in	**Percentage of class**
Francisco Ortiz von Bismarck *Nassau, Bahamas*	Resulting Issuer Shares	46,632,600	27.9%
Leon Dadoun *Ontario, Canada*	Resulting Issuer Shares	Nil	0%
Stephen Arbib[(1)] *Ontario, Canada*	Resulting Issuer Shares	13,500,000	8.3%
Dennis Mills *Ontario, Canada*	Resulting Issuer Shares	Nil	0%
Michael Galego *Ontario, Canada*	Resulting Issuer Shares	22,133,000	13.2%

Notes:
(1) AJA Holdings 2013 Inc. is beneficially owned by Stephen Arbib.

Pursuant to Exchange Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, certain non-principal shareholders of Terrace Shares, upon conversion into Resulting Issuer Shares, will be subject to seed share resale restrictions (each, an "**SSRR**"). SSRRs are Exchange hold periods of various lengths which apply where seed shares are issued to non-principals by private companies. The terms of the SSRRs are based on the length of time such Terrace Shares have been held and the price at which such shares were originally issued. There are 7 non-principal shareholders of Terrace Shares (being those shareholders to whom shares were transferred by principals of Terrace) who will hold an aggregate of 27,734,400 Resulting Issuer Shares that will be subject to the Value Security Escrow Agreement.

Transfer of Escrow Shares

Where escrowed Shares are to be held by a company, such company will be required to agree not to carry out, while its escrowed Shares are in escrow, any transaction that would result in the change of control (as defined under the policies of the Exchange) of the company. Any such company will be required to further undertake to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities which could reasonably result in a change of control of the company.

All holders of escrowed Shares must obtain Exchange consent to transfer Shares then subject to escrow, other than in specified circumstances set out in the applicable escrow agreement.

PLAN OF DISTRIBUTION

Listing

The Resulting Issuer has applied to list the following securities on the Exchange: (i) the Shares; (ii) the Shares issuable upon exercise of the Subscription Receipt Warrants; (iii) the Shares issuable upon conversion of the Subscription Receipts; (iv) the Shares to be issued pursuant to the Business Combination Agreement; and (v) the Shares issuable upon exercise of the Company Options. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

RISK FACTORS

The Resulting Issuer's business, through its subsidiaries, will face numerous financial and market risks, including those described below, as well as general economic and business risks. The following discussion provides information concerning the material risks and uncertainties that the Company and Terrace have identified and believe may adversely affect the Resulting Issuer's business, financial condition and results of operations.

Before an investor decides whether to invest in the Resulting Issuer's securities, the following risks and uncertainties should be considered; together with all of the other information included in this Prospectus and in the Company's other public filings.

Upon completion of the Proposed Qualifying Transaction, there are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Resulting Issuer and could cause its operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Resulting Issuer, as the case may be. These include widespread risks associated with any form of business and specific risks associated with the Resulting Issuer's business. An investment in the Shares, as well as the Resulting Issuer's prospects, are speculative due to the competitive nature of its business and the present stage of its operations. Shareholders of the Resulting Issuer may lose their entire investment. The risks described below are not the only ones facing the Resulting Issuer. Additional risks not currently known to Terrace or the Company, or that Terrace or the Company currently deems immaterial, may also impair the Resulting Issuer's business or operations. If any of the following risks occur, the Resulting Issuer's prospects, business, financial condition or results of operations could be adversely affected.

Risks Related to the Business of the Resulting Issuer

Regulatory Compliance Risks

Achievement of the Resulting Issuer's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by applicable governmental authorities and the Exchange and obtaining all regulatory approvals, where necessary, for the sale of its products. The Resulting Issuer may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. The Resulting Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Faises has received the Recreational License and Oransur has received the Hemp Authorizations from the Uruguayan government and although Terra Nova Portugal has obtained from the Portuguese Regulatory Authority the declaration of pre-authorization to cultivate, import and export medical cannabis, inspection of the respective site has not yet occurred, which is essential for the granting of the final authorization to perform the above mentioned medical cannabis activities. In Spain, Pharmabinoide is in the process of exploring the path to obtaining a license to cultivate cannabis for medicinal use. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The Resulting Issuer will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations, including the Exchange's interpretation thereof, are dynamic and subject to evolving interpretations which could require the Resulting Issuer to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Resulting Issuer's business. The Resulting Issuer cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Resulting Issuer's business. Management expects that the legislative and regulatory environment in the cannabis industry in Uruguay, Spain and Portugal and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Licenses and Authorizations

The Resulting Issuer's ability to import, grow, store and sell cannabis and hemp in Uruguay or internationally is dependent on the Resulting Issuer's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Uruguay and/or the importing jurisdiction. The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of the Resulting Issuer to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer.

In the case of Spain, the Resulting Issuer's ability to grow cannabis will depend on the obtaining of the relevant license to cultivate cannabis for medicinal use. The requirements and process to obtain such license are not clearly included in any legal instrument and may change at any moment at the discretion of the relevant authorities. Additionally, such license must be renewed annually. Failure to obtain such license or to renew it will limit the business in Spain to the cultivation of hemp for industrial uses.

Although the Resulting Issuer believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Resulting Issuer may be curtailed or prohibited from the production and/or distribution of cannabis and hemp or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Resulting Issuer may be materially adversely affected.

Legal Proceedings

From time to time, the Resulting Issuer may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it will do business and other proceedings arising in the ordinary course of business. The Resulting Issuer will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Resulting Issuer's financial results.

Demand for Cannabis/Hemp and Derivative Products

The sale of recreational cannabis in Uruguay is a new industry as a result of recent legal and regulatory changes. Although the Uruguayan Government expects the demand for licensed recreational cannabis to be in excess of the supply being produced by the licensed producers, there is a risk that such demand does not develop as anticipated. Further, there is a risk that the adoption rate by the approximate 1,200 Uruguayan pharmacies to sell recreational cannabis is lower than expected or that such adoption rate may take longer than anticipated. There is also a risk that the implementation of sales through pharmacies will take longer than expected, thereby delaying the Resulting Issuer's ability to commence sales of recreational cannabis. There is also a risk that the export market for CBD will not materialize as projected or not be commercially viable. Should any of such events materialize, they may have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

In the case of Spain, if Pharmabinoide obtains the license to cultivate cannabis for medicinal use, it must relay in the demand for such hemp abroad, to the extent that the prescription of cannabis and its commercialization for medicinal purposes within Spain have not been legalized.

Risks Inherent in an Agricultural Business

The Resulting Issuer's business involves the growing of cannabis and hemp, which are both agricultural products. Although the Resulting Issuer's recreational cannabis in Uruguay is intended to be grown in indoor greenhouses, hemp used as feedstock for medicinal extracts and derivatives will initially be grown outdoors and industrial hemp will be grown outdoors. The Resulting Issuer will conduct outdoor growing activities in both Spain and Portugal. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis and hemp. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce the Resulting Issuer's yields or require the Resulting Issuer to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of the Resulting Issuer's cannabis and hemp production, which could materially and adversely affect the Resulting Issuer's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agriculture, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, the Resulting Issuer's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect the Resulting Issuer's operating results and financial condition. Furthermore, if the Resulting Issuer fails to control a given plant disease and the production is threatened, the Resulting Issuer may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

Product Liability

As a distributor of products designed to be ingested or inhaled by humans, the Resulting Issuer faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of the Resulting Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Resulting Issuer has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Resulting Issuer is subject to recall, the image of the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the Resulting Issuer's operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses and potential legal fees and other expenses.

Seasonality

The Resulting Issuer's business is seasonal, based upon the planting, growing and harvesting cycles. For example, in winter months, the Resulting Issuer expects to rely more on indoor lighting than in the summer months when sunlight is more ample. As a result, costs of production are likely to increase and yields are likely to decrease in the winter months. The inherent seasonality of the cannabis and hemp industries could have a material adverse effect on the Resulting Issuer's business. In addition, quarterly results can vary significantly from one year to the next due primarily to weather-related shifts in planting schedules, production yields, purchase patterns and costs. The Resulting Issuer will incur substantial expenditures for fixed costs throughout the year and substantial expenditures for inventory in advance of the planting season.

Seasonality also relates to the limited windows of opportunity that the Resulting Issuer has to complete required tasks at each stage of cannabis crop cultivation. Should events such as adverse weather or transportation interruptions occur during these seasonal windows, the Resulting Issuer would face reduced revenue without the opportunity to recover until the following season.

Energy Prices and Supply

The Resulting Issuer requires substantial amounts of diesel and electric energy and other resources for its harvest activities and transport of cannabis and hemp. The Resulting Issuer relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and the Resulting Issuer is unable to find replacement sources at comparable prices, or at all, the Resulting Issuer's business, financial condition and results of operations would be materially and adversely affected.

Supply of Cannabis Starting Materials

If for any reason the supply of cannabis starting materials (i.e. seeds and cuttings) or the import of cannabis starting materials is ceased or delayed, and the Resulting Issuer is unable to replenish its supply internally, the Resulting Issuer would have to seek alternate suppliers and obtain all necessary authorization for the new cannabis starting materials. If replacement cannabis starting materials cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, the Resulting Issuer's business, financial condition and results of operations would be materially and adversely affected.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Resulting Issuer's proposed management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Resulting Issuer's business and operating results. At present and for the near future, the Resulting Issuer will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require the Resulting Issuer to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Resulting Issuer may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Resulting Issuer may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Resulting Issuer moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Managing Growth

In order to manage growth and change in strategy effectively, the Resulting Issuer must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Resulting Issuer expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Failure to Acquire Faises and Oransur

While the Call Option Agreement constitutes a binding enforceable agreement between the parties there can be no certainty that the exercise of this option may not be frustrated by regulatory approvals or the completion of all requisite steps by various counter parties to effect the transfer of ownership. Failure to acquire either or both of: (i) 100% of Oransur; and (ii) the 33.75% or the remaining interest in Faises held by Inception in compliance with all applicable laws would result in a material effect to the business and operations of the Resulting Issuer.

Risks Inherent in Uruguayan Rural Real Estate

Uruguayan Law No. 18,092 (as amended by Uruguayan Law No. 18,172) provides as a general rule, that legal entities shall be entitled to own rural lands or perform agrarian activities, provided they are personal legal entities or corporations included under Uruguayan Law 16,060 (*Uruguayan Companies Act*), which total capital stock is represented by nominative quotas or shares owned by natural persons. This provision only applies to rural real estate used for agrarian activities.

Different positions have been argued in Uruguay whether foreign companies or Uruguayan companies which shareholders are foreign companies owned by natural persons (such as Oransur and Faises) are entitled or not under the law to own or exploit rural land. If considered not to be entitled, then the companies would have been considered obliged to apply for a prior authorization (either to own or exploit rural land) to the executive branch of the Uruguayan Government.

The Recreational License and the Hemp Authorization were granted to perform the respective activities on rural land, and are considered agrarian activities. In this regard, Faises and Oransur have not requested an authorization from the executive branch of the Uruguayan Government to exploit the rural land as Terrace believes that they are already entitled to conduct such activities.

Consequences of being in default are not specifically provided under the applicable law (except with respect to a certain transition period which has already expired). Therefore, legal scholars contemplate three possible positions regarding ownership of rural real estate or agricultural exploitation by a person who would not be entitled according to the law, and had not been granted a prior authorization by the executive branch of the Uruguayan Government: (i) the prior authorization is a constituting requirement of validity of legal transactions, and therefore if not obtained would cause the legal transactions to be void or voidable; (ii) the prohibition is directed to specific and concrete subjects of law, instead of legal transactions, and therefore, the acts performed by those persons would be considered non-existent; and (iii) if the continued performance of an unlawful or prohibited activity or unlawful acts are of such gravity to distort the corporate purpose, by the company ruled under Uruguayan Corporate law number 16,060, then it would be considered dissolute.

The abovementioned general rule has the following exceptions, which are expressly regulated by Decrees Nos. 225/07 and 201/08:

- the public company exception, which is based on specific features of the legal entities, including domestic or foreign corporations whose shares are traded on well-known local or foreign stock exchange markets, domestic or foreign pension funds (the "**Public Company Exception**"); and
- exceptions granted to legal entities (including corporations, branches of foreign companies, trusts and investment funds) with bearer or registered shares not covered by (a) above, including legal entities that develop activities which constitute part of a project considered as a priority for the productive development of Uruguay (the "**Productive Project Exception**", and with the Public Company Exception, each an "**Exception**").

Generally, the process for obtaining governmental authorization for an Exception takes approximately one year, but may vary on a case-by-case basis. Once an Exception is authorized, new authorizations relating to the buying, leasing, acquiring or exploiting of additional land become subject to the fast-track process whereby transfers will be automatically authorized in the absence of any formal objection within 30 days of application. As a result, obtaining new authorizations is expected to take approximately 45 days. There is no certainty that an Exception will be granted if Faises or Oransur make an application to obtain an Exception.

On September 24, 2014, a restriction to foreign ownership of land which only applies to foreign states and foreign sovereign funds was established by Uruguayan Law No. 19,283. As a result of the passing of this law, ownership and use of rural land by foreign states and foreign sovereign funds is restricted with the aim of preserving and protecting the Uruguayan State's sovereignty over its natural resources and, in particular, over its land. In order to achieve this, Uruguayan Law No. 19,283 provides that rural land and agricultural operations may not be owned or held by corporations controlled by foreign states or by foreign sovereign funds. Further, corporations with bearer shares having these characteristics (non-controlling foreign state participation) can own rural land in Uruguay if they previously obtain a productive project exemption, which among others provide evidence that they are carrying out a productive project, using innovative technologies and creating local employment.

Based on the guidelines provided by the Uruguayan Corporations Law, the determination of a controlling stake will take into account if Terrace is under the dominant influence of the stakeholder. This means that the application of Uruguayan Law No. 19,283 may not only be made on the basis of stock ownership but may also consider special ties between the shareholder and Terrace.

Emerging Market Risks

Emerging market investments generally pose a greater degree of risk than an investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of the Resulting Issuer's operations are in Uruguay, Spain and Portugal. Uruguay has a history of economic instability or crises (such as inflation or recession). Despite the fact that there is no current political instability, and historically there has been no change in laws and regulations, this could change in the future and could adversely affect the Resulting Issuer's business, financial condition and results of operations.

In particular, fluctuations in the Uruguayan economy and actions adopted by the Government of Uruguay have had and may continue to have a significant impact on companies operating in Uruguay, including the Resulting Issuer. Specifically, the Resulting Issuer may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Uruguay and in surrounding countries that may affect Uruguay.

At the end of 2001 and into 2002, a banking crisis erupted in Uruguay as a result of the financial crisis in neighbouring Argentina. There were capital controls and deposit freezes imposed in response by the Argentine government. As a result of high levels of exposure to Argentina, banks in Uruguay began facing liquidity problems, causing large waves of deposit withdrawals from the Uruguayan banking sector, severely impacting solvency of banks, lending, liquidity and economic growth. Future banking crises, including those triggered by neighboring countries, could occur in Uruguay, which could materially and adversely affect the Resulting Issuer's business, financial condition and the results of its operations.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Uruguay. Such events could materially and adversely affect the Resulting Issuer's business, financial condition and results of operations.

Regarding Portugal, medical cannabis is considered a novelty in what concerns the activities of cultivation and manufacturing of medical cannabis-based products. Although the first cultivation authorization was granted in 2014, it was 2017-2018 before there was a noticeable increase of investors and therefore of cultivation and manufacturing authorizations requests, most of which were not yet granted, as INFARMED requires the readiness and completion of the sites in which such activities are to be performed for inspection purposes, which is to occur before the granting of the authorizations. The completion of sites requires substantial investments and, in some cases, urban licensing of the facilities to be installed. The authorization procedure may become lengthy and therefore delay the start of the intended cultivation and manufacturing activities.

Although prescription of medical cannabis is authorized since August 1, 2018 – Law 33/2018 – the respective ruling was solely issued in January 15, 2019 – Decree Law 8/2019, namely in what concerns the placement of medical cannabis products in the market. As highlighted above, cannabis medicines are subject to a marketing authorization to be issued by INFARMED and the cannabis-based preparations and substances require the granting by the same authority of an authorization of placement in the market.

The above-mentioned circumstances and the novelty of medical cannabis activities and products, may therefore create some uncertainty on the availability of medical cannabis products to be prescribed by physicians as the regime for the placement of these products in the market and the respective distribution channels were not even tested so far.

Since returning to democracy in 1975, Spain has become the eurozone's fourth-largest economy. Following the financial crisis of 2007–2008, the Spanish economy plunged into recession, entering a cycle of negative macroeconomic performance. The economic situation started improving by 2013-2014, and since that, it has continued its strong and balanced growth. Strong employment gains have reduced unemployment (although it continues to be high) and provided support to households. A wide range of structural reforms has contributed to the recovery.

In spite of the above, Spain faces its own uncertainty after the results of the general elections that have given victory, but not with a sufficient majority, to the Socialist Party ("**PSOE**"). The PSOE's need to obtain sufficient support could mean the entry into the Spanish government of the most radical left and of the pro-independence parties. This could open the debate on different reforms that could affect companies doing business in Spain and could negatively affect investor confidence in the Spanish market.

Liability, Enforcement, Complaints, etc.

The Resulting Issuer's participation in the cannabis and hemp industries may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Resulting Issuer. Litigation, complaints, and enforcement actions involving the Resulting Issuer could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Resulting Issuer's future cash flows, earnings, results of operations and financial condition.

Global Economy

<u>Uruguay</u>

Financial and securities markets in Uruguay are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Uruguay, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Uruguay.

An economic downturn or volatility could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. The economy of Uruguay, where a portion of the Resulting Issuer's operations will be located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for the Resulting Issuer's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on the Resulting Issuer's products. In addition, as a result of volatile or uncertain economic conditions, the Resulting Issuer may experience the negative effects of increased financial pressures on its clients. For instance, the Resulting Issuer's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in the Resulting Issuer incurring increased bad debt expense. If the Resulting Issuer is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

<u>Portugal</u>

According to the Banco de Portugal's (Portuguese Central Bank) Economic Bulletin of June 2019, the projections for the Portuguese economy indicate ongoing expansion over the period 2019-21, although at a progressively slower pace. After growth of 2.1% in 2018, it is expected to increase by 1.7% in 2019, 1.6% in 2020 and 1.6% in 2021. The projections correspond to a maturing phase of the Portuguese economy's expansion process. These projections represent the most likely scenario. However, should unexpected and not considered events occur the projections may vary favorably or unfavorably.

An economic downturn or volatility could have a material adverse effect on the Resulting Issuer's business financial condition and results of operations. The most relevant risks and uncertainties for the Portuguese economy arises from the international framework. The growing of the trade tensions between the United States and China, the geopolitical tension in Middle East and the barriers imposed by the United States on the trade of products from European Union can result in decrease in consumers' confidence, general increase in risk aversion and postponement of investments.

Furthermore, the eurozone economies (including Portugal) can be affected and by turmoil in the financial markets, political incertitude in Italy and by United Kingdom's withdrawal from the European Union (Brexit). A considerable risk for the Portuguese economy may arise from Brexit, as the United Kingdom is the main Portuguese trading partner outside of the monetary union.

These risks, if verified, can imply a downturn of the Portuguese economy with adverse impacts on the companies' results in general and on Resulting Issuer's business, financial condition and results of operations.

Spain

Global economy directly affects the economy of the Eurozone and, among others, the Spanish economy. Uncertainties such as the United States-China trade war or Brexit or the potential adoption of protectionist measures are affecting the growth forecast of all the Eurozone. However, Spain is among the economies that are showing the greatest resistance with a slight slowdown in economic growth and forecasts, which contrasts with the sharp drop in the Gross Domestic Product growth rate in the Eurozone and the drastic cuts in forecasts by all institutions. The good performance of domestic demand and the lower relative weight of exports are freeing Spain (for now) from suffering a slowdown similar to that of the Eurozone.

However, if the slowdown in global trade and Eurozone exports continues, this situation will end up deteriorating the Spanish economy. The close economic ties within the Eurozone make the spread of weakness almost inevitable. Because of the above, if the Resulting Issuer is unable to adapt quickly to a possible trade deficit situation in Spain, it is possible that all its business in the country suffers.

Inflation

In the past, high levels of inflation have adversely affected Uruguay's economy and financial markets, and the ability of its government to create conditions that stimulate or maintain economic growth. Moreover, governmental measures to curb inflation and speculation about possible future governmental measures have contributed to the negative economic impact of inflation and have created general economic uncertainty. According to the World Bank, inflation in Uruguay reached a high of 112.5% in 1990 and has remained relatively high at 7.96% in 2018. A portion of the Resulting Issuer's operating costs are denominated in Uruguayan pesos. Inflation in Uruguay, without a corresponding peso devaluation could result in an increase in the Resulting Issuer's operating costs without a commensurate increase in the Resulting Issuer's revenues, which could adversely affect the Resulting Issuer's financial condition and its ability to pay its foreign denominated obligations.

Uruguay may continue to experience relatively high levels of inflation in the future, which may impact domestic demand for the Resulting Issuer's products. Inflationary pressures may also weaken investor confidence in Uruguay, curtail the Resulting Issuer's ability to access foreign financial markets and lead to further government intervention in the economy, including interest rate increases, restrictions on tariff adjustments to offset inflation, intervention in foreign exchange markets and actions to adjust or fix currency values, which may trigger or exacerbate increases in inflation, and consequently have an adverse impact on the Resulting Issuer. In an inflationary environment, the value of uncollected accounts receivable, as well as of unpaid accounts payable, declines rapidly. If Uruguay experiences high levels of inflation in the future and price controls are imposed, the Resulting Issuer may not be able to adjust the rates the Resulting Issuer charges its customers to fully offset the impact of inflation on the Resulting Issuer's cost structures, which could adversely affect its business, financial condition and results of operations.

Depreciations of the peso relative to the U.S. dollar or the Euro may also create additional inflationary pressures in Uruguay that may negatively affect the Resulting Issuer. Depreciations generally curtail access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciations also reduce the U.S. dollar or Euro value of dividends and other distributions on the Shares and the U.S. dollar or Euro equivalent of the market price of the Shares. Any of the foregoing could materially and adversely affect the Resulting Issuer's business, operating results and cash flows, as well as the market price of the Shares.

Conversely, in the short-term, a significant increase in the value of the peso against the U.S. dollar would adversely affect the Uruguayan government's income from exports. This could have a negative effect on gross domestic product, or GDP, growth and employment and could also reduce the public sector's revenues in the country by reducing tax collection in real terms, as a portion of public sector revenues are derived from the collection of export taxes.

In Portugal, and according to the Banco de Portugal's (Portuguese Central Bank) Economic Bulletin (June 2019 – projections for the Portuguese economy in the current year and the two following years), the inflation levels will continue to be controlled over the period 2019-2021. In 2018 the inflation rate in Portugal stood at 1.2%, compared with 1.6% in 2017 and 0.6% in 2016. The projections indicate inflation rates of 0.9% in 2019, 1.2% in 2020 and 1.3% in 2021.

The oil prices, the long-term interest rate and the likelihood of an increase in the minimum wage can imply a slight upward revision of these projections.

Ability to Establish and Maintain Bank Accounts

There is a risk that banking institutions in countries where the Resulting Issuer operates will not accept payments related to the cannabis industry. Such risks could increase costs for the Resulting Issuer. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Resulting Issuer may be required to seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Resulting Issuer would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Resulting Issuer's inability to manage such risks may adversely affect the Resulting Issuer's operations and financial performance.

Operations in Spanish and Portuguese

As a result of the Resulting Issuer conducting its operations in Uruguay, Spain and Portugal, the books and records of the Resulting Issuer, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and Portuguese language and English translations may not exist or be readily available.

Negative cash flow from Operations

Terrace has a negative operating cash flow for the year ended December 31, 2018. To the extent that the Resulting Issuer has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Resulting Issuer may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Resulting Issuer will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Resulting Issuer. The Resulting Issuer's actual financial position and results of operations may differ materially from the expectations of the Resulting Issuer's management.

PROMOTERS

Except for as set forth below, during the two years immediately preceding the date of this Prospectus, there have been no persons or companies that would be considered Promoters of the Resulting Issuer.

Francisco Ortiz von Bismarck and Michael Galego, the founders of Terrace will be Promoters of the Resulting Issuer.

AUDITORS, TRANSFER AGENTS AND REGISTRARS OF THE RESULTING ISSUER

The auditor of the Resulting Issuer is expected to be MNP LLP, located at 111 Richmond Street West, Suite 300, Toronto, Ontario M5H 2G4.

The registrar and transfer agent of the Resulting Issuer is expected to be Computershare Trust Company of Canada, located at 100 University Ave, Toronto, Ontario M5J 2Y1.

Sponsorship

Pursuant to the policies of the Exchange, the Company is required to engage a Sponsor to provide a Sponsor Report (as such terms are defined by the Policies of the Exchange) to the Exchange with respect to the Proposed Qualifying Transaction, pursuant to Section 3.4(a)(ii) of Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*. The Company intends to apply for an exemption from the sponsorship requirements.

EXPERTS

The Consolidated Financial Statements included in this Prospectus have been audited by MNP LLP, Chartered Professional Accountants, Licensed Public Accountants, as set forth in its audit report. MNP LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The financial statements of Terrace included in this Prospectus have been audited by MNP LLP, as set forth in its audit report. MNP is the independent auditor of Terrace and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

The financial statements of Pharmabinoide for the years ended December 31, 2018 included in this Prospectus have been audited by Moore Stephens & Associados, SROC, S.A., as set forth in its audit report. Moore Stephens & Associados, SROC, S.A. is the independent auditor of Pharmabinoide and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Certain legal matters relating to this Prospectus and the Proposed Qualifying Transaction will be passed upon on behalf of the Company by Cassels Brock & Blackwell LLP, and Terrace by Wildeboer Dellelce LLP.

Interests of Experts

As of the date hereof:

The partners and associates of Wildeboer Dellelce LLP beneficially owned, directly or indirectly, more than 1% of the outstanding Resulting Issuer Shares. See "*Information Concerning the Resulting Issuer – Directors and Executive Officers of the Resulting Issuer*", "*Information Concerning the Resulting Issuer – Conflicts of Interest*", "*Information Concerning the Resulting Issuer – Escrowed Securities of the Resulting Issuer*", "*Information Concerning the Resulting Issuer – Directors and Executive Officers of the Company*" and "*Information Concerning the Resulting Issuer – Directors and Executive Officers of the Company*".

The partners and associates of MNP LLP and Moore Stephens & Associados, SROC, S.A. do not own, directly or indirectly, any of the outstanding Shares.

LIST OF EXEMPTIONS FROM INSTRUMENT

The Corporation has applied for exemptive relief from the requirement that the final prospectus must be filed within 90 days of the date of receipt for the preliminary prospectus, as required by Section 2.3(1.1) of NI 41-101. The grant of the exemption will be evidenced by the issuance of a receipt for this Prospectus.

MATERIAL CONTRACTS OF THE RESULTING ISSUER

Following the completion of the Proposed Qualifying Transaction, the material contracts of the Company and Terrace will continue to be material contracts of the Resulting Issuer. Any material contracts of the Resulting Issuer will be filed on SEDAR under the Resulting Issuer's profile at www.sedar.com. See "*Information Concerning Terrace – Material Contracts*" and "*Information Concerning the Company – Material Contracts*".

Copies of all material contracts may be inspected at the offices of Wildeboer Dellelce LLP, 365 Bay Street, Suite 800, Toronto, ON M5H 2V1 for a period of 30 days from the date of this Prospectus during normal business hours.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the province of Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. In the province of Ontario, the securities legislation further provides a purchaser with remedies of rescission or damages, if this Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory, provided that the remedies for rescission, revisions of purchase price or damages are exercised by the purchaser within the time limit prescribed for by the securities legislation of the purchaser's province. However, in light of the fact that this is a non-offering prospectus and no securities are being purchased under this Prospectus, these rights and their associated remedies are not available to holders of Shares prior to completion of the Proposed Qualifying Transaction, or holders of Resulting Issuer Shares after completion of the Proposed Qualifying Transaction.

OTHER MATERIAL FACTS

As of the date hereof, the management of each of the Company and Terrace is not aware of any other material facts required to be disclosed in this Prospectus.

SCHEDULE "F"

INDEX TO FINANCIAL STATEMENTS AND MD&A

Financial Statements of Apolo II Acquisition Corp.
Audited consolidated financial statements from incorporation to December 31, 2018
Management's Discussion and Analysis for the year ended December 31, 2018
Condensed interim financial statements for the three and six months ended June 30, 2019 and 2018
Management's Discussion and Analysis for period ended June 30, 2019
Financial Statements of Terrace Inc.
Audited consolidated financial statements from incorporation to December 31, 2018
Management's Discussion and Analysis from incorporation to December 31, 2018
Interim consolidated financial statements for the six months ended June 30, 2019
Management's Discussion and Analysis for the six months ended June 30, 2019
Financial Statements of Oransur, S.A.
Audited consolidated financial statements for the year ended June 30, 2018 (including the unaudited year ended June 30, 2017)
Management's Discussion and Analysis for the year ended June 30, 2018
Financial Statements of Pharmabinoide S.L.
Audited consolidated financial statements from incorporation to December 31, 2018
Management's Discussion and Analysis from incorporation to December 31, 2018
Financial Statements of Terra Nova Business Holdings Inc.
Audited consolidated financial statements from incorporation to December 31, 2018
Management's Discussion and Analysis for the year ended December 31, 2018
Interim consolidated financial statements for the three months ended March 31,2019
Management's Discussion and Analysis for the three months ended March 31, 2019.
***Pro-Forma* Consolidated Financial Statements as at June 30, 2019**

Apolo II Acquisition Corp.
(A Capital Pool Corporation)

Financial Statements

For the year ended December 31, 2018 and for the period from the December 15, 2017 (Date of Incorporation) to December 31, 2017
(In Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Apolo II Acquisition Corp.:

Opinion

We have audited the financial statements of Apolo II Acquisition Corp (the "Corporation"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2018 and for the period from December 15, 2017 (date of incorporation) to December 31, 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the period from December 15, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pierrette Dosanjh.

MNP LLP

Toronto, Ontario
April 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

Apolo II Acquisition Corp.
Statements of Financial Position
As at December 31,
(in Canadian dollars)

		2018		2017
Current assets				
Cash	$	**432,841**	$	175,000
Short-term investments		**400,000**		-
Total current assets		**832,841**		175,000
Current Liabilities				
Accrued liabilities	$	**23,890**	$	4,500
Shareholders' equity				
Share Capital (note 3)	$	**889,208**	$	172,000
Contributed surplus		**115,739**		-
Accumulated deficit		**(195,996)**		(1,500)
Total Shareholders' equity		**808,951**		170,500
Total liabilities and shareholders' equity	$	**832,841**	$	175,000

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

Approved on behalf of the Board

"Vincent Gasparro"
Director

"Michael Galego"
Director

Apolo II Acquisition Corp.

Statements of Loss and Comprehensive Loss
For the year ended December 31, 2018 and for the period from December 15, 2017 (Date of Incorporation) to December 31, 2017
(in Canadian dollars)

		2018		2017
Expenses				
Stock-based compensation	$	89,297	$	-
Professional fees		85,661		1,500
Listing fees		19,386		-
Bank charges		152		-
Total expenses		194,496		1,500
Net loss and comprehensive loss	$	(194,496)	$	(1,500)
Net loss per share (Basic and diluted)	$	(0.03)	$	(0.00)
Weighted average number of shares outstanding (Basic and diluted)		6,113,014		-

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

Apolo II Acquisition Corp.
Statements of Changes in Shareholders' Equity
For the year ended December 31, 2018 and for the period from the December 15, 2017 (Date of Incorporation) to December 31, 2017
(in Canadian dollars)

	Number of Shares	Shares to be Issued	Share Capital	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
Balance December 15, 2017	**-**	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Share subscription (Note 3)	1	3,500,000	175,000	-	-	175,000
Offering costs	-	-	(3,000)	-	-	(3,000)
Net loss for the period	-	-	-	-	(1,500)	(1,500)
Balance December 31, 2017	1	3,500,000	$ 172,000	$ -	$ (1,500)	$ 170,500
Net loss for the period	-	-	-	-	(194,496)	(194,496)
Share subscriptions (Note 3)	6,900,000	(3,500,000)	320,000	-	-	320,000
Share cancellation	(1)	-	-	-	-	-
Initial public offering (Note 3)	5,000,000	-	500,000	-	-	500,000
Offering costs	-	-	(102,792)	26,442	-	(76,350)
Stock based compensation (Note 3)	-	-	-	89,297	-	89,297
Balance December 31, 2018	**11,900,000**	**-**	**$ 889,208**	**$ 115,739**	**$ (195,996)**	**$ 808,951**

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

Apolo II Acquisition Corp.
Statements of Cash Flows
For year ended December 31, 2018 and for the period from December 15, 2017 (Date of Incorporation) to December 31, 2017
(in Canadian dollars)

		2018		2017
Cash provided by (used in)				
Operating Activities				
Net loss for the year/period	$	**(194,496)**	$	(1,500)
Stock-based compensation		**89,297**		-
Change in accrued liabilities		**19,390**		4,500 -
Cash (used in)/provided by Operating Activities		**(85,809)**		3,000
Financing Activities				
Issuance of share capital		**820,000**		175,000
Cost of issuing shares		**(76,350)**		(3,000)
Cost of purchasing short-term investments		**(400,000)**		
Cash provided by Financing Activities		**343,650**		172,000
Net change in cash		**257,841**		172,000
Cash beginning of year/period		**175,000**		-
Cash end of period year/period	**$**	**432,841**	$	175,000

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

1. INCORPORATION AND NATURE OF OPERATIONS

Apolo II Acquisition Corp. (“the Corporation”), was incorporated under the Ontario Business Corporations Act on December 15, 2017 and is classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The principal business of the Corporation will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction (“QT”). The Corporation has not commenced operations and has no assets other than cash and short-term investment. The Corporation’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm’s length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation, in respect of the sale of its securities, or $210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation, as defined under the policies of the Exchange. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

The head office and the registered head office of the Corporation is located at 365 Bay Street, Suite 800, Toronto ON M5H 2V1.

On April 24, 2019 the Board of Directors approved the financial statements for the year ended December 31, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Presentation

The financial statements are presented in Canadian dollars (“CAD”), which is the Corporation’s functional and presentation currency. The financial statements are prepared on a historical cost basis except for certain financial instruments classified as fair value through profit or loss (“FVPTL”), which are stated at their fair value. The accounting policies have been applied consistently throughout the entire period presented in these financial statements.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the net loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Common shares escrowed pursuant to the requirements of the Exchange are excluded from the number of outstanding common shares.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and Diluted Loss per Share (continued)

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

Share-based Compensation

Equity-settled share based payments for directors, officers, employees, and consultants are measured at fair value at the date of grant and recorded as compensation expense in the financial statements. Share options are measured at the fair value of each tranche on the grant date and are recognized in their respective vesting period using the Corporation’s expected forfeiture rate. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

Financial Instruments

Recognition

The Corporation recognizes financial assets and financial liabilities on the date the Corporation becomes a party to the contractual provisions of the instruments.

Classification

The Corporation classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive loss or through profit or loss, and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive loss.

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

The Corporation has implemented the following classifications:

Cash is classified as fair value through profit and loss and any period change in fair value is recorded in profit or loss.

Accounts payable and accrued liabilities are classified as other financial liabilities and measured at amortized cost using the effective interest rate method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments or principal and interest on the principal

outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive loss (irrevocable election at the time of recognition).

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Cash held in trust is a level 1 financial instrument measured at fair value on the statements of financial position.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the intention is to settle on a net basis, or to realize the asset and settle the liability simultaneously. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive loss.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences and deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. Deferred tax assets are recognized to the extent that realization of such benefits is probable.

Estimates

The preparation of financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards Issued

The Corporation adopted IFRS 9, Financial Instruments (“IFRS 9”) effective January 1, 2018.

IFRS 9 was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and replaced IAS 39, "Financial Instruments: Recognition and Measurement" (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 did not have a material impact on the Corporation’s financial statements.

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued	#	$
6,900,000 common shares (i)	6,900,000	$ 495,000
5,000,000 common shares (ii)	5,000,000	500,000
Cost of issuance-cash		(79,350)
Cost of issuance-share based payment		(26,442)
Balance, December 31, 2018	11,900,000	$ 889,208

Escrowed Shares

(i) During the year, the Corporation completed its initial seed round private placement for 3,900,000 common shares at a price of $0.05 each for total proceeds of $195,000. On February 9, 2018, the Corporation completed a second private placement for 3,000,000 common shares at a price of $0.10 each for total proceeds of $300,000. Total share issuance costs incurred on these private placements is $3,000 (period ended December 31, 2017 - $3,000).

4,650,000 issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued. As a result, the escrow shares have not been contemplated in the weighted-average shares outstanding calculation.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer will also be subject to escrow.

3. SHARE CAPITAL (continued)

Initial Public Offering

(ii) On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO") of 5,000,000 common shares at $0.10 per share ($500,000). The Corporation entered into an agreement with Richardson GMP Limited (the "Agent") to raise $500,000 in connection with the Corporation's IPO. The Corporation paid a commission of 10% of gross proceeds to the Agent, and granted the Agent warrants to acquire 10% of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Corporation's Common Shares are listed on the TSX Venture Exchange, exercisable at $0.10 per share. The Corporation also paid a corporate finance fee upon the closing of the offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Total issuance costs related to the IPO was $102,792, of which $26,442 was share-based payment.

Options

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2017	-	-
Granted broker warrants (i)	500,000	$0.10
Granted to directors and officers (ii)	1,190,000	$0.10
Balance, December 31, 2018	1,690,000	$0.10

i. On March 6, 2018, the Corporation granted 500,000 warrants to the Agent, which are exercisable within two years from the date of grant at an exercise price of $0.10 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these options was $26,442.

ii. On March 6, 2018, the Corporation granted 1,190,000 options to directors and officers, which are exercisable within ten years from the date of grant at an exercise price of $0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.16%, expected volatility of 100% and an expected life of five years. The value attributed to these options was $89,297.

3. SHARE CAPITAL (continued)

Initial Public Offering (continued)

The following table reflects the actual options issued and outstanding as of December 31, 2018:

Expiry Date	Exercise Price	Weighted Average Remaining Contractual Life (years)	Number of Options and Warrants Outstanding	Number of Options Vested (Exercisable)
March 6, 2020	$0.10	0.35	500,000	500,000
March 6, 2028	$0.10	6.47	1,190,000	1,190,000
	$0.10	6.82	1,690,000	1,690,000

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares and deficit, in the definition of capital.

The Corporation's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash, short-term investments, and accrued liabilities, approximate fair value due to the relatively short-term maturities of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Corporation incurred legal fees of approximately $53,887 ($1,500 – 2017) for services provided by a law firm whose partner is an officer of the Corporation. As at December 31, 2018, $13,492 ($4,500 – 2017) is included in accrued liabilities for these services.

On March 6, 2018, the Corporation granted 1,190,000 options to directors and officers. The value attributed to these options was $89,297 ($nil – 2017).

There were no other transactions with related parties and no remuneration was paid to key management personnel during the year ended December 31, 2018 ($nil – 2017).

6. INCOME TAXES

A reconciliation of combined federal and provincial corporate income taxes of statutory rates of 26.5% and the Corporation's effective income tax expense is as follows:

		2018		2017
Net loss for the year/period	$	(194,496)	$	(1,500)
Expected income tax recovery		(51,540)		(398)
Share-based payments		23,660		-
Share issuance costs booked to equity		(20,230)		
Deferred tax assets not recognized		48,110		398
Income tax recovery	**$**	**-**	**$**	**-**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of share issuance costs totaling $63,454($nil - 2017) and non-capital losses carried forward of $122,600 ($1,500 – 2017).

The Corporation's Canadian non-capital income tax losses expire as follows:

2037		1,500
2038		121,070
	$	**122,600**

The Corporation has not recorded deferred tax assets related to these unused carry forward losses and share issuance costs as it is not probable that future taxable profits will be available against which these can be deducted.

Apolo II Acquisition Corp.
Management Discussion and Analysis
For Year Ended December 31, 2018

April 24, 2019

The following management discussion and analysis ("MD&A") of the results of the operations and financial position of Apolo II Acquisition Corp. (the "Corporation" or "Apolo") for the year ended December 31, 2018 should be read in conjunction with the Corporation's audited financial statements for year ended December 31, 2018. All figures contained in this MD&A are presented in Canadian dollars.

Forward-Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

The Corporation

The Corporation was incorporated under the Canada Business Corporations Act on December 15, 2017 and is classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange").

The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced operations and has no assets other than cash held in trust and short term investments. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or $210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the TSX Venture. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

On January 2, 2018, the Corporation issued, as seed shares, 3,900,000 common shares at $0.05 per share for total gross proceeds of $195,000.

On February 9, 2018, the Company issued an additional 3,000,000 common shares at $0.10 per share for total gross proceeds of $300,000.

On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO"). The Corporation entered into an agency agreement with Richardson GMP Limited (the "Agent") for the offering of 5,000,000 common shares at $0.10 per share to raise gross proceeds of $500,000. Other than a payment of a corporate finance fee and reimbursement of legal fees and other reasonable expenses incurred to the Agent, the Corporation has also paid a commission equivalent to 10% of gross proceeds, and granted an option that entitles the holder to acquire an aggregate of 500,000 common shares (the "Agent's Warrants") at an exercise price of $0.10 per share exercisable for a period ending twenty-four months from the date the Corporation's Common Shares are listed on the TSX Venture Exchange.

On March 6, 2018, the Corporation granted 1,190,000 incentive stock options to directors and officers, at an exercise price of $0.10 per share, exercisable for a period of ten years from the date of grant.

The Agent's Warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these options was $26,442.

The incentive stock options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.16%, expected volatility of 100% and an expected life of five years. The value attributed to these options was $89,297.

On November 13, 2018, the Corporation announced that it had entered into a binding letter of intent with Terrace Inc. ("Terrace") which outlines the general terms and conditions of a proposed transaction that will result in the Corporation acquiring all of the issued and outstanding shares of Terrace Inc. The proposed transaction would constitute the Company's qualifying transaction pursuant to policy 2.4-Capital Pool Companies of the Exchange.

The Corporation announced that it entered into a definitive agreement with Terrace Inc. a wholly owned subsidiary of the Company, which shall govern the Corporation's Qualifying Transaction. The parties will complete a three-cornered amalgamation where by Terrace Inc. will amalgamate. Pursuant to the Definitive Agreement, the parties will complete a three-cornered amalgamation whereby Terrace Inc. will amalgamate with Subco and, pursuant thereto, all of the issued and outstanding common shares of Terrace, shall be cancelled and Apolo II shall issue one post-Consolidation common shares in the capital of the Corporation (the "Apolo II Common Shares") in consideration for each such Terrace Share so cancelled (the "Exchange Ratio"). On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo II will effect a name change to such name as may be determined by Apolo II and; and (ii) Apolo II will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "Consolidation").Completion of the Qualifying Transaction is subject to all requisite regulatory approvals.

The head office and the registered head office of the Company is located at 365 Bay Street, Suite 800, Toronto ON M5H 2V1.

On April 24, 2019 the Board of Directors approved the audited financial statements for the years ended December 31, 2018 and 2017.

Summary of Quarterly Results

	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**December 15, 2017**
Total Assets	$832,841	$834,125	$843,688	$855,573	$175,000	Nil
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil
Total Expenses	$15,535	$3,217	$7,934	$167,810	$1,500	Nil
Net Loss	$(15,535)	$(3,217)	$(7,934)	$(167,810)	$(1,500)	Nil
Basic and diluted net loss per share	$0.00	$0.00	$0.00	$(0.05)	$0.00	$0.00

Results of Operations

Three month period ended December 31, 2018

The Corporation recorded a net loss of $15,535 during the three month period ended December 31, 2018 (net loss of $1,500 for period from December 15, 2017 (date of incorporation) to December 31, 2017). The net loss for the three-month period ended December 31, 2018, is due mainly to costs in relation to its listing on the Exchange, and professional fees.

Period ended December 31, 2018
The Corporation recorded a net loss of $194,496 during the year ended December 31, 2018 (net loss of $1,500 – 2017). The net loss for the period ended December 31, 2018 is due mainly to costs in relation to its listing on the Exchange, stock-based compensation and professional fees.

Additional Disclosure for Venture Issuers without Significant Revenue
Since the Corporation has no revenue from operations, the following is a breakdown of the material costs incurred from the period from December 15, 2017 (Date of Incorporation) to December 31, 2018:

Material Costs	From December 15 (Date of Incorporation) to December 31, 2018
Stock-based compensation	$89,297
Professional fees	$87,161
Listing fees	$19,386
Bank charges	$152

Liquidity and Capital Resources
As at December 31, 2018, the Corporation had cash of $432,841 ($175,000 – 2017) and short-term investments of $400,000 ($nil – 2017). The Corporation had current liabilities of $23,890 ($4,500 – 2017) and working capital of $808,951 ($170,500 – 2017).

Negative cash flows of $85,809 ($3,000 – 2017) were recorded from operating activities during year ended December 31, 2018. This is primarily due to outflows related to filing fees and professional fees.

Outstanding Share Data
As of the date of this MD&A, 11,900,000 common shares are issued and outstanding.

In a final prospectus dated February 21, 2018, the Company offered to sell and issue 5,000,000 common shares at $0.10 per share ($500,000). The Company entered into an agreement with Richardson GMP Limited (the “Agent”) to raise $500,000, in connection with the Company’s IPO. The Company paid a commission of 10% of gross proceeds to the Agent and granted the Agent an option to acquire 10% of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Company’s Common Shares are listed on the TSX Venture Exchange. The Company also paid a corporate finance fee upon the closing of the offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering.

The Corporation’s common shares commenced trading on the TSX Venture Exchange under the trading symbol “APII” on March 14, 2018.

Off-Balance Sheet Arrangements
The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Related Party Transactions
During the period ended December 31, 2018, the Company incurred legal fees of approximately $53,887 ($1,500 – 2017) for services provided by a law firm whose partner is an officer of the Company. As at December 31, 2018, $13,492 ($4,500 – 2017) is included in accrued liabilities for these services.

On March 6, 2018, the Corporation granted 1,190,000 options to directors and officers. The value attributed to these options was $89,297 ($nil – 2017).

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended December 31, 2018 ($nil – 2017).

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values
The Corporation's financial instruments, consisting of cash held in trust, short term investments and accrued liabilities approximate fair value due to the relatively short-term maturity of the instruments. It is management’s opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Critical Accounting Estimates
The Corporation’s significant accounting policies are summarized in Note 2 to the audited financial statements for the period ended December 31, 2018.

Changes in Accounting Policies

IFRS 9, Financial Instruments (“IFRS 9”) was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The company adopted this standard on January 1, 2018, which had no impact on the financial statements.

Additional Information
For further detail, see the Corporation’s audited financial statements for the year ended December 31, 2018. Additional information about the Corporation can also be found on SEDAR.

Apolo II Acquisition Corp.

(A Capital Pool Corporation)

Unaudited Condensed Interim Financial Statements

For the Three and Six Month Periods ended June 30 2019 and 2018

(In Canadian Dollars)

Apolo II Acquisition Corp.
Unaudited Condensed Interim Statements of Financial Position
(in Canadian dollars)

As at		June 30, 2019		December 31, 2018
Current assets				
Cash	$	**412,090**	$	432,841
Short term investments		**404,400**		400,000
Total current assets		**816,490**		832,841
Current Liabilities				
Accrued liabilities (note 5)		**50,627**		23,890
Shareholders' equity				
Share capital (note 3)		**889,208**		889,208
Contributed surplus		**115,739**		115,739
Accumulated deficit		**(239,084)**		(195,996)
Total Shareholders' equity		**765,863**		808,951
Total liabilities and shareholders' equity	$	**816,490**	$	832,841

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

Approved on behalf of the Board

"Vincent Gasparro" — Director

"Ryan Roebuck" — Director

Apolo II Acquisition Corp.

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
For the Three and Six Month Periods Ended June 30, 2019 and 2018
(in Canadian dollars)

	For the three month periods ended June 30,		For the six month periods ended June 30,	
	2019	2018	**2019**	2018
Interest Income	$ **4,400**	$ -	$ **4,400**	$ -
Expenses				
Stock-based compensation	-	-	-	89,297
Professional fees	**14,550**	7,914	**31,513**	68,245
Listing fees	**5,906**	-	**15,906**	18,150
Bank charges	**21**	20	**69**	53
Total expenses	**20,477**	7,934	**47,488**	175,745
Net loss and comprehensive loss	$ **(16,077)**	$ (7,934)	$ **(43,088)**	$ (175,745)
Net loss per share (Basic and diluted)	$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.04)
Weighted average number of shares outstanding (Basic and diluted)	**7,250,000**	7,250,000	**7,250,000**	4,957,182

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

Apolo II Acquisition Corp.
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
For the Six Month Periods Ended June 30 2019 and June 30 2018
(in Canadian dollars)

	Number of Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Shareholders' Equity
Balance December 31, 2017	1	$	172,000	$	-	$	(1,500)	$	170,500
Net loss for the period	-		-		-		(175,745)		(175,745)
Share subscriptions (Note 3)	6,900,000		320,000		-		-		320,000
Share cancellation	(1)		-		-		-		-
Initial public offering (Note 3)	5,000,000		500,000		-		-		500,000
Offering costs	-		(102,792)		26,442		-		(76,350)
Stock based compensation (Note 3)	-		-		89,297		-		89,297
Balance, June 30, 2018	**11,900,000**		**889,208**		**115,739**		**(177,245)**		**827,702**
Balance, January 1, 2019	**11,900,000**	$	**889,208**		**115,739**	$	**(195,996)**	$	**808,951**
Net loss for the period	-		-		-		(43,088)		(43,088)
Balance June 30, 2019	**11,900,000**	$	**889,208**	$	**115,739**	$	**(239,084)**	$	**765,863**

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

Apolo II Acquisition Corp.
Unaudited Condensed Interim Statements of Cash Flows
For the Six Month Periods Ended June 30,
(in Canadian dollars)

		2019		2018
Cash provided by (used in)				
Operating Activities				
Net loss for the period	$	**(43,088)**	$	(175,745)
Stock-based compensation		**-**		89,297
Change in accrued liabilities		**26,737**		11,486
Cash used in Operating Activities		**(16,351)**		(74,962)
Financing Activities				
Issuance of share capital		**-**		820,000
Cost of issuing shares		**-**		(76,350)
Purchase of short-term investments		**(4,400)**		(400,000)
Cash used in Financing Activities		**(4,400)**		343,650
Net change in cash		**(20,751)**		268,688
Cash beginning of period		**432,841**		175,000
Cash end of period	**$**	**412,090**	$	443,688

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

1. INCORPORATION AND NATURE OF OPERATIONS

Apolo II Acquisition Corp. ("the Company"), was incorporated under the Ontario Business Corporations Act on December 15, 2017 and is classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced operations and has no assets other than cash and short-term investments. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Company, in respect of the sale of its securities, or $210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Company, as defined under the policies of the Exchange. The Company is required to complete its QT on or before two years from the date the Company receives regulatory approval.

The head office and the registered head office of the Company is located at 365 Bay Street, Suite 800, Toronto ON M5H 2V1.

On August 28, 2019 the Board of Directors approved the unaudited condensed interim financial statements for the interim period ended June 30 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited interim condensed financial statements, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities. These financial statements are presented in Canadian dollars, which is the corporation's functional and presentation currency.

The accounting policies applied by the Company in these Unaudited Condensed Interim Financial Statements are the same as those applied by the Company in its Financial Statements for the year ended December 31, 2018.

3. SHARE CAPITAL

Authorized

Unlimited common shares

Issued	**#**	**$**
6,900,000 common shares (i)	6,900,000	$ 495,000
5,000,000 common shares (ii)	5,000,000	500,000
Cost of issuance-cash		(79,350)
Cost of issuance-share based payment		(26,442)
Balance, June 30 2019	11,900,000	$ 889,208

Escrowed Shares

During the prior year, the Company completed its initial seed round private placement for 3,900,000 common shares at a price of $0.05 each for total proceeds of $195,000. On February 9, 2018, the Company completed a second private placement for 3,000,000 common shares at a price of $0.10 each for total proceeds of $300,000. Total share issuance costs incurred on these private placements is $3,000.

4,650,000 issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange.

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction, must also be deposited in escrow until the final exchange bulletin is issued. As a result, the escrow shares have not been contemplated in the weighted-average shares outstanding calculation.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be subject to escrow.

Initial Public Offering

(ii) On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO") of 5,000,000 common shares at $0.10 per share ($500,000). The Corporation entered into an agreement with Richardson GMP Limited (the "Agent") to raise $500,000 in connection with the Corporation's IPO. The Corporation paid a commission of 10% of gross proceeds to the Agent, and granted the Agent warrants to acquire 10% of the common shares issued in the offering exercisable for a periods ending twenty-four months from the date the Corporation's Common Shares are listed on the TSX Venture Exchange, exercisable at $0.10 per share. The Corporation also paid a corporate finance fee upon the closing of the offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering. Total issuance costs related to the IPO was $102,792, of which $26,442 was share-based payment.

3. SHARE CAPITAL (Continued)

Options

The Corporation has established a stock option plan for its directors, officers and consultants under which the Corporation may grant options from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The exercise price of each option granted under the plan shall be determined by the Board of Directors.

Options may be granted for a maximum term of ten years from the date of the grant. They are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Corporation and, in the case of death, expire one year thereafter.

Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Any shares issued upon exercise of the options prior to the Corporation entering into a Qualifying Transaction will be subject to escrow restrictions. Unless otherwise stated, the options fully vest when granted.

The following table reflects the continuity of stock options and warrants:

	Number of Stock Options and Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2017	-	-
Granted broker warrants (i)	500,000	$0.10
Granted to directors and officers (ii)	1,190,000	$0.10
Balance, June 30, 2018 and 2019	1,690,000	$0.10

i. On March 6, 2018, the Corporation granted 500,000 warrants to the Agent, which are exercisable within two years from the date of grant at an exercise price of $0.10 per share. These warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these options was $26,442.

ii. On March 6, 2018, the Corporation granted 1,190,000 options to directors and officers, which are exercisable within ten years from the date of grant at an exercise price of $0.10 per share. These options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.16%, expected volatility of 100% and an expected life of five years. The value attributed to these options was $89,297.

The following table reflects the actual options issued and outstanding as of June 30, 2019:

Expiry Date	**Exercise Price**	**Weighted Average Remaining Contractual Life (years)**	**Number of Options and Warrants Outstanding**	**Number of Options Vested (Exercisable)**
March 6, 2020	$0.10	0.20	500,000	500,000
March 6, 2028	$0.10	6.12	1,190,000	1,190,000
	$0.10	6.32	1,690,000	1,690,000

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital Management

The Company's objective when managing capital is to maintain its ability to continue as a going concern, in order to provide returns for the shareholders and benefits for other stakeholders. The Company includes equity, comprised of issued common shares and deficit, in the definition of capital.

The Company's primary objective, with respect to its capital management, is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values

The Company's financial instruments, consisting of cash, short-term investments, and accrued liabilities, approximate fair value due to the relatively short-term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. RELATED PARTY TRANSACTIONS

During the six-month period ended June 30, 2019, the Company incurred legal fees of approximately $26,737 ($48,074-2018) for services provided by a law firm whose partner is an officer of the Company. As at June 30, 2019, $40,231 ($7,680-2018) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the six month periods ended June 30 2019.

6. SUBSEQUENT EVENTS

On July 17, 2019, Apolo II Acquisition Corp. entered into a definitive business combination agreement with Terrace Inc. ("Terrace") and Terrace Acquisition Corp. (the "Subco") in connection with the Company's proposed Qualifying Transaction (to occur by a way of three-cornered amalgamation). In connection with the amalgamation, holders of Terrace shares will ultimately receive one post-Consolidation share of the Company for each Terrace Share held and all the convertible securities of Terrace will be exchanged for convertible securities of the Resulting Issuer, or adjusted on their terms, as applicable.

Pursuant to the Definitive Agreement, the Company has agreed to acquire all of the issued and outstanding shares of Terrace by way of a three-cornered amalgamation.

On or immediately prior to the completion of the Proposed Transaction, it is anticipated that the Company will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "Consolidation"). The proposed transaction would constitute the Company's qualifying transaction pursuant to policy 2.4-Capital Pool Companies of the Exchange. Completion of the Qualifying Transaction is subject to all requisite regulatory approvals.

On July 22, 2019 the Company filed its preliminary non-offering prospectus to be used in connection with the Proposed Transaction described above.

On July 22, 2019, the Corporation announced that Terrace closed a private placement of 30,000,000 subscription receipts at a price of $0.50 subscription receipt for aggregate gross proceeds of $15,000,000.

On August 28, 2019, Terrace completed a second tranche closing of a private placement of 4,000,000 subscription receipts at a price of $0.50 subscription receipt for aggregate gross proceeds of $2,000,000.

Apolo II Acquisition Corp.
Management Discussion and Analysis
For the Period Ended June 30, 2019

August 28, 2019

The following management discussion and analysis ("MD&A") of the results of the operations and financial position of Apolo II Acquisition Corp. (the "Corporation" or "Apolo") for the six month period ended June 30, 2019 should be read in conjunction with the Corporation's unaudited condensed interim financial statements for the six month period ended June 30, 2019. All figures contained in this MD&A are presented in Canadian dollars.

Forward-Looking Statements
Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements, other than statements of historical fact, may be forward-looking statements.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

The Corporation
The Corporation was incorporated under the Canada Business Corporations Act on December 15, 2017 and is classified as a Capital Pool corporation, as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company has not commenced operations and has no assets other than cash held in trust and prepaid expenses. The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition, or business, or an interest therein. Such an acquisition will be subject to the approval of the regulatory authorities concerned and, in the case of a non-arm's length transaction, of the majority of the minority shareholders.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to the lesser of 30% of the gross proceeds realized by the Corporation in respect of the sale of its securities or $210,000, may be used for purposes other than evaluating businesses or assets. These restrictions apply until completion of a QT by the Corporation as defined under the policies of the TSX Venture. The Corporation is required to complete its QT on or before two years from the date the Corporation receives regulatory approval.

On January 2, 2018, the Corporation issued, as seed shares, 3,900,000 common shares at $0.05 per share for total gross proceeds of $195,000.

On February 9, 2018, the Company issued an additional 3,000,000 common shares at $0.10 per share for total gross proceeds of $300,000.

On March 6, 2018, the Corporation completed its Initial Public Offering ("IPO"). The Corporation entered into an agency agreement with Richardson GMP Limited (the "Agent") for the offering of 5,000,000 common shares at $0.10 per share to raise gross proceeds of $500,000. Other than a payment of a corporate finance fee and reimbursement of legal fees and other reasonable expenses incurred to the Agent, the Corporation has also paid a commission equivalent to 10% of gross proceeds, and granted an option that entitles the holder to acquire an aggregate of 500,000 common shares (the "Agent's Warrants") at an exercise price of $0.10 per share exercisable for a period ending twenty-four months from the date the Corporation's Common Shares are listed on the TSX Venture Exchange.

On March 6, 2018, the Corporation granted 1,190,000 incentive stock options to directors and officers, at an exercise price of $0.10 per share, exercisable for a period of ten years from the date of grant.

The Agent's Warrants were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 1.75%, expected volatility of 100% and an expected life of two years. The value attributed to these options was $26,442.

The incentive stock options were valued on the date of issue using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, risk-free interest rate of 2.16%, expected volatility of 100% and an expected life of five years. The value attributed to these options was $89,297.

On November 13, 2018, the Corporation announced that it had entered into a binding letter of intent with Terrace Inc. ("Terrace") which outlines the general terms and conditions of a proposed transaction that will result in the Corporation acquiring all of the issued and outstanding shares of Terrace Inc. The proposed transaction would constitute the Company's qualifying transaction pursuant to policy 2.4-Capital Pool Companies of the Exchange.

On July 17, 2019, Apolo II Acquisition Corp. entered into a definitive business combination agreement with Terrace Inc. ("Terrace") and Terrace Acquisition Corp. (the "Subco") in connection with the Company's proposed Qualifying Transaction (to occur by a way of three-cornered amalgamation). In connection with the amalgamation, holders of Terrace shares will ultimately receive one post-Consolidation share of the Company for each Terrace Share held and all the convertible securities of Terrace will be exchanged for convertible securities of the Resulting Issuer, or adjusted on their terms, as applicable.

Pursuant to the Definitive Agreement, the Company has agreed to acquire all of the issued and outstanding shares of Terrace by way of a three-cornered amalgamation.

On or immediately prior to the completion of the Proposed Transaction, it is anticipated that the Company will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "Consolidation"). The proposed transaction would constitute the Company's qualifying transaction pursuant to policy 2.4-Capital Pool Companies of the Exchange. Completion of the Qualifying Transaction is subject to all requisite regulatory approvals.

On July 22, 2019 the Company filed its preliminary non-offering prospectus to be used in connection with the Proposed Transaction described above.

On July 22, 2019, the Corporation announced that Terrace closed a private placement of 30,000,000 subscription receipts at a price of $0.50 subscription receipt for aggregate gross proceeds of $15,000,000.

On August 28, 2019, Terrace completed a second tranche closing of a private placement of 4,000,000 subscription receipts at a price of $0.50 subscription receipt for aggregate gross proceeds of $2,000,000.

The head office and the registered head office of the Company is located at 365 Bay Street, Suite 800, Toronto ON M5H 2V1.

On August 27, 2019 the Board of Directors approved the unaudited condensed interim financial statements for the six month periods ended June 30, 2019.

Summary of Quarterly Results

	June 30, 2019	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**December 15, 2017**
Total Assets	$816,490	$828,017	$832,841	$834,125	$843,688	$855,573	$175,000	Nil
Total Revenues	$4,400	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Expenses	$20,477	$27,011	$15,535	$3,217	$7,934	$167,810	$1,500	Nil
Net Loss	($16,077)	($27,011)	($15,535)	($3,217)	($7,934)	($167,810)	($1,500)	Nil

Basic and diluted net loss per share	($0)	($0)	$0	$0	$0	($0)	$0	$0

Results of Operations

Three months ended June 30, 2019

The Corporation recorded a net loss of $16,077 during the six months ended June 30, 2019 (net loss of $7,934-2018). The net loss for the three-month period ended June 30, 2019, is due mainly to professional fees and listing expenses.

Six months ended June 30, 2019

The Corporation recorded a net loss of $43,088 during the six months ended June 30, 2019 (net loss of $175,745-2018). The net loss for the six-month period ended June 30, 2019, is due mainly to professional fees and listing expenses.

Additional Disclosure for Venture Issuers without Significant Revenue

The corporation has interest income of $4,400 ($Nil-2018) from operations. The following is a breakdown of the material costs incurred from December 15, 2017 (date of incorporation) to June 30, 2019:

Material Costs	For period from December 15, 2017 (date of incorporation) to June 30, 2019
Stock-based compensation	$89,297
Professional fees	$118,674
Listing fees	$35,292
Bank charges	$221

Liquidity and Capital Resources

As at June 30, 2019, the Corporation had cash and short-term investments of $404,400. The Corporation had current liabilities of $50,627 and working capital of $765,863.

Negative cash flows of $16,351 were recorded from operating activities during the six months ended June 30, 2019. This is primarily due to outflows related to filing fees and professional fees.

Outstanding Share Data

As of the date of this MD&A, 11,900,000 common shares are issued and outstanding.

In a final prospectus dated February 21, 2018, the Company offered to sell and issue 5,000,000 common shares at $0.10 per share ($500,000). The Company entered into an agreement with Richardson GMP

Limited (the "Agent") to raise $500,000, in connection with the Company's IPO. The Company paid a commission of 10% of gross proceeds to the Agent and granted the Agent an option to acquire 10% of the common shares issued in the offering exercisable for a period ending twenty-four months from the date the Company's Common Shares are listed on the TSX Venture Exchange. The Company also paid a corporate finance fee upon the closing of the offering and reimbursed the Agent for legal fees and other reasonable expenses incurred pursuant to the Offering.

The Corporation's common shares commenced trading on the TSX Venture Exchange under the trading symbol "APII" on March 14, 2018.

Off-Balance Sheet Arrangements

The Corporation has not had any off-balance sheet arrangements from the date of its incorporation to the date of this MD&A.

Related Party Transactions

During the six-month period ended June 30,2019, the Company incurred legal fees of approximately $26,737 ($48,074-2018) for services provided by a law firm whose partner is an officer of the Company. As at June 30, 2019, $40,231 ($7,680-2018) is included in accrued liabilities for these services.

There were no other transactions with related parties and no remuneration was paid to key management personnel during the period ended June 30, 2019.

Capital Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes equity, comprised of share capital, contributed surplus and deficit, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the Exchange policy 2.4.

Risk Disclosures and Fair Values

The Corporation's financial instruments, consisting of cash held in trust and due to shareholder approximate fair value due to the relatively short-term maturity of the instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Critical Accounting Estimates

The Corporation's significant accounting policies are summarized in Note 2 to the audited financial statements for the year ended December 31, 2018.

Additional Information

For further detail, see the Corporation's unaudited condensed interim financial statements for the period ended June 30, 2019. Additional information about the Corporation can also be found on SEDAR.

TERRACE INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM AUGUST 28, 2018 (INCORPORATION DATE) TO DECEMBER 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

TERRACE INC.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of Terrace Inc.:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of Terrace Inc. (the "**Company**"), reviewed and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditors, MNP LLP, and their report is presented herein.

November 6, 2019

"Francisco Ortiz von Bismarck" (signed)
Director

Independent Auditor's Report

To the Shareholders of Terrace Inc.:

Opinion

We have audited the consolidated financial statements of Terrace Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the period from August 28, 2018 (date of incorporation) to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from August 28, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the in the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Toronto, Ontario
November 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

TERRACE INC.
Consolidated Statement of Financial Position
At December 31, 2018

	December 31 2018 $
ASSETS	
Current	
Cash	**2,726,741**
Prepaids	**45,116**
Advances	**248,895**
Subscription receivable (Note 7)	**174,475**
Interest receivable	**1,749**
	3,196,976
Non-Current	
Due from related parties (Note 5)	**430,261**
Property and equipment (Note 6)	**19,099**
Total assets	**3,646,336**
LIABILITIES	
Current	
Accounts payables	**49,221**
Accrued and other liabilities	**323,307**
Due to related parties (Note 5)	**416,985**
	789,513
Total liabilities	**789,513**
SHAREHOLDERS' EQUITY	
Share Capital (Note 7)	**3,156,187**
Shares to be issued (Note 7)	**174,475**
Other comprehensive loss	**(7,019)**
Accumulated deficit	**(466,820)**
Total equity	**2,856,823**
Total liabilities and shareholders' equity	**3,646,336**

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

Nature of operations (Note 1)
Commitment and contingencies (Note 9)
Subsequent events (Note 13)

TERRACE INC.
Consolidated Statement of Loss and Comprehensive Loss
For the period from August 28, 2018 (Incorporation date) to December 31, 2018

	Period from August 28, 2018 (incorporation date) to December 31 2018 $
Expenses	
Pre-operational agricultural cost	**105,478**
Professional fees	**102,906**
Advisory fee (Note 5)	**197,970**
Travel expenses	**38,553**
Insurance expense	**5,178**
Other	**3,622**
Total expenses	**453,707**
Net loss from operations	**(453,707)**
Other expenses	
Interest income	**(1,749)**
Exchange loss - net	**1,444**
Total other (income) expenses	**(305)**
Income tax (recovery) expense (Note 10)	—
Net loss	**(453,402)**
Effect of foreign currency translation	**(7,019)**
Net loss and comprehensive loss	**(460,421)**
Loss per common share - basic and diluted	**(0.00484)**
Weighted average number of common shares - basic and diluted	**93,600,000**

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

TERRACE INC.
Consolidated Statement of Changes in Shareholders' Equity
For the period from August 28, 2018 (Incorporation date) to December 31, 2018

	Common shares		Shares to be issued	Other comprehensive loss	Accumulated deficit	Total
	Shares	Amount				
	#	$	$	$	$	$
As at August 28, 2018	—	—	—	—	—	—
Opening Equity balance - Oransur (Note 1)	—	1,604	—	—	(13,418)	**(11,814)**
Issuance of shares (Note 7)	112,740,000	3,195,000	—	—	—	**3,195,000**
Shares to be issued (Note 7)	—	—	181,375	—	—	**181,375**
Issuance cost (Note 7)	—	(40,417)	(6,900)	—	—	**(47,317)**
Effect of foreign currency translation	—	—	—	(7,019)	—	**(7,019)**
Net loss for the period	—	—	—	—	(453,402)	**(453,402)**
As at December 31, 2018	**112,740,000**	**3,156,187**	**174,475**	**(7,019)**	**(466,820)**	**2,856,823**

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

TERRACE INC.
Consolidated Statement of Cash Flows
For the period from August 28, 2018 (Incorporation date) to December 31, 2018

	Period from August 28, 2018 (incorporation date) to to December 31 2018 $
Operating activities	
Net loss for the period	(453,402)
Adjustments for items not affecting cash:	
Interest expense	(1,749)
Effect of foreign currency translation	(7,019)
Changes in working capital items:	
Prepaids	(43,885)
Advances	(248,895)
Accounts payables	36,176
Accrued and other liabilities	323,307
Cash used in operating activities	(395,467)
Investing activities	
Purchase of property and plant	(19,099)
Due from related parties	(430,261)
Cash used in investing activities	(449,360)
Financing activities	
Due to related parties	416,985
Proceeds from issuance of common shares	3,154,583
Cash provided by financing activities	3,571,568
Net increase in cash	2,726,741
Cash and cash equivalents, beginning of period	—
Cash and cash equivalents, end of period	2,726,741

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

1. NATURE OF OPERATIONS

References in this document to the "**Company**" or "**Terrace**", are intended to mean Terrace Inc., individually, or as the context requires, collectively with its affiliate on a consolidated basis.

Terrace was incorporated pursuant to the provisions of the *Business Corporations Act* (Ontario) on August 28, 2018. Terrace's head office is located at 365 Bay Street, Suite 800, Toronto, Ontario. Terrace is a Canadian company focused on the development and acquisition of international cannabis assets.

The consolidated financial statements include the financial statements of Oransur, S.A., a Uruguayan corporation holding a hemp production license ("**Oransur**"), and under the control of Terrace. Oransur was incorporated on September 26, 2014. As a result of Terrace's control of Oransur, opening deficit of Oransur of $11,814 is included in the Consolidated Statement of Changes in Shareholders' Equity.

On August 30, 2018, the Company entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby, the Company has an option to acquire all of the outstanding shares of Oransur and Faises, S.A. ("**Faises**") presently held or afterwards acquired by Inception Investment Corp ("**Inception**"), currently being 100% of the shares of Oransur, and 33.75% of the shares of Faises. Faises is a Uruguayan corporation holding a recreational cannabis production license pending applicable Uruguayan regulatory approvals.

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2018, the Company has incurred an accumulated deficit of $466,820. For the period from August 28, 2018 to December 31, 2018 ended, the Company has net loss of $453,402. The Company anticipates additional debt and/or equity financing in order to fully develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 6, 2019.

2.2 Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The consolidated financial statements are presented in Canadian dollars which is the presentation and functional currency of Terrace.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

The functional currency of Oransur is United States dollar (USD). Assets and liabilities are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Effect of translation differences are accumulated and presented as a component of equity under the other comprehensive loss.

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and Oransur as a result of Oransur being controlled by the Company. Non-controlling interests, if any, are included as a component of shareholders' equity. All significant intercompany balances and transactions were eliminated on consolidation.

Terrace was incorporated with the intention of acquiring the investment in Oransur and Faises from another entity owned by the majority shareholder through a Call Option. Terrace has control over Oransur primarily through:

- Potential voting rights conferred by the Call Option;
- Dependence on Terrace to fund significant portion of its operations; and
- Ability of Terrace to exercise its Call Option for a nominal price of $5,000.

As a result of the above, the carrying amounts of Oransur's assets and liabilities have been consolidated by the Company as of August 30, 2018 (refer to Note 3.13(c) for additional details).

Due to the fact that financial information relating to Faises cannot be obtained from the majority shareholders of Faises, the Call Option to acquire the 33.75% of Faises has been valued at $nil.

The financial statements of the affiliates are prepared for the same reporting period as the Company, using consistent accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents. Cash is held in banks and the trust fund of the Company's lawyer.

3.2 Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

3.3 Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the straight-line method over the following expected useful lives:

- Equipment – 5 to 10 years

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of operations.

Assets under capital lease are amortized according to their asset category.

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Taxation

The income tax payable is based on taxable income (loss) for the year. Taxable income differs from "income (loss) before taxes" as reported in the statement of Operations and because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3.5 Share issuance costs

Share issuance costs attributable to the raising of capital are charged against the related share capital.

3.6 Equity

Common shares are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares issuances are deducted from the proceeds of the offering. Proceeds from unit offerings are allocated to shares.

3.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

If the entity has a contract of an onerous nature, the present obligations that derive from it must be recognized and measured, in the financial statements, such as provisions. for the purpose to make provisions a contract of an onerous nature is defined as a contract in which the parties the unavoidable costs of complying with the obligations it entails, exceed the economic benefits expected from it. The unavoidable costs of the contract will reflect the lower net costs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Provisions (continued)

of resolving the same, or what is the same, the lower of the cost of complying with its clauses and the amount of the clauses, compensations or fines for non-compliance.
Before proceeding to set aside an independent provision on account of a contract for onerous character, the entity shall recognise any impairment losses. which correspond to the assets dedicated to fulfilling the obligations derived from the contract.

3.8 Basic earnings per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year, respectively. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the year, if dilutive.

3.9 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit or Loss ("**FVTPL**"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement
The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost
b) fair value through profit or loss FVTPL, and
c) fair value through other comprehensive income ("**FVTOCI**").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

Impairment of financial instruments

For accounts receivable, trade, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

3.10 Impairment of non-financial assets

At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication
exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.11 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.12 Biological assets

The Company's biological assets consist of hemp plants and are valued using the income approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. The Company measures and adjusts the biological assets to the fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are included in the results of operations for the related period.

The company is currently cultivating hemp plants for experimental and own research purposes. As the Company is currently in the process of constructing its processing facilities, the potential sales value of material being grown, and harvested hemp is expected to be nominal and costs are expensed.

3.13 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Significant accounting judgments and estimates (continued)

The following area require management's critical estimates and judgments:

(a) Income taxes

The Company computes an income tax provision in accordance with the applicable income tax laws. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

(b) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

(c) Consolidation and controlled entities

The assessment of the Company's ability to exercise control and consolidate an entity in accordance with IFRS 10 involves judgment to determine whether the Company has control due to the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

Management has applied its judgment to consolidate an entity (Oransur) in which it holds a nil equity interest, on the basis that it controls the entity through potential voting rights conferred through a Call Option Agreement and a Loan Agreement, with further details as follows:

(i) **Call Option Agreement -** The Company entered into a call option agreement on August 30, 2018, as amended, (the "**Call Option Agreement**") pursuant to which the Company has the option to purchase all of the securities held or after acquired by Inception of Oransur subject to the terms and conditions set out therein. The Company entered into the Call Option Agreement to acquire Oransur for a nominal value and has the intention to exercise the option. Pursuant to the terms of the Call Option Agreement, the Company can exercise the call option at any time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Significant accounting judgments and estimates (continued)

(ii) **Loan Agreement -** In connection with the Call Option Agreement, the Company entered into a secured loan agreement on August 30, 2018 (the "**Loan Agreement**") pursuant to which the Company agreed to loan Inception up to $4,500,000 in support of the operations of Oransur. The Loan Agreement is secured by all of the issued and outstanding the shares of Oransur as collateral against Inception's obligations pursuant to the Call Option Agreement and restricts Oransur's ability to utilize any other funding means.

(iii) **Ability to Direct Relevant Activities -** The Company was incorporated with the intention of acquiring the investment in Oransur from Inception, an entity that is wholly-owned by Francisco Ortiz von Bismarck. At the time of entering into the Call Option Agreement, Mr. Ortiz von Bismarck owned 94% of the common shares in the capital of the Company. Mr. Ortiz von Bismarck and Michael Galego (being directors and shareholders of the Company) are the only directors of Oransur and as such direct the operations and affairs of Oransur.

(iv) **Lack of Economic, Legal or Regulatory Impediments -** The Company has determined that there are no economic, legal or regulatory barriers to exercising the call option. The Company has received legal opinions to support the conclusion that the regulatory approval required to ultimately exercise the rights under the Call Option Agreement are administrative and perfunctory in nature. Furthermore, the exercise price of the call option is nominal (being $5,000) and therefore the Company will benefit from exercise of the right.

(v) **Variable Returns -** The Company's exposure in relation to the Loan Agreement given to fund Oransur extends to include the potential loss of principal as offset by the equity returns that are provided through the existence of the call option and the very high probability of exercise of the call option. The loan was made with full knowledge of and reasonable expectation to the equity returns associated with full equity ownership. As such, the Company has exposure to, or rights to variable returns from its involvement with Oransur.

(vi) **Oransur Economic Reliance** – The proceeds from the Loan Agreement represent Oransur's sole source of financing and as such the Company has the ability to direct the activities of Oransur through such loan (in addition to controlling its board of directors). Oransur had no activities prior to the Company providing the financing to fund the operations.

As a result of the foregoing, Oransur has been consolidated with the Company from August 30, 2018. Oransur's assets, liabilities, and deficit as at August 30, 2018 were consolidated by the Company at their carrying amounts as follows:

	Carrying amounts of Oransur
	$
Other receivables (VAT)	1,230
Accounts payable and other payables	13,044
Deficit	(11,814)

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new IFRS standards

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.
The Company adopted IFRS 9 effective from incorporation date.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from incorporation date.

Changes in accounting standards not yet effective

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 – Leases ("**IFRS 16**"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective (continued)

IFRS 16 is expected to have a material impact on the Company's consolidated statement of financial position, with the addition of approximately $31,670 of lease liabilities and right-of-use assets. Lease-related expenses will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Advisory fee includes $23,170 incurred to the directors and officers of the Company (Francisco Ortiz von Bismarck, Leon Dadoun and Michael Galego) who provided advisory and consulting services. Of the above amount, $18,642 was outstanding and included in accounts payable, as at December 31, 2018.

The Company entered into a Call Option Agreement on August 30, 2018, as amended on June 28, 2019, with Inception (an entity wholly-owned by Francisco Ortiz von Bismarck), pursuant to which, the Company has the right to acquire all of the issued and outstanding shares of Oransur (the "**Oransur Shares**") and Faises (the "**Faises Shares**") held by Inception presently or after acquired by Inception, such Oransur Shares being all of the issued and outstanding securities of Oransur and such Faises Shares currently being 33.75% of the issued and outstanding securities of Faises. The call option price is $5,000 for the Oransur shares and $5,000 for the Faises Shares, respectively.

In connection with this agreement the Company has entered into a loan agreement as of August 30, 2018 in the amount of up to $4,500,000 with Inception, as borrower, bearing an interest rate of five (5%) percent per annum. Security for this agreement are the shares of Oransur and Faises owned by Inception. As at December 31, 2018, the Company has not exercised the above call option and $430,261 has been advanced to Inception and interest receivable of $1,749 is due from Inception. The loan receivable from Inception is due on demand.

As at December 31, 2018, balances payable from Oransur to Inception amount to $416,985 (USD $305,663). These advances are short term, unsecured, interest free and repayable on demand.

6. PROPERTY AND EQUIPMENT

	Equipment
	$
Cost	
Additions	**19,099**
As at December 31, 2018	**19,099**
Depreciation	
Charge during period	—
As at December 31, 2018	—
Net Book Value	
As at December 31, 2018	**19,099**

These assets are not in use and were not available for use during the period ending 2018 and therefore have no depreciation.

7. SHARE CAPITAL

Authorized shares

Unlimited common shares without par value.

Common Stock - Issued and Outstanding

	Number of Common shares	Amount
	#	$
Balance as at August 28, 2018	—	—
Shares issued	112,740,000	3,195,000
Less: Issuance costs	—	(40,417)
Add: Oransur equity balance	—	1,604
Balance as at December 31, 2018	**112,740,000**	**3,156,187**

During the month of September 2018, the Company issued 100,000,000 shares to the founding members of the Company in consideration of $10,000.

During October and November 2018, the Company issued 12,740,000 shares at $0.25 per share in connection with the private placements and raised gross proceeds of $3,185,000. The Issuance costs of $40,417 incurred are in the nature of professional fees paid to lawyers.

Shares to be issued

During November and December 2018, the company received subscription agreements to issue 725,500 shares at $0.25 per share and to raise gross proceeds of $181,375. Issuance costs of $6,900 were incurred. The net amount of $174,475 is included in the Consolidated Statement of Financial Position as Subscription receivable and with those funds received in January 2019.

8. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The shareholders do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. As at December 31, 2018, the capital of the Company was $2,856,823.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

9. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Pursuant to advisory agreements with a number of advisors, the Company has agreed to issue 300,000 options following closing of the transaction between the Company and Apolo II Acquisition Corp. as detailed below in Note 13 subject to the terms and conditions of the Company's stock option plan.

Operating leases

The leases expire through 2020 and contain certain renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	$
2019	22,833
2020	10,538
	33,371

(b) Contingencies and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

10. INCOME TAX

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals.

10. INCOME TAX (continued)

The corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and liabilities.

The following table reconciles the amount of income tax expense, recoverable and valuation on the application of the statutory income tax rate:

	2018 $
Net Loss before recovery of income taxes	(453,402)
Expected income tax (recovery) expense	(120,152)
Difference in foreign tax rates	1,901
Non-deductible expenses	1,609
Share issuance cost booked in equity	(10,710)
Other adjustments	(1,725)
Change in tax benefits not recognized	129,077
Income tax (recovery) expense	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	$
Share issuance costs	147,566
Non-capital losses carried forward - Canada	199,086
Non-capital losses carried forward - Uruguay	139,317
	485,969

The Canadian and foreign non-capital loss carry forwards expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

Year		
2038	$	199,086

The Company's tax losses in Uruguay expire as follows:

Year		
2023	$	139,317

11. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, due from related parties, accounts payables, and accrued and other liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				Fair values
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
December 31, 2018	**$**	**$**		**$**	**$**
Cash	**2,726,741**	—	—	**2,726,741**	**2,726,741**
Advances	**248,895**	—	—	**248,895**	**248,895**
Subscription receivable	**174,475**	—	—	**174,475**	**174,475**
Due from related parties	—	—	**430,261**	**430,261**	**430,261**
Interest receivable	**1,749**	—	—	**1,749**	**1,749**
	3,151,860	—	**430,261**	**3,582,121**	**3,582,121**

	Carrying values				Fair values
Financial liabilities		**FVTPL**	**AC**	**Total**	**Total**
December 31, 2018		**$**		**$**	**$**
Accounts payables	—	—	**49,221**	**49,221**	**49,221**
Accrued and other liabilities	—	—	**416,985**	**416,985**	**416,985**
Due to related parties	—	—	**323,307**	**323,307**	**323,307**
	—	—	**789,513**	**789,513**	**789,513**

11. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

The Company's financial instruments as at December 31, 2018 are classified as "Level 1 - quoted prices in active markets" is cash. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company`s management is supported by the shareholders that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash and due from related parties. The cash consist mainly of checking and operating accounts. As at December 31, 2018 the maximum amount exposed to credit risks was $2,726,741.

(c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Net financial liabilities of Oransur denominated in United States dollars (presented in Canadian dollars) at year ended December 31, 2018 were USD 134,289 ($183,197). A 10% change in the value of the USD would result in a change in comprehensive loss of $18,320.

(d) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. As at December 31, 2018, all accounts payables are due within a year. The management considers all balances which are outstanding over six months as past due. There are no balances which are past due.

(e) 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. The Company is not significantly exposed to interest rate risk.

12. SEGMENTED INFORMATION

(a) Operating segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2018 the Company's operations comprise a single reporting operating engaged in the development and acquisition of international cannabis assets.

(b) Geographic segments

The Company operates within two geographical locations. Terrace is located in Canada, whereas Oransur in Uruguay. The geographical segmented information on consolidated statement of loss and comprehensive loss for period ended December 31, 2018 are as below:

		December 31, 2018
Net loss		
Canada	$	320,632
Uruguay	$	132,770
	$	453,402

The geographical segmented information on the consolidated statement of financial position items is given below:

As of December 31, 2018			
	Canada	**Uruguay**	**Total**
Current assets	3,365,222	262,015	**3,627,237**
Non-current assets	430,261	19,099	**19,099**
Total assets	3,795,483	281,114	**3,646,336**
Current liabilities	356,795	432,718	**789,513**
Equity	3,008,427	(151,604)	**2,856,823**
Total liabilities	3,365,222	281,114	**3,646,336**

13. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the consolidated financial statements were issued, as follows:

During January and March 2019, the Company sold 115,746 common stock to multiple investors through a private placement at a price of $0.25 per common stock and received gross proceeds of $28,864.

In January 2019, in addition to the above and as indicated in Note 7, the company collected the net proceeds of $108,100 for 725,500 shares which were issued.

13. SUBSEQUENT EVENTS (continued)

On February 11, 2019, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Pharmabinoide, S.L. ("**Pharmabinoide**"), a licensed producer of hemp in Spain. The acquisition cost for the transaction was $636,700 (€400,000), which was paid upon closing on February 14, 2019.

On February 12, 2019, the Company entered into a Finder Fee Agreement (the "**Finders Fee Agreement**") with Taskmaster Corp. ("**Taskmaster**"), whereby Taskmaster introduced the Company to Pharmabinoide for the purpose for entering into negotiations with respect to potential acquisition of Pharmabinoide. The compensation for finder fee is $936,700 (€600,000), of which $156,100 (€100,000) is payable upon the closing of the share purchase agreement. The remainder of $750,100 (€500,000) is payable upon the earlier of the closing of Terrace's reverse takeover transaction with Apolo and six months from the date of Finder Fee Agreement.

On May 17, 2019, Terrace entered into a share purchase agreement with Apolo Capital Advisory Corp (a company owned and controlled by Michael Galego) to acquire Terra Nova Business Holdings Inc ("**Terra Nova**") which owns a subsidiary in Portugal and applicant to a license to cultivate, import and export medical cannabis. The consideration for the acquisition is 5,000,000 common shares of the Company.

On May 24, 2019, Terrace entered into non-broker subscription agreements, under which Terrace will issue 10,000,000 common shares at $0.25 per share in exchange for a consideration of $2,500,000.

On July 17, 2019, Terrace entered into a definitive agreement with Apolo II Acquisition Corp. in connection with the reverse takeover transaction (the "**Definitive Agreement**"), pursuant to which Apolo II Acquisition Corp. agreed to acquire all of the issued and outstanding Terrace common shares (the "**Terrace Shares**") by way of a three-cornered amalgamation (the "**Amalgamation**"). In connection with the Amalgamation, holders of Terrace Shares will ultimately receive one post-consolidation share of Apolo II Acquisition Corp. ("**Apolo Shares**") for each Terrace Share held (the "**Exchange Ratio**") and all convertible securities of Terrace will be exchanged for convertible securities of the resulting issuer, or adjusted on their terms, as applicable, based on the Exchange Ratio.

On July 19, 2019, Terrace completed a Subscription Receipt financing by issuing 30,000,000 Subscription Receipts (inclusive of the 840,000 Subscription Receipts referenced under Note 10) for gross proceeds of $15,000,000 at $0.50 per subscription receipt. The Company also issued 754,200 warrants with an exercise price of $.50 to the agents in connection with the Subscription Receipt financing, with each warrant exercisable into one Terrace Inc. common share.

On August 28, 2019, Terrace completed a second tranche of the Subscription Receipt financing by issuing an additional 4,000,000 Subscription Receipts for gross proceeds of $2,000,000 at $0.50 per Subscription Receipt.

On October 8, 2018, Oransur enter into a letter of intent with Parque de las Ciencias S.A. to lease 259 square meters to build a hemp extraction lab. On August 21, 2019, this letter was replaced by a new agreement with the same counterpart stating a lease of 460.43 square meters for storage and 50 square meters of office space for a monthly fee of $8,200 from August 31, 2019.

Management's Discussion and Analysis

(MD&A)

TERRACE INC.

(Expressed in Canadian Dollars)

Dated – November 6, 2019

General

References in this document to the "**Company**" or "**Terrace**", (on consolidated basis) are intended to mean Terrace Inc., individually, or Oransur (as defined herein), individually, as the context requires.

The following discussion of performance, financial condition and future prospects should be read with our annual audited consolidated financial statements and notes thereto for the period from August 28, 2018 (the date of incorporation) to the year ended December 31, 2018. This MD&A has been prepared with an effective date of November 6, 2019. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB. All dollar amounts in this MD&A are expressed in Canadian dollars ("$") unless otherwise specified.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the completion of the Proposed Transaction (as defined hereafter), the terms on which the Proposed Transaction is intended to be completed, short term objectives, potential acquisitions and strategic relationships, obtaining regulatory approvals and licenses to operate the business, ability to raise funds, acquisition of land and buildings, design and build out of required facilities, development of branding strategies, cultivation and harvest of cannabis and/or hemp, development of additional product lines and acquisition of required inventory.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include:

- The Company may not complete the Proposed Transaction;
- Uncertainty about the Company's ability to continue as a going concern;
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- There are factors which may prevent the Company from the realization of growth targets;
- The Company is reliant on licenses to cultivate cannabis and/or hemp products in Uruguay;
- Renewal or issuance of the Company's licenses is not guaranteed;
- The Company is subject to changes in Canadian and Uruguayan laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- There is no assurance that the Company will turn a profit or generate immediate revenues;
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- The Company may be unable to adequately protect its proprietary and intellectual property rights;
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- The Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- There is no assurance that the Company will obtain and retain any relevant licenses;
- The Company's licenses and assets subject to local/municipal regulations;

- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- The Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- The cultivation of cannabis and/or hemp includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- The cultivation of cannabis and/or hemp involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks;
- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- The Company will be reliant on information technology systems and may be subject to damaging cyber- attacks;
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- In certain circumstances, the Company's reputation could be damaged;
- Enforcement of cannabis laws in the jurisdictions in which the Company operates may change;
- The cannabis industry is a new industry that may not succeed and the market for cannabis could decline due to regulatory changes;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company is subject to uncertainty regarding legal and regulatory status and changes;
- The Company does not anticipate paying cash dividends; and
- There is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Terrace Inc. ("**Terrace**") was incorporated pursuant to the provisions of the *Business Corporation Act* (Ontario) (the "**OBCA**") on August 28, 2018. Terrace's head office is located at 365 Bay Street, Suite 800, Toronto, Ontario. Terrace is a Canadian company focused on the development and acquisition of international cannabis assets.

The consolidated financial statements include the financial statements of Oransur, S.A. ("**Oransur**"), a Uruguayan corporation holding a hemp production license controlled by the Company. Oransur was incorporated on September 26, 2014. As a result of Oransur being controlled by the Company, the opening equity of Oransur of $11,814 is included in the consolidated Statement of Equity.

On August 30, 2018, the Company entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby, the Company has an option to acquire all of the shares of Oransur and Faises, S.A. ("**Faises**") now held or afterwards acquired by Inception Investment Corp. ("**Inception**"), currently being 100% of the shares of Oransur, and 33.75% of the shares of Faises. Faises is a Uruguayan corporation holding a recreational cannabis production license, upon receipt of applicable Uruguayan regulatory approvals.

The Company is currently in an infancy stage and has limited operations. The Company has plans to expand its business and to achieve exponential growth through its subsidiary in Uruguay as well as through mergers and acquisitions and completion of the Proposed Transaction. At this stage, the Company in the process of finalizing various agreement and contracts to materialize its growth plan.

Proposed Qualifying Transaction

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") upon the terms and conditions to be set out in a definitive agreement (the "**Proposed Transaction**"). Apolo is a Capital Pool Company and intends the Proposed Transaction to constitute its qualifying transaction under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo, a wholly-owned subsidiary of Apolo and Terrace, entered into a definitive agreement in respect of the Proposed Transaction (the "**Definitive Agreement**"), which, superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own, assuming a majority of the outstanding common shares of Apolo ("**Apolo Common Shares**").

The holders of the issued and outstanding Terrace Common Shares shall receive one post-Consolidation (as defined hereafter) Apolo Common Share for each Terrace Common Share held. On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace (the "**Resulting Issuer**"); and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

Summarized Annual Information – Terrace and Oransur (based on consolidated financial statements)

Summarized annual information for the consolidated entities (Terrace and Oransur) along with our analysis is as follows:

For the years ended December 31, 2018 and 2017:

	Years Ended	
	From August 28, 2018 (incorporation date)	
	2018	2017
	$	$
Income statement		
Revenues	—	—
Total expenses	453,707	—
Net loss	453,402	—
Balance sheet		
Total assets	3,646,336	—
Total liabilities	789,513	—
Statement of cash flows		
Cash used in operating activities	(395,467)	—
Cash used in investing activities	(449,360)	—
Cash provided by financing activities	3,571,568	—

Results of Operations

During 2018, the total expenses of the Company were $453,707, of which $320,936 related to Terrace and $132,770 related to Oransur.

Terrace was incorporated on August 28, 2018. Since the date of incorporation and up to period ended December 31, 2018, the Company incurred total expenses of $320,936, comprising mainly of advisory fees of $197,970, professional fees of $79,135, travel expenses of $38,553 and insurance expenses of $5,178. These expenses incurred for the development and acquisition of international cannabis assets and in connection with the Proposed Transaction.

Oransur is mainly in an early-operational stage. Oransur is therefore not able to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans. Effective from August 28, 2018, the date Oransur became controlled by the Company, the Company incurred total expenses of $132,770, comprising of, among other things, fertilizer, herbicide and other pre-operational agricultural expenses of $105,478, professional fees of $23,771 and other expenses of $3,622. The pre-operational agricultural expenses are research expenses incurred in cultivating hemp plants for experimental and research purposes. As Oransur is in the process of entering into a letter of intent with respect to facilities required to house the extraction plant of constructing its processing facilities, the potential sales value of material being grown and harvested hemp is expected to be nominal and costs are expensed.

Financial Position

As at December 31, 2018, the Company had total assets of $3,646,336, of which $3,365,221 related to Terrace and $281,115 related to Oransur.

Terrace had cash of $2,726,115, amounts due from related parties of $430,261 which represents the loan provided to Inception, subscription receivables of $174,475, prepaid expenses of $32,621 related to prepaid insurance and legal retainers and interest receivables of $1,749.

Oransur had cash of $626, advance payments to suppliers of $248,895, prepaid expenses of $12,495 related to prepaid insurance and retainer for professional fees and fixed assets of $19,099.

The Company had total liabilities of $789,513, of which $356,794 related to Terrace and $432,719 related to Oransur.

Terrace had accrued and other liabilities of $323,307 and accounts payable of $49,221. Accounts payable includes $18,642 payable to the officers of the Terrace for advisory and consulting services and prior outstanding balance of legal fees. The accrued and other liabilities relate to the outstanding legal and professional fees incurred during the year ended December 31, 2018.

Oransur had amounts due to related parties of $416,985, this amount represents balance owing to Inception, these advances are short term, unsecured and interest free. In addition, the liabilities included accrued and other liabilities of $15,734, which related to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above.

Liquidity and Capital Resources

The Company is completing an asset liability management policy. The Company's objective will be to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements. Currently, the Company has raised funds through equity financing and intends to conduct additional financing through equity and debt instruments to facilitate the operations of the Company and its subsidiaries.

During the year ended December 31, 2018, the Company had negative cash flows of $395,467 from operations mainly because of expenses incurred during the period.

Cash used by the Company in investing activities amounted to $449,360, consisting of $430,261 from a related party from Terrace, which represented the loan advance to Inception and purchase of equipment of $19,099 by Oransur for the cultivation of the hemp plants.

Cash provided by financing activities was $3,571,568 for the year ended December 31, 2018. This was mainly due to the non-brokered private placement conducted by Terrace during the year ended December 31, 2018 and also includes $416,985 advanced to Oransur from Inception. The amounts due from and to Inception cannot be offset due to accounting policies and hence have been disclosed separately within investing and financing activities. However, as a consolidated entity (being Terrace and Oransur) the net cash inflow for the amounts owing from Inception would be $13,276.

Off-Balance Sheet Arrangements

The entities have no off-Balance Sheet arrangements as at the date of this report.

Related Party Transactions and Balances

Transactions are considered to be related party transactions if management has the ability to exercise significant influence through its ownership of shares and presence on the board of directors. Transactions with related parties are in the normal course of business and are recorded at the fair value which approximates to consideration established and agreed to by the related parties.

"**Related Parties**" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Advisory fees for the period ended December 31, 2018 includes $23,170 incurred to certain directors and officers of the Company (Francisco Ortiz von Bismarck, Leon Dadoun and Michael Galego) who provided advisory and consulting services. Of the above amount, $18,642 was outstanding and included in accounts payable, as at December 31, 2018.

On August 30, 2018, the Company entered into the Call Option Agreement with Inception (an entity wholly-owned by Francisco Ortiz von Bismarck) pursuant to which the Company has the right to acquire all of the issued and outstanding shares of Oransur (the "**Oransur Shares**") and Faises (the "**Faises Shares**") held by Inception presently or after acquired by Inception, such Oransur Shares being all of the issued and outstanding shares in the capital of Oransur and such Faises Shares currently being 33.75% of the issued and outstanding shares in the capital of Faises. The call option price is $10,000. The Call Option Agreement was amended on June 28, 2019.

In connection with the Call Option Agreement, the Company entered into a secured loan agreement as of August 30, 2018 in the amount of up to $4,500,000 with Inception, as borrower, bearing an interest rate of five (5%) percent per annum. Security for this agreement are the Oransur Shares and Faises Shares owned by Inception. As at December 31, 2018, the Company has not exercised the above call option and $430,261 has been advanced to Inception and interest receivable of $1,749 is due from Inception. The interest income earned from Inception for the period ended December 31, 2018 is $1,749. The loan receivable from Inception is due on demand.

As at December 31, 2018, balances payable from Oransur to Inception amount to $416,985 (USD $305,663. These advances are short term, unsecured, interest free and repayable on demand.

Critical Accounting Estimates, Assumptions and Judgements

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management's critical estimates and judgments:

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These condensed interim consolidated and consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

Consolidation and controlled entities

The assessment of the Company's ability to exercise control and consolidate an entity in accordance with IFRS 10 involves judgment to determine whether the Company has control due to the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

Management has applied its judgment to consolidate an entity (Oransur) in which it holds a nil equity interest, on the basis that it controls the entity through potential voting rights conferred through a Call Option Agreement and a Loan Agreement, with further details as follows:

(i) **Call Option Agreement** - The Company entered into a call option agreement on August 30, 2018, as amended, (the "**Call Option Agreement**") pursuant to which the Company has the option to purchase all of the securities held or after acquired by Inception of Oransur subject to the terms and conditions set out therein. The Company entered into the Call Option Agreement to acquire Oransur for a nominal value and has the intention to exercise the option. Pursuant to the terms of the Call Option Agreement, the Company can exercise the call option at any time.
(ii) **Loan Agreement** - In connection with the Call Option Agreement, the Company entered into a secured loan agreement on August 30, 2018 (the "**Loan Agreement**") pursuant to which the Company agreed to loan Inception up to $4,500,000 in support of the operations of Oransur. The Loan Agreement is secured by all of the issued and outstanding the shares of Oransur as collateral against Inception's obligations pursuant to the Call Option Agreement and restricts Oransur's ability to utilize any other funding means.
(iii) **Ability to Direct Relevant Activities** - The Company was incorporated with the intention of acquiring the investment in Oransur from Inception, an entity that is wholly-owned by Francisco Ortiz von Bismarck. At the time of entering into the Call Option Agreement, Mr. Ortiz von Bismarck owned 94% of the common shares in the capital of the Company. Mr. Ortiz von Bismarck and Michael Galego (being

directors and shareholders of the Company) are the only directors of Oransur and as such direct the operations and affairs of Oransur.

(iv) **Lack of Economic, Legal or Regulatory Impediments -** The Company has determined that there are no economic, legal or regulatory barriers to exercising the call option. The Company has received legal opinions to support the conclusion that the regulatory approval required to ultimately exercise the rights under the Call Option Agreement are administrative and perfunctory in nature. Furthermore, the exercise price of the call option is nominal (being $5,000) and therefore the Company will benefit from exercise of the right.

(v) **Variable Returns** - The Company's exposure in relation to the Loan Agreement given to fund Oransur extends to include the potential loss of principal as offset by the equity returns that are provided through the existence of the call option and the very high probability of exercise of the call option. The loan was made with full knowledge of and reasonable expectation to the equity returns associated with full equity ownership. As such, the Company has exposure to, or rights to variable returns from its involvement with Oransur.

(vi) **Oransur Economic Reliance** – The proceeds from the Loan Agreement represent Oransur's sole source of financing and as such the Company has the ability to direct the activities of Oransur through such loan (in addition to controlling its board of directors). Oransur had no activities prior to the Company providing the financing to fund the operations.

As a result of the foregoing, Oransur has been consolidated with the Company from August 30, 2018. Oransur's assets, liabilities, and deficit as at August 30, 2018 were consolidated by the Company at their carrying amounts as follows:

	Carrying amounts of Oransur
	$
Other receivables (VAT)	1,230
Accounts payable and other payables	13,044
Deficit	(11,814)

The financial statements of Oransur have been prepared using accounting policies consistent with the Company's and all significant intercompany balances and transactions were eliminated on consolidation.

Controls and Procedures

Evaluation of disclosure controls and procedures:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("**ICFR**") as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under NI 52-109. At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR. No such changes were identified through their evaluation.

Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

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 maximum credit exposure is the carrying amount of cash and cash equivalents. The cash consist mainly of checking and operating accounts. The Company does not have significant credit risk with respect to customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk
The operating results and financial position of the Company are reported in Canadian dollars. Some of the Company's affiliates financial 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 has no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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 does not have significant exposure to interest rate risk.

Accounting Standards Pronouncements

Adoption of New IFRS Standards in 2018

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 15: Revenue from Contracts with Customers:

IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**") supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

Changes in accounting standards not yet effective

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 – Leases ("**IFRS 16**"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

IFRS 16 is expected to have a material impact on the Company's consolidated statement of financial position, with the addition of approximately $31,670 of lease liabilities and right-of-use assets. Lease-related expenses will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's consolidated Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

Insurance Contracts

In May 2017, the International Accounting Standards Board ("**IASB**") issued IFRS 17 - Insurance Contracts ("**IFRS 17**"), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

We anticipate that our fixed costs made up of legal & accounting and general & administrative expenses for the next twelve months will total approximately $750,000. The Company anticipates that in order to satisfy its cash requirements for the next twelve months with its cash balances and if needed an additional loan from its shareholders. However, completion of the Company's plan of operations is subject to attaining adequate revenue and adequate financing. In the absence of projected revenues, the Company may be unable to proceed with its plan of operations. Even without adequate revenues within the next twelve months, the Company still anticipates being able to continue with its present activities, but may require financing to achieve its growth plans.

TERRACE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

TERRACE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2019

Financial Statements (Unaudited)

TERRACE INC.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

	June 30, 2019 $	December 31, 2018 $
ASSETS		
Current		
Cash	**2,881,091**	2,726,741
Restricted cash (Note 11)	**420,000**	—
Advance payment to suppliers (Note 12)	**237,455**	248,895
Prepaids	**110,491**	45,116
Biological assets (Note 7)	**63,843**	—
Inventory(Note 7)	**43,092**	—
Subscription receivable	—	174,475
Other receivables	**54,090**	—
Interest receivable	**23,004**	1,749
	3,833,066	3,196,976
Non-Current		
Due from related parties (Note 5)	**1,240,796**	430,261
Unallocated goodwill (Note 6)	**2,233,907**	—
Right-of-use assets (Note 8)	**202,151**	—
Property and equipment (Note 9)	**465,928**	19,099
Total assets	**7,975,848**	3,646,336
LIABILITIES		
Current		
Accounts payables	**987,809**	49,221
Provisions (Note 13c)	**42,300**	—
Accrued and other liabilities	**128,871**	323,307
Due to related parties (Note 5)	**1,180,532**	416,985
Advances from customers (Note 13)	**313,818**	—
Lease obligations (Note 8)	**71,919**	—
Subscription receipts in advance (Note 11)	**420,000**	—
	3,145,249	789,513
Non-Current		
Lease obligations (Note 8)	**131,764**	—
Total liabilities	**3,277,013**	789,513
SHAREHOLDERS' EQUITY		
Share Capital (Note 10)	**7,090,618**	3,156,187
Shares to be issued	—	174,475
Accumulated other comprehensive income (loss)	**3,215**	(7,019)
Accumulated deficit	**(2,394,998)**	(466,820)
Total equity	**4,698,835**	2,856,823
Total liabilities and shareholders' equity	**7,975,848**	3,646,336

See accompanying notes to the condensed interim consolidated financial statements.

Nature of operations and going concern (Note 1) *Contingencies (Note 13)* *Subsequent events (Note 16)*

Approved and authorized on behalf of the Board of Directors

(signed) *Francisco Ortiz von Bismarck*

Director

Director

TERRACE INC.
Condensed Interim Consolidated Statement of Loss and Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	For the three months period ended June 30, 2019 $	For the six months period ended June 30, 2019 $
Changes in fair value of biological assets	64,463	64,463
Production costs	(69,612)	(69,612)
Gross margin	(5,149)	(5,149)
Expenses		
Pre-operational agricultural cost	67,168	131,987
Professional fees	252,991	522,924
Referral commision (Note 6)	—	909,380
Filing expenses	14,929	20,029
Advisory fee	46,972	132,505
Insurance expense	9,321	18,642
Travel expenses	—	40,217
Office rent	10,170	20,340
Salaries	8,258	19,830
Depreciation expense	13,289	21,972
General and office expense	31,040	98,268
Total expenses	454,138	1,936,094
Net loss from operations	(459,287)	(1,941,243)
Other expenses (income)		
Interest expense	3,769	4,428
Other income	(13,383)	(21,257)
Other expense	3,681	4,310
Exchange gain - net	436	(420)
Total other expenses	(5,497)	(12,939)
Income tax (recovery) expense	—	—
Net loss	(453,790)	(1,928,304)
Effect of foreign currency translation	2,868	10,234
Net loss and comprehensive loss	(450,922)	(1,918,070)
Loss per common share - basic and diluted	(0.004)	(0.016)
Weighted average number of common shares - basic and diluted	121,858,734	117,652,768

See accompanying notes to the condensed interim consolidated financial statements.

TERRACE INC.
Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)
(Expressed in Canadian Dollars)

	Common shares		Shares to be	Accumulated other	Accumulated	
	Shares	Amount	issued	comprehensive loss	deficit	Total
	#	$	$	$	$	$
As at August 28, 2018	—	—	—	—	—	—
Opening Equity balance - Oransur (Note 1)	—	1,604	—	—	(13,418)	**(11,814)**
Issuance of shares (Note 10)	112,740,000	3,195,000	—	—	—	**3,195,000**
Shares to be issued	—	—	181,375	—	—	**181,375**
Issuance cost	—	(40,417)	(6,900)	—	—	**(47,317)**
Net loss for the period	—	—	—	—	(453,402)	**(453,402)**
Effect of foreign currency translation	—	—	—	(7,019)	—	**(7,019)**
As at December 31, 2018	**112,740,000**	**3,156,187**	**174,475**	**(7,019)**	**(466,820)**	**2,856,823**
Issuance of shares (Note 10)	840,956	210,620	(174,475)	—	—	**36,145**
Issuance cost	—	(26,189)	—	—	—	**(26,189)**
Net loss for the period	—	—	—	—	(1,474,388)	**(1,474,388)**
Effect of foreign currency translation	—	—	—	2,868	—	**2,868**
As at March 31, 2019	**113,580,956**	**3,340,618**	—	**(4,151)**	**(1,941,208)**	**1,395,259**
Issuance of shares (Note 10)	15,000,000	3,750,000	—	—	—	**3,750,000**
Shares to be issued	—	—	—	—	—	—
Issuance cost	—	—	—	—	—	—
Net loss for the period	—	—	—	—	(453,790)	**(453,790)**
Effect of foreign currency translation	—	—	—	7,366	—	**7,366**
As at June 30, 2019	**128,580,956**	**7,090,618**	—	**3,215**	**(2,394,998)**	**4,698,835**

See accompanying notes to the condensed interim consolidated financial statements.

TERRACE INC.
Condensed Interim Consolidated Statement of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

	For the six months period ended June 30, 2019 $
Operating activities	
Net loss for the period	(1,928,304)
Adjustments for items not affecting cash:	
Depreciation	24,022
Changes in fair value of biological assets	(63,843)
Provisions	(19,593)
Changes in working capital items:	
Advance payment to suppliers	228,937
Prepaids	(65,375)
Other receivables	(4,334)
Accounts payables	938,588
Accrued and other liabilities	(344,347)
Advances from customers	(2,282)
Cash used in operating activities	(1,236,531)
Investing activities	
Lease payment	(25,419)
Purchase of property and equipment	(453,471)
Due from related parties	(810,535)
Business combination, purchase consideration net of cash acquired	(622,584)
Cash used in investing activities	(1,912,009)
Financing activities	
Due to related parties	618,459
Proceeds from issuance of common shares	2,684,431
Cash provided by financing activities	3,302,890
Net increase in cash	154,350
Cash and cash equivalents, beginning of period	2,726,741
Cash and cash equivalents, end of period	2,881,091

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

References in this document to the "**Company**" or "**Terrace**", are intended to mean Terrace Inc., individually, or as the context requires, collectively with its affiliate on a consolidated basis and also along with its wholly owned subsidiary.

Terrace was incorporated pursuant to the provisions of the *Business Corporation Act* (Ontario) on August 28, 2018. Terrace's head office is located at 365 Bay Street, Suite 800, Toronto, Ontario. Terrace is a Canadian company focused on the development and acquisition of international cannabis assets.

The condensed interim consolidated financial statements include the financial statements of Oransur, S.A., a Uruguayan corporation holding a hemp production license ("**Oransur**"), and under the control of Terrace. Oransur was incorporated on September 26, 2014. As a result of Terrace's control of Oransur, opening deficit of Oransur of $11,814 is included in the condensed interim consolidated statement of changes in shareholder's equity.

On August 30, 2018, the Company entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby the Company has an option to acquire all of the issued and outstanding shares of Oransur and Faises, S.A. ("**Faises**") now held or afterwards acquired by Inception Investment Corp. ("**Inception**"), currently being 100% of the shares of Oransur, and 33.75% of the shares of Faises, a Uruguayan corporation holding a recreational cannabis production license, upon receipt of applicable Uruguayan regulatory approvals.

Pharmabinoide S.L. ("**Pharmabinoide**") was incorporated on February 9, 2018 under the laws of Spain. Terrace acquired all of the issued and outstanding securities in the capital of Pharmabinoide pursuant to a share purchase agreement dated February 11, 2019 between Terrace and Mr. Francisco Javier Gutiérrez Rivas. Pharmabinoide's operations primarily involve the cultivation of hemp plants in Spain (Note 6).

On May 17, 2019, Terrace acquired all of the issued and outstanding shares of Terra Nova Business Holdings Inc. ("**Terra Nova**") pursuant to a share purchase agreement. Terra Nova was incorporated pursuant to the laws of the British Virgin Islands on January 31, 2017. Terra Nova owns all of the issued and outstanding quotas of Terra Nova Produção e Comercialização de Produtos Naturais e Farmacêuticos, LDA ("**Terra Nova Portugal**"). Terra Nova Portugal has applied for a license to cultivate, import and export cannabis at its site in Portugal (Note 6).

The condensed interim consolidated financial statements also include the financial statements of Pharmabinoide and Terra Nova since applicable acquisition dates.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2019 and December 31, 2018, the Company has incurred an accumulated deficit of $2,394,998 and $466,820, respectively. For the three and six months period ended June 30, 2019, the Company has net loss of $453,790 and $1,928,304, respectively. The Company anticipates additional debt and/or equity financing in order to fully develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed interim consolidated financial statements are referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2018.

These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS-IASB**") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

2. BASIS OF PRESENTATION (continued)

2.2 Basis of presentation

These condensed interim consolidated financial statements of the Company are as at and for the three and six months period ended June 30, 2019, and were authorized by the Company's Board of Directors for issuance on November 6, 2019.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The condensed interim consolidated financial statements are presented in Canadian dollars which is the presentation and functional currency of Terrace. Comparative information has not been provided for the statements of loss and comprehensive loss and cash flow statement, since the Company was incorporated post June 30, 2018 as explained in Note 1.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

The functional currency of Oransur is United States dollar (USD) while of Pharmabinoide and Terra Nova is Euros (EUR). Assets and liabilities are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Effect of translation differences are accumulated and presented as a component of equity under accumulated other comprehensive income (loss).

2.3 Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of the Company and Oransur as a result of Oransur being controlled by the Company. Non-controlling interests, if any, are included as a component of shareholders' equity. All significant intercompany balances and transactions were eliminated on consolidation.

Terrace was incorporated with the intention of acquiring the investment in Oransur and Faises from another entity owned by its majority shareholder through a call option pursuant to the Call Option Agreement. Terrace has control over Oransur primarily through:

- Potential voting rights conferred by the Call Option;
- Dependence on Terrace to fund significant portion of its operations; and
- Ability of Terrace to exercise its Call Option for a nominal price of $5,000.

As such, Oransur has been consolidated with the Company from August 30, 2018. Due to the fact that financial information relating to Faises cannot be obtained from the majority shareholders of Faises, the call option to acquire the 33.75% of Faises has been valued at $Nil.

The financial statements of the affiliates are prepared for the same reporting period as the Company, using consistent accounting policies.

2. BASIS OF CONSOLIDATION (continued)

2.3 Basis of consolidation (continued)

The condensed interim consolidated financial also include the financial statements of its wholly owned subsidiaries, Pharmabinoide and Terra Nova, as explained in Notes 1 and 6. The results of subsidiaries acquired or disposed during the period are included in the consolidated statements of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany balances and transactions were eliminated on consolidation. The financial statements of the affiliate and subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies have been included in the annual consolidated financial statements for the period ended December 31, 2018. These condensed interim consolidated financial statements include new and amended accounting policies.

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the period, if dilutive.

3.1 Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair value of the assets transferred (including cash), liabilities incurred by the Company on behalf of the acquiree, the fair value of any contingent consideration and equity interests issued by the Company. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

3.2 Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested hemp are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are initially valued at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Biological assets

Biological assets are living plants managed by the Company for sale, as agricultural produce, or as biological assets. Biological assets include hemp crops, which are to be harvested as agricultural produce.

The Company distinguishes between consumable and bearer biological assets, and between mature and immature biological assets. 'Consumable' biological assets are those assets that may be harvested as agricultural produce or sold as biological assets. 'Bearer' biological assets are those assets capable of producing more than one harvest. 'Mature' biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). 'Immature' biological assets are those biological assets other than mature biological assets. Consumable biological assets are classified as current or non-current depending on their period of maturity. Bearer biological assets are generally classified as non-current.

Expenses relating to the agricultural activity include planting, harvesting, weeding, seedlings, irrigation, agrochemicals, fertilizers and others. The Company elected to expense all such costs when incurred and include them within production costs in the statement of profit or loss and other comprehensive income. Therefore, production costs represent the costs expensed whilst the biological assets are growing.

Biological assets are measured at fair value less costs of disposal on initial recognition and at each statement of financial position date, except where fair value cannot be reliably measured.

Expected future sale prices for all biological assets are determined by reference to observable data in the relevant market. Costs expected to arise throughout the life of the biological assets are estimated based on statistical data.

The gain or loss arising from initial recognition of a biological asset at fair value less costs of disposal and from a change in fair value less costs of disposal of a biological asset is recognized in profit or loss in the period in which they arise.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new IFRS standards

<u>IFRS 16: Leases</u>

Effective in the first quarter of 2019, the Company adopted IFRS 16 – Leases ("**IFRS 16**"), issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted (Note 8).

5. RELATED PARTY TRANSACTIONS AND BALANCES

"**Related parties**" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive. Advisory fee for the three and six months ended June 30, 2019 includes $46,972 and $132,505, respectively, paid or payable to certain directors and officers of the Company who provided advisory and consulting services. Of the above amount, $10,055 was outstanding and included in accounts payable, as at June 30, 2019 (December 31, 2018: $18,642).

The Company entered into the Call Option Agreement on August 30, 2018, as amended on June 28, 2019, with Inception Investment Corp. ("**Inception**"), a company wholly-owned by Francisco Ortiz von Bismarck, an officer, director and shareholder of the Company. The call option price is $5,000 for the Oransur shares and $5,000 for the Faises shares, respectively.

In connection with the Call Option Agreement, the Company has entered into a loan agreement as of August 30, 2018 in the amount of up to $4,500,000 with Inception, as borrower, bearing an interest rate of five (5%) percent per annum. Security for this agreement are the shares of Oransur and Faises owned by Inception. As at June 30, 2019, the Company has not exercised the above call option and $1,240,796 (December 31, 2018: $430,261) has been advanced to Inception and interest receivable of $23,004 (December 31, 2018: $1,749) is due from Inception. The interest income earned from Inception for the three and six months ended June 30, 2019 is $13,383 and $21,257, respectively. The loan receivable from Inception is due on demand.

On May 17, 2019, Terrace entered into a share purchase agreement with an entity owned and controlled by a director and shareholder of Terrace (Michael Galego) for the acquisition of all the issued and outstanding quotas of Terra Nova in exchange for the issuance of 5,000,000 common shares in the capital of Terrace at a recent private placement price of $0.25 per share.

As at June 30, 2019, balances payable from Oransur to Inception amount to $1,036,993 (USD $792,894) [December 31, 2018: $416,985 (USD $305,663)]. These advances are short term, unsecured, interest free and repayable on demand.

As at June 30, 2019, balance due from Terra Nova to Apolo Capital Advisory Corp., an entity owned and controlled by a director and shareholder of the Company (Michael Galego), amounts to $154,923 (EUR 104,066). These advances are short term, unsecured, interest free and repayable on demand.

6. BUSINESS COMBINATION

Terra Nova

On May 17, 2019, Terrace entered into a share purchase agreement with an entity owned and controlled by a director and shareholder of Terrace (Michael Galego) for the acquisition of all the issued and outstanding quotas of Terra Nova in exchange for the issuance of 5,000,000 common shares in the capital of Terrace at a recent private placement price of $0.25 per share.

Terra Nova has applied for a license to cultivate, import and export cannabis at its site in Pinhal Novo, Palmela, Portugal. In December 2018, INFARMED, the governing regulatory body in Portugal, issued a declaration to Terra Nova confirming the compliance with the applicable law concerning the construction of up to a 350,000 sq. ft. greenhouse and 2.5 acres of outdoor cultivation. Terra Nova has commenced the process to obtain the appropriate municipal and federal permits and expects to complete construction of the greenhouse in the third quarter of 2020. The final license is to be issued upon final inspection by INFARMED of Terra Nova Portugal's facilities.

(Expressed in Canadian Dollars)

6. BUSINESS COMBINATION (continued)

The transaction was accounted for as a business combination, as the operations of Terra Nova met the definition of a business. No transaction costs were incurred and expensed as a result of the acquisition. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represented the expected future growth potential of Terra Nova. None of the goodwill recognized is expected to be deductible for income tax purposes.

The consideration transferred was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Due to the timing of the acquisition, the fair values assigned to the net assets acquired are preliminary and may be revised by the Company within 12 months from the date of acquisition as additional information is received.

The fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

	$
Cash	5,881
Advances to suppliers	1,812
Other receivables	11,758
Right-of-use assets	119,687
Accrued and other liabilities	(106,560)
Due to related party	(145,088)
Lease liability	(120,092)
Net liabilities assumed	**(232,602)**

Goodwill was recognized as a result of the acquisition as follows:

	$
Total consideration	1,250,000
Add: Net liabilities assumed	232,602
Unallocated goodwill	**1,482,602**

<u>Pharmabinoide</u>

On February 11, 2019, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares in the capital of Pharmabinoide. The acquisition cost for the transaction was $636,760 (EUR 400,000) which was paid upon closing on February 14, 2019. Pharmabinoide holds a permit, granted by the Spanish Ministry of Agriculture, Fishing and Food, to produce, harvest and sell hemp in Spain. Pharmabinoide is currently exploring the path to obtaining a license for the cultivation of cannabis for medicinal use, extraction of cannabinoids and sale of cannabinoid derivative products.

On February 12, 2019, the Company entered into a Finder Fee Agreement with Taskmaster Corp. ("**Taskmaster**") whereby Taskmaster pursuant to which Taskmaster is entitled to a finder fee for introducing the Company to Pharmabinoide of $936,700 (EUR 600,000), of which $156,100 (EUR 100,000) was paid upon the closing of the share purchase agreement. As at June 30, 2019, included in accounts payable, are amounts due to Taskmaster $750,100 (EUR 500,000) payable upon the earlier of the closing of Terrace's reverse takeover transaction with Apolo II Acquisition Corp. and six months from the date of Finder Fee Agreement. The amount is overdue as at the date of the approval of these condensed interim consolidated financial statements, however, Taskmaster has informally

(Expressed in Canadian Dollars)

6. BUSINESS COMBINATION (continued)

agreed to defer the receipt of the payment of the outstanding balance after the reverse takeover transaction without any penalty.

The transaction was accounted for as a business combination, as the operations of Pharmabinoide met the definition of a business. As the transaction was accounted for as a business combination, transaction costs of $936,700 were expensed. The goodwill resulting from the allocation of the purchase price to the total fair value of net assets represented the future growth potential of Pharmabinoide. None of the of the goodwill recognized is expected to be deductible for income tax purposes.

The consideration transferred was allocated on a preliminary basis to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Due to the timing of the acquisition, the fair values assigned to the net assets acquired are preliminary and may be revised by the Company within 12 months from the date of acquisition as additional information is received.

The fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

	$
Cash	8,295
Other receivables	36,049
Advance payment to suppliers	217,497
Inventory	42,075
Equipment	3,444
Right-of-use assets	53,920
Other asset	1,949
Advances from customers	(316,100)
Accrued and other liabilities	(42,108)
Lease liability	(57,673)
Provisions	(61,893)
Net liabilities assumed	**(114,545)**

Goodwill was recognized as a result of the acquisition as follows:

	$
Total consideration	636,760
Add: Net liabilities assumed	114,545
Unallocated goodwill	**751,305**

(Expressed in Canadian Dollars)

7. BIOLOGICAL ASSETS AND AGRICULTURAL INVENTORIES

Biological assets, comprised entirely of live plants, are as follows:

	June 30, 2019
	$
Beginning of the year	—
Initial recognition and changes in fair value of biological assets	63,843
Decrease due to harvest	—
Decrease due to sales	—
End of the year	**63,843**

In determining the fair value of biological assets, management is required to make a number of estimates, including the expected cost required to grow the hemp up to the point of harvest, harvesting costs, selling costs, sales price, and expected yields for the hemp plant. These estimates are subject a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future years.

The significant assumptions used in determining the fair value of hemp plants are as follows:

- yield by plant; and,
- percentage of costs incurred for each stage of plant growth.

As at June 30, 2019, there was an estimated growth of the plants at 90%. The estimated production is 15 tonnes and the market selling price according to the applicable contract is Euros 18,000 per tonne. The estimated selling costs of the products are Euros 4,800.

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use assets	Lease obligations
	$	$
Net book value at Jan 1, 2019	31,495	(29,748)
Acquired on business acquisition	173,607	(177,764)
Assets acquired post business acquisition	24,598	(24,598)
Depreciation and repayment	(24,733)	25,419
Effect of foreign currency exchange differences	(2,816)	3,008
Net book value at June 30, 2019	**202,151**	**(203,683)**

The current obligation of lease and long-term lease obligations were $71,919 and $131,764, respectively.

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which have previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

(Expressed in Canadian Dollars)

8. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS (continued)

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in these condensed interim consolidated statements of financial position on January 1, 2019 ranges between 4.50 to 6.96 percent.

9. PROPERTY AND EQUIPMENT

	Irrigation system	Agricultural equipment	Office Equipment	Total
	$	$	$	$
Cost				
Additions	19,099	—	—	**19,099**
As at December 31, 2018	**19,099**	**—**	**—**	**19,099**
Assets acquired	—	—	3,444	**3,444**
Additions	—	453,471	—	**453,471**
Effect of foreign currency exchange differences	(763)	152	107	**(504)**
As at June 30, 2019	**18,336**	**453,623**	**3,551**	**475,510**
Depreciation				
Charge during period	**—**	**—**	**—**	**—**
As at December 31, 2018	**—**	**—**	**—**	**—**
Charge during period	778	8,238	566	**9,582**
As at June 30, 2019	**778**	**8,238**	**566**	**9,582**
Net Book Value				
As at December 31, 2018	**19,099**	**—**	**—**	**19,099**
As at June 30, 2019	**17,558**	**445,385**	**2,985**	**465,928**

Agricultural equipment amounting to $391,658 were not available for use during the three months ended March 31, 2019 and therefore, depreciation has been charged for the three months ended June 30, 2019 only.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

Authorized shares

Unlimited common shares without par value.

Common Stock - Issued and Outstanding

	Number of Common shares	Amount
	#	$
Balance as at August 28, 2018	—	—
Shares issued	112,740,000	3,195,000
Less: Issuance costs	—	(40,417)
Add: Oransur equity balance	—	1,604
Balance as at December 31, 2018	112,740,000	3,156,187
Shares issued	15,840,956	3,960,620
Less: Issuance costs	—	(26,189)
Balance as at June 30, 2019	**128,580,956**	**7,090,618**

During the month of September 2018, the Company issued 100,000,000 shares to the founding members of the Company in consideration of $10,000.

During October and November 2018, the Company issued 12,740,000 shares at $0.25 per share in connection with the private placements and raised gross proceeds of $3,185,455. The issuance costs of $40,417 incurred are in the nature of professional fees.

During January and February 2019, the Company issued 840,956 (including 725,500 shares to be issued detailed below) common shares to multiple investors through a private placement at a price of $0.25 per share and received gross proceeds of $210,620. Issuance cost of $26,189 were incurred and related to professional fees.

Of the 840,956 shares issued, 725,500 shares were through subscription agreements received in November and December 2018. These shares were issued at $0.25 per share and proceeds of $174,475, net of issuance costs of $6,900, were included in the consolidated statement of financial position as at December 31, 2018, as subscription receivable and credited to shares to be issued.

On May 17, 2019, the Company issued 5,000,000 common shares at a previous private placement cost of $0.25 per share, valued at $1,250,000 as consideration for acquisition of Terra Nova (Note 6).

On May 24, 2019, Terrace completed a non-brokered private placement, under which Terrace issued 10,000,000 common shares at $0.25 per share in exchange for cash consideration of $2,500,000.

11. SUBSCRIPTION RECEIPTS IN ADVANCE

During June 2019, the Company received subscription proceeds from three investors in the aggregate amount of $420,000. Pursuant to the related subscription agreements, on July 19, 2019 the Company issued 840,000 subscription receipts (the "**Subscription Receipts**") at a price of $0.50 per Subscription Receipt. Each Subscription Receipt will be automatically exchanged for one common share of the Company on satisfaction of certain escrow release conditions, which includes completion of a reverse takeover transaction with Apolo II Acquisition Corp. All of the subscription proceeds from this private placement of Subscription Receipts are held in escrow and will not be released until the escrow release conditions are satisfied.

If completion of the reverse takeover transaction and satisfaction of the escrow release conditions have not been achieved, then the escrowed proceeds will be returned to the holders of the Subscription Receipts and the subscription receipts will be cancelled.

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The shareholders do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. As at June 30, 2019, the capital of the Company was $4,698,835 (December 31, 2018: $2,856,823).

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

13. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Pursuant to advisory agreements with the members of the International Advisory Board, the Company has agreed to issue 300,000 options upon execution of transaction between the Company and Apolo II Acquisition Corp. as detailed below in Note 16 subject to the terms and conditions of the Company's stock option plan.

During the period ended December 31, 2018, Pharmabinoide signed a contract to provide 20 tonnes of dry flower hemp valued between $18,901 and $30,241 per tonne, and has signed a contract with a supplier that will provide these goods for a total value between $16,037 and $28,638 per tonne. Pharmabinoide estimated to provide these goods by the end of 2019. As at June 30, 2019, Pharmabinoide has received an advance from the client of $313,818 and has given an advance to the supplier of $215,927. As at the date of preparation of the financial statement, the Company is renegotiating the terms and conditions.

13. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(c) Onerous contracts

The Company (through its wholly owned subsidiary, Pharmabinoide) signed an agreement to deliver 20 tonnes of hemp flower to an outside third party at specific agreed prices. As at period end, management expects the costs to be incurred to satisfy this contract to be in excess of the total selling price. As such, the Company has recorded a loss on this contract of $42,300 (Euros 28,414). At the date hereof, the Company was in negotiation with its dry flower hemp customer to revise the terms of its initial hemp sale agreement.

14. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, restricted cash, advance payment to suppliers, due to and from related parties, interest and other receivable, trade payables, accrued and other liabilities, advances from customers and lease obligations.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

(Expressed in Canadian Dollars)

14. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				Fair values
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
June 30, 2019	**$**	**$**	**$**	**$**	**$**
Cash	**2,881,091**	—	—	**2,881,091**	**2,881,091**
Restricted cash	**420,000**	—	—	**420,000**	**420,000**
Biological Assets	**63,843**	—	—	**63,843**	**63,843**
Inventory	**43,092**	—	—	**43,092**	**43,092**
Advance payment to suppliers	**237,455**	—	—	**237,455**	**237,455**
Other receivables	**54,090**	—	—	**54,090**	**54,090**
Due from related parties	—	—	**1,240,796**	**1,240,796**	**1,240,796**
Interest receivable	**23,004**	—	—	**23,004**	**23,004**
	3,722,575	—	**1,240,796**	**4,963,371**	**4,963,371**
December 31, 2018	**$**	**$**	**$**	**$**	**$**
Cash	2,726,741	—	—	2,726,741	2,726,741
Advance payment to suppliers	248,895	—	—	248,895	248,895
Due from related parties	—	—	430,261	430,261	430,261
Interest receivable	1,749	—	—	1,749	1,749
	2,977,385	—	430,261	3,407,646	3,407,646

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**AC**	**Total**	**Total**
June 30, 2019	**$**	**$**	**$**	**$**
Accounts payables	—	**987,809**	**987,809**	**987,809**
Accrued and other liabilities	—	**128,871**	**128,871**	**128,871**
Due to related parties	—	**1,180,532**	**1,180,532**	**1,180,532**
Advances from customers	—	**313,818**	**313,818**	**313,818**
Lease obligations	—	**203,683**	**203,683**	**203,683**
	—	**2,814,713**	**2,814,713**	**2,814,713**
December 31, 2018	**$**	**$**	**$**	**$**
Accounts payables	—	49,221	49,221	49,221
Accrued and other liabilities	—	323,307	323,307	323,307
Due to related parties	—	416,985	416,985	416,985
	—	789,513	789,513	789,513

The Company's financial instruments as at June 30, 2019 that are classified as "Level 1 - quoted prices in active markets" is cash and cash equivalents. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

14. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company`s management is supported by the shareholders that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash, restricted cash and due from related parties. The cash consist mainly of checking and operating accounts while restricted cash is in escrow account held by the Company's legal council. As at June 30, 2019 the maximum amount exposed to credit risks was $3,301,091 (December 31, 2018: $2,726,741).

(c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Net financial liabilities of Oransur denominated in United States dollars (presented in Canadian dollars) at six months period ended June 30, 2019 were USD 822,890 ($1,076,916). A 10% change in the value of the USD would result in a change in comprehensive loss of $107,692.

Net financial liabilities of Pharmabinoide denominated in Euros (presented in Canadian dollars) at six months period ended June 30, 2019 were EUR 407,013 ($605,921). A 10% change in the value of the EUR would result in a change in comprehensive loss of $60,592

Net financial liabilities of Terra Nova denominated in Euros (presented in Canadian dollars) at six months period ended June 30, 2019 were EUR 267,005 ($397,489). A 10% change in the value of the EUR would result in a change in comprehensive loss of $39,749.

(d) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. As at June 30, 2019, all trade payables are due within a year. The management considers all balances which are outstanding over six months as past due. There are no balances which are past due.

(Expressed in Canadian Dollars)

14. FINANCIAL RISK FACTORS (continued)

(e) 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. The Company is not exposed to interest rate risk as it has no interest-bearing debt.

15. SEGMENTED INFORMATION

(a) Operating segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

At June 30, 2019 the Company's operations comprise a single reporting operating engaged in the development and acquisition of international cannabis assets.

(b) Geographic segments

The Company operates within three geographical locations. Terrace is located in Canada, whereas Oransur in Uruguay. The geographical segmented information on condensed interim consolidated statement of loss and comprehensive loss for period ended June 30, 2019 are as below:

	June 30, 2019
Net loss	
Canada	1,452,004
Uruguay	343,658
Spain	112,222
Portugal	20,420
	1,928,304

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION (continued)

(b) Geographic segments

The geographical segmented information on the condensed interim consolidated statement of financial position items is given below:

	As of June 30, 2019					
	Canada	**Uruguay**	**Spain**	**Portugal**	**Adjustments**	**Total**
Current assets	3,329,017	113,200	358,828	32,021	—	**3,833,066**
Non-current assets	3,216,589	483,733	68,674	115,672	258,114	**4,142,782**
Total assets	6,545,606	596,933	427,502	147,693	258,114	**7,975,848**
Current liabilities	1,276,477	1,079,511	572,661	298,986	(82,386)	**3,145,249**
Non-current liabilities	—	—	33,261	98,503	—	**131,764**
Equity	5,269,129	(482,578)	(178,420)	(249,796)	340,500	**4,698,835**
Total liabilities	6,545,606	596,933	427,502	147,693	258,114	**7,975,848**

16. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the condensed interim consolidated financial statements were issued, as follows:

On July 17, 2019, Terrace entered into a definitive agreement with Apolo II Acquisition Corp. in connection with the reverse takeover transaction (the "**Definitive Agreement**"), pursuant to which Apolo II Acquisition Corp. agreed to acquire all of the issued and outstanding Terrace common shares (the "**Terrace Shares**") by way of a three-cornered amalgamation (the "**Amalgamation**"). In connection with the Amalgamation, holders of Terrace Shares will ultimately receive one post-consolidation share of Apolo II Acquisition Corp. ("**Apolo Shares**") for each Terrace Share held (the "**Exchange Ratio**") and all convertible securities of Terrace will be exchanged for convertible securities of the resulting issuer, or adjusted on their terms, as applicable, based on the Exchange Ratio.

On July 19, 2019, Terrace completed a Subscription Receipt financing by issuing 30,000,000 Subscription Receipts (inclusive of the 840,000 Subscription Receipts referenced under Note 11) for gross proceeds of $15,000,000 at $0.50 per subscription receipt. The Company also issued 754,200 warrants with an exercise price of $.50 to the agents in connection with the Subscription Receipt financing, with each warrant exercisable into one Terrace Share.

On August 28, 2019, Terrace completed a second tranche of the Subscription Receipt financing by issuing an additional 4,000,000 Subscription Receipts for gross proceeds of $2,000,000 at $0.50 per Subscription Receipt.

On October 8, 2018, Oransur entered into a letter of intent with Parque de las Ciencias S.A. to lease 259 square meters to build a hemp extraction lab. On August 21, 2019, this letter was replaced by a new agreement with the same counterpart stating a lease of 460.43 square meters for storage and 50 square meters of office space for a monthly fee of $8,200 from August 31, 2019.

Management's Discussion and Analysis

(MD&A)

TERRACE INC.

(Expressed in Canadian Dollars)

Dated – November 6, 2019

General

References in this document to the "**Company**" or "**Terrace**", (on consolidated basis) are intended to mean Terrace Inc., individually, or Oransur (as defined herein), individually, or Pharmabinoide, (as defined herein), individually, or Terra Nova (as defined herein), individually, as the context requires.

The following discussion of performance, financial condition and future prospects should be read with our annual audited consolidated financial statements and notes thereto for the period from August 28, 2018 (the date of incorporation) to the year ended December 31, 2018 and condensed interim consolidated financial statements for the three and six months ended June 30, 2019. This MD&A has been prepared with an effective date of November 6, 2019. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB. All dollar amounts in this MD&A are expressed in Canadian dollars ("$") unless otherwise specified.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the completion of the Proposed Transaction (as defined hereafter), the terms on which the Proposed Transaction is intended to be completed, short term objectives, potential acquisitions and strategic relationships, obtaining regulatory approvals and licenses to operate the business, ability to raise funds, acquisition of land and buildings, design and build out of required facilities, development of branding strategies, cultivation and harvest of cannabis and/or hemp, development of additional product lines and acquisition of required inventory.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include:

- The Company may not complete the Proposed Transaction;
- Uncertainty about the Company's ability to continue as a going concern;
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- There are factors which may prevent the Company from the realization of growth targets;
- The Company is reliant on licenses to cultivate cannabis and/or hemp products in Uruguay, Spain and Portugal;
- Renewal or issuance of the Company's licenses is not guaranteed;
- The Company is subject to changes in Canadian, Uruguayan, Spanish and Portuguese laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- There is no assurance that the Company will turn a profit or generate immediate revenues;
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- The Company may be unable to adequately protect its proprietary and intellectual property rights;
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- The Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- There is no assurance that the Company will obtain and retain any relevant licenses;
- The Company's licenses and assets subject to local/municipal regulations;

- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- The Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- The cultivation of cannabis and/or hemp includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- The cultivation of cannabis and/or hemp involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks;
- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- The Company will be reliant on information technology systems and may be subject to damaging cyber- attacks;
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- In certain circumstances, the Company's reputation could be damaged;
- Enforcement of cannabis laws in the jurisdictions in which the Company operates may change;
- The cannabis industry is a new industry that may not succeed and the market for cannabis could decline due to regulatory changes;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company is subject to uncertainty regarding legal and regulatory status and changes;
- The Company does not anticipate paying cash dividends; and
- There is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Terrace Inc. ("**Terrace**") was incorporated pursuant to the provisions of the *Business Corporation Act* (Ontario) (the "**OBCA**") on August 28, 2018. Terrace's head office is located at 365 Bay Street, Suite 800, Toronto, Ontario. Terrace is a Canadian company focused on the development and acquisition of international cannabis assets.

The consolidated financial statements include the financial statement of Oransur, S.A. ("**Oransur**"), a Uruguayan corporation holding a hemp production license and controlled by the Company. Oransur was incorporated on September 26, 2014. As a result of being controlled by the Company, the opening equity of Oransur of $11,814 is included in the consolidated Statement of Equity.

On August 30, 2018, the Company entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby, the Company has an option to acquire all of the shares of Oransur and Faises now held or after acquired by Inception, currently being 100% of the shares of Oransur, and 33.75% of the shares of Faises, S.A. ("**Faises**"), a Uruguayan corporation holding a recreational cannabis production license, upon receipt of applicable Uruguayan regulatory approvals.

The condensed interim consolidated financial statements also include the financial statements of Pharmabinoide, S.L. ("**Pharmabinoide**"). Pharmabinoide was incorporated on February 9, 2018 under the laws of Spain. Pharmabinoide's operations primarily involve cultivation of hemp plants and its registered address is Calle Mercado 12, Edificio Don Ángel 4º-C, 29601 Marbella, Málaga, Spain. Pharmabinoide is currently in the process of exploring the path to obtaining a license to cultivate cannabis for medicinal use.

On February 11, 2019, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Pharmabinoide, a licensed producer of hemp in Spain. The acquisition cost for the transaction was $636,760 (€400,000) which was paid upon closing on February 14, 2019.

On May 17, 2019, Terrace acquired all of the issued and outstanding shares of Terra Nova Business Holdings Inc. ("**Terra Nova**") pursuant to a share purchase agreement. Terra Nova was incorporated pursuant to the laws of the British Virgin Islands on January 31, 2017. Terra Nova owns all of the issued and outstanding quotas of Terra Nova Produção e Comercialização de Produtos Naturais e Farmacêuticos, LDA ("**Terra Nova Portugal**"). Terra Nova Portugal has applied for a license to cultivate, import and export cannabis at its site in Portugal.

The Company is currently in an infancy stage and has limited operations. The Company has plans to expand its business and to achieve exponential growth through its subsidiaries in Uruguay, Spain and Portugal as well as through mergers and acquisitions and completion of the Proposed Transaction. At this stage, the Company in the process of finalizing various agreement and contracts to materialize its growth plan.

Proposed Qualifying Transaction

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") upon the terms and conditions to be set out in a definitive agreement (the "**Proposed Transaction**"). Apolo is a Capital Pool Company and intends the Proposed Transaction to constitute its qualifying transaction under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo, a wholly-owned subsidiary of Apolo and Terrace, entered into a definitive agreement in respect of the Proposed Transaction (the "**Definitive Agreement**"), which, superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own, assuming a majority of the outstanding common shares of Apolo ("**Apolo Common Shares**").

The holders of the issued and outstanding Terrace Common Shares shall receive one post-Consolidation (as defined hereafter) Apolo Common Share for each Terrace Common Share held. On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace (the "**Resulting Issuer**"); and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

Summarized Annual Information – Terrace and Oransur (based on consolidated financial statements)

Summarized annual information for the consolidated entities (Terrace and Oransur) along with our analysis is as follows:

For the years ended December 31, 2018 and 2017:

	Years Ended	
	From August 28, 2018 (incorporation date)	
	2018	2017
	$	$
Income statement		
Revenues	—	—
Total expenses	453,707	—
Net loss	453,402	—
Balance sheet		
Total assets	3,646,336	—
Total liabilities	789,513	—
Statement of cash flows		
Cash used in operating activities	(395,467)	—
Cash used in investing activities	(449,360)	—
Cash provided by financing activities	3,571,568	—

Results of Operations

During 2018, the total expenses of the Company were $453,707, of which $320,936 related to Terrace and $132,770 related to Oransur.

Terrace was incorporated on August 28, 2018. Since the date of incorporation and up to period ended December 31, 2018, the Company incurred total expenses of $320,936, comprising mainly of advisory fees of $197,970, professional fees of $79,135, travel expenses of $38,553 and insurance expenses of $5,178. These expenses incurred for the development and acquisition of international cannabis assets and in connection with the Proposed Transaction.

Oransur is mainly in an early-operational stage. Oransur is therefore not able to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans. Effective from August 28, 2018, the date Oransur became controlled by the Company, the Company incurred total expenses of $132,770, comprising of, among other things, fertilizer, herbicide and other pre-operational agricultural expenses of $105,478, professional fees of $23,771 and other expenses of $3,622. The pre-operational agricultural expenses are research expenses incurred in cultivating hemp plants for experimental and research purposes. As Oransur is in the process of entering into a letter of intent with respect to facilities required to house the extraction plant where it will be constructing its processing facilities, the potential sales value of material being grown and harvested hemp is expected to be nominal and costs are expensed.

Financial Position

As at December 31, 2018, the Company had total assets of $3,646,336, of which $3,365,221 related to Terrace and $281,115 related to Oransur.

Terrace had cash of $2,726,115, amounts due from related parties of $430,261 which represents the loan provided to Inception Investment Corp. ("**Inception**"), subscription receivables of $174,475, prepaid expenses of $32,621 related to prepaid insurance and legal retainers and interest receivables of $1,749.

Oransur had cash of $626, advance payments to suppliers of $248,895, prepaid expenses of $12,495 related to prepaid insurance and retainer for professional fees and fixed assets of $19,099.

The Company had total liabilities of $789,513, of which $356,794 related to Terrace and $432,719 related to Oransur.

Terrace had accrued and other liabilities of $323,307 and accounts payable of $49,221. Accounts payable includes $18,642 payable to the officers of the Terrace for advisory and consulting services and prior outstanding balance of legal fees. The accrued and other liabilities relate to the outstanding legal and professional fees incurred during the year ended December 31, 2018.

Oransur had amounts due to related parties of $416,985, this amount represents balance owing to Inception, these advances are short term, unsecured and interest free. In addition, the liabilities included accrued and other liabilities of $15,734, which related to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above.

Liquidity and Capital Resources

The Company is completing an asset liability management policy. The Company's objective will be to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements. Currently, the Company has raised funds through equity financing and intends to conduct additional financing through equity and debt instruments to facilitate the operations of the Company and its subsidiaries.

During the year ended December 31, 2018, the Company had negative cash flows of $395,467 from operations mainly because of expenses incurred during the period.

Cash used by the Company in investing activities amounted to $449,360, consisting of $430,261 from a related party from Terrace, which represented the loan advance to Inception and purchase of equipment of $19,099 by Oransur for the cultivation of the hemp plants.

Cash provided by financing activities was $3,571,568 for the year ended December 31, 2018. This was mainly due to the non-brokered private placement conducted by Terrace during the year ended December 31, 2018 and also includes $416,985 advanced to Oransur from Inception. The amounts due from and to Inception cannot be offset due to accounting policies and hence have been disclosed separately within investing and financing activities. However, as a consolidated entity (being Terrace and Oransur) the net cash inflow for the amounts owing from Inception would be $13,276.

Summarized Quarterly Results – Terrace, Oransur and Pharmabinoide (based on consolidated financial statements)

For the interim period ended March 31, 2019 and 2018:

	Interim Period Ended March 31	
	3 Months	**3 Months**
	2019	**2018**
	$	**$**
Income statement		
Revenues	—	—
Total expenses	1,467,187	—
Net loss	1,459,745	—
Balance sheet		
Total assets	3,610,500	—
Total liabilities	2,200,598	—
Statement of cash flows		
Cash used in operating activities	(729,415)	—
Cash used in investing activities	(1,560,154)	—
Cash provided by financing activities	595,364	—

Results of Operations

During the first three months of 2019, the total expenses of the Company of $1,467,187 consist of $1,304,311 relating to Terrace, $148,865 relating to Oransur and $14,011 relating to Pharmabinoide.

Terrace incurred total expenses of $1,304,311 comprising of primarily referral commission of $909,380 which relates to the costs to acquire Pharmabinoide, professional fees of $241,042 consisting of primarily legal and professional fees incurred for share issuances and related to acquisition of Pharmabinoide, advisory fee of $85,533, travel expenses of $40,217 which primarily relating to multiple visits to the site in Spain for the acquisition of Pharmabinoide and insurance expenses of $9,321.

Oransur incurred total expenses of $148,865 comprising of mainly pre-operational agriculture cost of $59,810 which are research expenses incurred in cultivating hemp plants for experimental and research purposes, professional fees of $21,911, salaries of $11,572 related to the employees hired for the experimental cultivation of hemp plants, depreciation expenses of $6,535 related to the property and equipment and other expenses of $49,037 which represent general and administration expenses.

Similar to Oransur, Pharmabinoide is mainly in an early operational stage and therefore unable to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

Effective from February 14, 2019, the date of acquisition, Pharmabinoide incurred total expenses of $14,011, comprising primarily of professional fees of $6,980 and pre-operational agriculture cost of $5,009 which are research expenses incurred in cultivating dry flowers for experimental and research purposes.

Financial Position

As at March 31, 2019, the Company had total assets of $3,610,500, of which $2,661,059 related to Terrace, $631,888 related to Oransur and $333,387 related to Pharmabinoide.

Terrace had cash of $982,643, due from related parties of $927,334 which represents loan provided to Inception, prepaid expenses of $28,386 related to prepaid insurance and legal retainers, interest receivable of $9,621 and goodwill of $697,242 arising from the acquisition of Pharmabinoide.

Oransur had cash of $3,132, advance payments to suppliers of $106,805, prepaid expenses of $57,838 related to prepaid insurance and retainer for professional fees, fixed assets of $438,027 and right of use assets of $26,086 (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Pharmabinoide had cash of $46,761, other receivable of $34,486 which related to the value added tax paid to vendors, recoverable from the government, advance payments to suppliers of $217,595, and fixed assets of $3,290 and right of use asset of $29,304 (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

The Company had total liabilities of $2,200,598, of which $861,867 related to Terrace, $930,077 related to Oransur and $408,654 related to Pharmabinoide.

Terrace had accounts payable of $861,867. Accounts payable included $50,945 payable to the officers of the Terrace for advisory and consulting services, prior outstanding balance of legal fees and outstanding finder's fees charged for acquisition of Pharmabinoide.

Oransur had amounts due to related parties of $827,918 representing the balance owing to Inception, these advances are short term, unsecured and interest free. In addition, the liabilities include accrued and other liabilities of $72,899, which relate to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above and $29,260 related to the future lease obligations (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Pharmabinoide had advances from customers in the amount of $316,242, accrued and other liabilities of $74,172, which relate to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above and $18,239 related to the future lease obligations (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Liquidity and Capital Resources

During the quarter ended March 31, 2019, the Company had negative cash flows of $729,415 from operations mainly because of expenses incurred during the period and partly offset by increases in accounts payable. The main cause of the increase in negative operating cash flows is due to the finder's fee incurred during the acquisition of the Pharmabinoide.

Cash used by the Company in investing activities amounted to $1,560,154, mainly consisting of $497,073 from a related party, which represents the loan advance to Inception from Terrace, purchase consideration for the acquisition Pharmabinoide of $626,832 and purchase of fixed assets of $420,592 by Oransur, however these assets were not yet used therefore have not been depreciated.

For the three months ended March 31, 2019, cash provided by financing activities was $595,364. This was primarily from a non-brokered private placement conducted by Terrace during this period and also includes $410,933 due to related parties, which was advanced to Oransur from Inception. Due to accounting policies, the amounts due from and to Inception cannot be offset and hence have been disclosed separately within investing and financing activities. However, as a consolidated entity (being Terrace and Oransur) the net cash inflow for the amounts owing from Inception would be $86,140.

Summarized Quarterly Information – Terrace, Oransur, Pharmabinoide and Terra Nova (based on consolidated financial statements)

For the interim period ended June 30, 2019 and 2018:

	Interim Period Ended June 30			
	3 Months 2019	3 Months 2018	6 Months 2019	6 Months 2018
	$	$	$	$
Income statement				
Changes in fair value of biological assets	64,463	—	64,463	—
Production costs	(69,612)	—	(69,612)	—
Gross margin	(5,149)	—	(5,149)	—
Total expenses	454,138		1,936,094	
Net loss	(453,790)		(1,928,304)	
Balance sheet				
Total assets			7,975,848	—
Total liabilities			3,277,013	—
Statement of cash flows				
Cash used in operating activities			(1,236,531)	—
Cash used in investing activities			(1,912,009)	—
Cash provided by financing activities			3,302,890	—

Results of Operations – three months ended June 30, 2019

During the three months ended June 30, 2019, the total expenses of the Company were $454,138, consisting of $216,618 relating to Terrace, $187,994 relating to Oransur, $29,713 relating to Pharmabinoide and $19,939 relating to Terra Nova.

Terrace incurred total expenses of $216,618 comprising of mainly professional fees of $133,686 primarily legal and professional fee incurred for share issuances and related to the acquisition of Terra Nova, advisory fees of $46,972, filing expenses of $14,929 which primarily related to the acquisition of Terra Nova and insurance expenses of $9,321.

Oransur incurred total expenses of $187,994 comprising of mainly pre-operational agriculture cost of $67,168 which represent research expenses incurred in cultivating hemp plants for experimental and research purposes, professional fees of $76,748, salaries of $8,258 related to the employees hired for the experimental cultivation of hemp plants, depreciation expenses of $10,807 related to the property and equipment and other expenses of $25,013 which represent general and administration expenses.

Similar to Oransur, Pharmabinoide is mainly in a pre-operative stage and is not therefore able to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

Pharmabinoide expenses mainly comprised of professional fees of $29,430, production costs of $69,612 and change in fair value of biological assets of $(64,643).

Terra Nova aims to cultivate, import and export medical cannabis from its facilities in Portugal. Terra Nova is mainly in an early operational stage and is therefore unable to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

Effective from May 17, 2019, the date of acquisition, Terra Nova incurred total expenses of $20,240, comprising of mainly depreciation expenses of $2,325 related to the property and equipment, professional fees of $13,127 and other expenses of $4,487 which represent general and administration expenses.

Results of Operations – six months ended June 30, 2019

During the six months ended June 30, 2019, the Company incurred total expenses of $1,936,094, consisting of $1,520,929 relating to Terrace, $336,859 relating to Oransur, $58,367 relating to Pharmabinoide and $19,939 relating to Terra Nova.

Terrace incurred total expenses of $1,520,929 comprising of mainly referral commission of $909,380 which related to the costs to acquire Pharmabinoide, professional fees of $374,728, primarily legal and professional fee incurred for share issuances and related to acquisition of Pharmabinoide and Terra Nova, advisory fees of $132,505, filing expenses of $20,029, which primarily relating to the acquisition of Pharmabinoide and Terra Nova, and insurance expenses of $18,642.

Oransur incurred total expenses of $336,859 comprising of mainly pre-operational agriculture cost of $126,978 consisting of research expenses incurred in cultivating hemp plants for experimental and research purposes, professional fees of $98,659, salaries of $19,830 related to the employees hired for the experimental cultivation of hemp plants, depreciation expenses of $17,342 related to the property and equipment and other expenses of $74,050 which represent general and administration expenses.

Pharmabinoide is mainly in an early operational stage and is therefore unable to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

Effective from February 14, 2019, the date of acquisition, Pharmabinoide incurred total expenses of $58,367, comprising of mainly of change in fair value of biological assets recognized as income amounting to $ 64,463 and incurred production costs of $69,612, professional fees of $36,410, preoperational agricultural cost of $5,009.

Terra Nova aims to cultivate, import and export medical cannabis. Terra Nova is mainly in an early operational stage so and is therefore unable to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth. The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

Effective from May 17, 2019, the date of acquisition, Terra Nova incurred total expenses of $20,240, comprising of mainly depreciation expenses of $2,325 related to the property and equipment, professional fees of $13,127 and other expenses of $4,487 which represent general and administration expenses.

Financial Position

As at June 30, 2019, the Company had total assets of $7,975,848, of which $6,545,606 related to Terrace, $596,933 related to Oransur, $427,502 related to Pharmabinoide and $147,693 related to Terra Nova.

Terrace had cash of $2,855,731, restricted cash of $420,000, due from related parties of $1,310,463 which represents the loan provided to Inception, prepaid expenses of $19,065 related to prepaid insurance and legal retainers, interest receivables of $23,004 and goodwill of $2,179,845 arising from the acquisition of Pharmabinoide.

Oransur had cash of $2,032, advance payments to suppliers of $19,742, prepaid expenses of $91,426 related to prepaid insurance and retainer for professional fees, fixed assets, net book value, of $462,943 and right of use assets of $20,790 (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Pharmabinoide had cash of $11,886, other receivables of $24,080 which related to the value added tax paid to vendors which is recoverable from the government, advance payments to suppliers of $215,927, fixed assets, net book value, of $2,985 and right of use assets of $65,689 (due to adoption of IFRS 16 – leases applicable from January 1, 2019), biological assets of $63,843 and inventory of $43,092.

Terra Nova had cash of $11,442, other receivables of $18,793 which related to the value added tax paid to vendors which is recoverable from the government, advance payments to suppliers of $1,786, and right of use assets of $115,672 (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

The Company had total liabilities of $3,269,234, of which $1,276,476 related to Terrace, $1,079,511 related to Oransur, $528,475 related to Pharmabinoide and $384,770 related to Terra Nova.

Terrace had accounts payable equal to $856,476 and $420,000 from subscription receipts currently held in escrow. Accounts payable included $10,055 payable to the officers of the Terrace for advisory and consulting services, prior outstanding balance of legal fees and outstanding finder's fee charged for acquisition of Pharmabinoide.

Oransur had amounts due to related parties of $1,038,328 which represents the balance owing to Inception, these amounts are short term, unsecured and interest free. In addition, the liabilities include accrued and other liabilities of $21,775, which relate to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above and $19,408 related to the future lease obligations (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Pharmabinoide had advances from customers in the amount of $313,818, accrued and other liabilities of $181,872, which relate to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above and $67,985 related to the future lease obligations (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Terra Nova had accrued and other liabilities of $126,276, which relate to the outstanding balance to be paid to vendors related to the pre-operational agricultural expense as explained above, $154,923 payable to a related party and $116,290 related to the future lease obligations (due to adoption of IFRS 16 – leases applicable from January 1, 2019).

Liquidity and Capital Resources

The Company is completing an asset liability management policy. The Company's objective will be to ensure the availability of adequate funds by maintaining a strong liquidity management framework and to satisfy all applicable regulatory and statutory requirements. Currently, the Company has raised funds through equity financing and intends to conduct additional financing through equity and debt instruments to facilitate the operations of the Company and its subsidiaries.

During the quarter ended June 30, 2019, the Company had negative cash flows of $1,236,531 from operations due to expenses incurred during the period and partly offset by increases in accounts payable. The main cause of increase in negative operating cash flows is due to the finder's fee and related professional fees incurred during the acquisition of the Pharmabinoide.

Cash used by the Company in investing activities amounted to $1,912,009, mainly consisting of $810,535 from a related party, which represents the loan advanced to Inception from Terrace, purchase consideration for business combination of $622,584 (acquisition of Pharmabinoide and cash acquired from Terra Nova) and the purchase of fixed assets of $453,471 by Oransur, which assets were put in use during the three months ended June 30, 2019 and lease repayments of $25,419.

Cash provided by financing activities was $3,302,890. This mainly due to private placements conducted by Terrace during the current period and subscription receipts in advance. Additionally, it includes $618,459 due to related parties, which is advanced to Oransur from Inception. Due to accounting policies, the amounts due from and to Inception cannot be offset and hence have been disclosed separately within investing and financing activities.

Off-Balance Sheet Arrangements

The entities have no off-Balance Sheet arrangements as at the date of this report.

Related Party Transactions and Balances

Transactions are considered to be related party transactions if management has the ability to exercise significant influence through its ownership of shares and presence on the board of directors. Transactions with related parties are in the normal course of business and are recorded at the fair value which approximates to consideration established and agreed to by the related parties.

"**Related Parties**" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Advisory fees for the three and six months ended June 30, 2019 includes $46,972 and $132,505, respectively, incurred to certain directors and officers of the Company (being Francisco Ortiz von Bismark, Michael Galego and Leon Dadoun) who provided advisory and consulting services. Of the above amount, $10,055 was outstanding and included in accounts payable, as at June 30, 2019 (December 31, 2018: $18,642).

On August 30, 2018, the Company entered into the Call Option Agreement with Inception (being an entity owned and controlled by Francisco Ortiz von Bismarck) pursuant to which the Company has the right to acquire all of the issued and outstanding shares of Oransur (the "**Oransur Shares**") and Faises (the "**Faises Shares**") held by Inception presently or after acquired by Inception, such Oransur Shares being all of the issued and outstanding shares in the capital of Oransur and such Faises Shares currently being 33.75% of the issued and outstanding shares in the capital of Faises. The call option price is $10,000. The Call Option Agreement was amended on June 28, 2019.

In connection with the Call Option Agreement, the Company entered into a secured loan agreement as of August 30, 2018 in the amount of up to $4,500,000 with Inception, as borrower, bearing an interest rate of five (5%) percent per annum. Security for this agreement are the Oransur Shares and Faises Shares owned by Inception. As at June 30, 2019, the Company has not exercised the above call option and $1,240,796 (December 31, 2018: $430,261) has been advanced to Inception and interest receivable of $23,004 (December 31, 2018: $1,749) is due from Inception. The interest income earned from Inception for the three and six months ended June 30, 2019 is $13,383 and $21,257 respectively. The loan receivable from Inception is due on demand.

As at June 30, 2019, balances payable from Oransur to Inception amount to $1,038,328 (USD $793,404) (December 31, 2018: $416,985 (USD $305,663)). These advances are short term, unsecured, interest free and repayable on demand and were used to fund the operations of Oransur.

As at June 30, 2019, balance due payable from Terra Nova to an entity owned and controlled by a director and shareholder of the Company (Michael Galego), amounts to $154,923 (EUR104,066). These advances are short term, unsecured, interest free and repayable on demand and were used to fund the operations of Terra Nova.

Critical Accounting Estimates, Assumptions and Judgements

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management's critical estimates and judgments:

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These condensed interim consolidated and consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

Business Combination

Pharmabinoide

On February 11, 2019, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of Pharmabinoide, a licensed producer of hemp in Spain. The acquisition cost for the transaction was $636,760 (€400,000) which was paid upon closing on February 14, 2019.

On February 12, 2019, the Company entered into a finder fee agreement ("Finder Fee **Agreement**") with Taskmaster Corp. ("**Taskmaster**") whereby Taskmaster introduced the Company to Pharmabinoide for the purpose of entering into negotiations with respect to potential acquisition of Pharmabinoide. The compensation for the finder's fee is $936,700 (€600,000) of which $156,100 (€100,000) was paid upon the closing of the share purchase agreement. As at June 30, 2019, included in accounts payable, are amounts due to Taskmaster $750,100 (€500,000) payable upon the earlier of the closing of the Proposed Transaction and six months from the date of Finder Fee Agreement. The amount is overdue as at the date of the approval of these condensed interim consolidated financial statements, however, Taskmaster has informally agreed to defer the receipt of the payment of the outstanding balance after the reverse takeover transaction without any penalty.

The fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

	$
Cash	8,295
Other receivables	36,049
Advance payment to suppliers	217,497
Inventory	42,075
Equipment	3,444
Right-of-use assets	53,920
Other asset	1,949
Advances from customers	(316,100)
Accrued and other liabilities	(42,108)
Lease liability	(57,673)
Provisions	(61,893)
Net liabilities assumed	**(114,545)**

Goodwill was recognized as a result of the acquisition as follows:

	$
Total consideration	636,760
Add: Net liabilities assumed	114,545
Unallocated goodwill	**751,305**

Terra Nova

On May 17, 2019, Terrace entered into a share purchase agreement with Apolo Capital Advisory Corp. in connection with the sale of Terra Nova to Terrace in exchange for the issuance of 5,000,000 Terrace Common Shares at a recent private placement price of $0.25 per share, valued at $1,250,000. Terra Nova owns a subsidiary in Portugal which has applied for a license to cultivate, import and export medical cannabis.

The fair value of identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

	$
Cash	5,881
Advances to suppliers	1,812
Other receivables	11,758
Right-of-use assets	119,687
Accrued and other liabilities	(106,560)
Due to related party	(145,088)
Lease liability	(120,092)
Net liabilities assumed	**(232,602)**

Goodwill was recognized as a result of the acquisition as follows:

	$
Total consideration	1,250,000
Add: Net liabilities assumed	232,602
Unallocated goodwill	**1,482,602**

Controls and Procedures

Evaluation of disclosure controls and procedures:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("**ICFR**") as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). At June 30, 2019, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under NI 52-109. At June 30, 2019, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR. No such changes were identified through their evaluation.

Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board of directors of the Company mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

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 maximum credit exposure is the carrying amount of cash and cash equivalents. The cash consist mainly of checking and operating accounts. The Company does not have significant credit risk with respect to customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

Currency Risk
The operating results and financial position of the Company are reported in Canadian dollars. Some of the Company's affiliates financial 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 has no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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 does not have significant exposure to interest rate risk.

Accounting Standards Pronouncements

Adoption of New IFRS Standards in 2018

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

Adoption of New IFRS Standards in 2018 and 2019

IFRS 9: Financial Instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“**AC**”), fair value through other comprehensive income (“**FVTOCI**”) and fair value through profit & loss (“**FVTPL**”). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 15: Revenue from Contracts with Customers:

IFRS 15 – Revenue from Contracts with Customers (“**IFRS 15**”) supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

IFRS 16: Leases

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted.

Changes in accounting standards not yet effective

Insurance Contracts

In May 2017, the International Accounting Standards Board ("**IASB**") issued IFRS 17 - Insurance Contracts ("**IFRS 17**"), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The shareholders do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

We anticipate that our fixed costs made up of legal & accounting and general & administrative expenses for the next twelve months will total approximately $750,000. The Company anticipates that in order to satisfy its cash requirements for the next twelve months with its cash balances and if needed an additional loan from its shareholders. However, completion of the Company's plan of operations is subject to attaining adequate revenue and adequate financing. In the absence of projected revenues, the Company may be unable to proceed with its plan of operations. Even without adequate revenues within the next twelve months, the Company still anticipates being able to continue with its present activities, but may require financing to achieve its growth plans.

ORANSUR, S.A.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

(IN UNITED STATES DOLLARS, UNLESS OTHERWISE NOTED)

ORANSUR, S.A.
FINANCIAL STATEMENTS

JUNE 30, 2018 AND JUNE 30, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of Oransur, S.A.:

The accompanying financial statements and other financial information in this annual report were prepared by management of Oransur, S.A. (the "**Company**"), reviewed by the Sole Director and approved by the Shareholders Meeting.

Management is responsible for the financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, MNP LLP, and their report is presented herein.

November 6, 2019

"*Francisco Ortiz von Bismarck*" (Signed)
Director

Independent Auditors' Report

To the Shareholders of Oransur S.A:

We have audited the accompanying financial statements of Oransur S.A, which comprise the statement of financial position as at June 30, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oransur S.A as at June 30, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter

The financial statements for the years ended June 30, 2017 and 2016 are unaudited.

MNP LLP

Toronto, Ontario
November 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

ORANSUR S.A.
Statements of Financial Position
At June 30, 2018, 2017 and 2016
(In United States Dollars unless otherwise noted)

	Notes	As at June 30, 2018	As at June 30, 2017 (unaudited)	As at June 30, 2016 (unaudited)
		US$	US$	US$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	-	99	99
Other receivables	7	902	-	-
Total current assets		**902**	**99**	99
TOTAL ASSETS		**902**	**99**	99
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other payables	8	9,562	-	-
Total current liabilities		**9,562**	**-**	**-**
TOTAL LIABILITIES		**9,562**	**-**	**-**
SHAREHOLDERS' DEFICIT				
Share capital	13	1,176	1.176	1.176
Deficit		(9,836)	(1,077)	(1,077)
Total shareholders' deficit		**(8,660)**	**99**	**99**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**902**	**99**	**99**

Approved on behalf of the Sole Director

"*Francisco Ortiz*" (Signed)
Director

The accompanying notes are an integral part of these financial statements

Nature of operations and going concern (Note 1)
Commitments and Contingencies (Note 17)
Subsequent event (Note 18)

ORANSUR S.A.
Statements of Loss and Comprehensive Loss
For the years ended June 30, 2018 and 2017
(In United States Dollars unless otherwise noted)

	Notes	Year ended June 30, 2018	Year ended June 30, 2017 (unaudited)
		US$	**US$**
Expenses:			
General and administrative	9	(4,589)	-
Pre-operational agricultural cost		(4,170)	
		(8,759)	**-**
Loss from operations		**(8,759)**	**-**
Loss before income taxes		**(8,759)**	**-**
Income tax benefit / (expense)	3.4, 4.1 and 10	-	-
Net loss and comprehensive loss		**(8,759)**	**-**
Loss per share – basic anddiluted		**(0.2539)**	**-**
Weighted Average number of common shares – basic and diluted		**34,500**	**34,500**

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

ORANSUR S.A.
Statements of Changes in Shareholders' Equity
For the years ended June 30, 2018, 2017 and 2016
(In United States Dollars unless otherwise noted)

	Notes	Share capital	Deficit	Total
Balances as at July 1, 2015	13	**1,176**	**(1,077)**	**99**
Net loss for the year		-	-	-
Balances as at June 30, 2016	13	**1,176**	**(1,077)**	**99**
Balances as at July 1, 2016	13	**1,176**	**(1,077)**	**99**
Net loss for the year		-	-	-
Balances as at June 30, 2017	13	**1,176**	**(1,077)**	**99**
Balances as at July 1, 2017	13	**1,176**	**(1,077)**	**99**
Net loss for the year		-	(8,759)	(8,759)
Balances as at June 30, 2018	13	**1,176**	**(9,836)**	**(8,660)**

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

ORANSUR S.A.
Statements of Cash Flows
For the years ended June 30, 2018 and 2017
(In United States Dollars unless otherwise noted)

	Notes	Year ended June 30, 2018	Year ended June 30, 2017 (unaudited)
Cash flows from operating activities:			
Net loss for the year:		(8,759)	-
Changes in operating assets and liabilities:			
Increase in other receivables		(902)	-
Net cash used in operating activities		**(9,661)**	**-**
Cash flows from financing activities:			
Account payable and other payable	8	9,562	-
Net cash generated from financing activities		**9,562**	**-**
Net decrease in cash and cash equivalents		**(99)**	**-**
Cash and cash equivalents at beginning of the year		99	99
Cash and cash equivalents at end of the year	6	**-**	**99**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Oransur was incorporated on September 26, 2014 with its head office located in Montevideo, Uruguay. Oransur is a company duly incorporated and is validly existing under the laws of Uruguay. Oransur is engaged in the production and selling of hemp and its derivatives in Uruguay and is the holder of an industrial hemp license in Uruguay granted by the Ministry of Livestock, Agriculture and Fishery. The current hemp license expires in October 2020. Oransur may apply to the governing authority at any time for an increase of the intended production, as well as for the renewal of the license.

Going concern

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at June 30, 2018 and June 30, 2017, the Company has incurred an accumulated deficit of $9.836 and $1.077, respectively. For the year ended June 30, 2018 and June 30, 2017, the Company has net loss of $ 8.759 and $nil, respectively. The Company anticipates additional debt and/or equity financing in order to fully develop its business and comply with statutory requirements.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the statement of financial position. Such differences in amounts could be material.

2. BASIS OF PREPERATION

2.1. Statement of compliance

The company adopted International Financial Reporting Standards ("**IFRS**") effective July 1, 2016. The Company applied IFRS 1 First-time Adoption of International Financial Reporting Standards, in making the transition to IFRS. IFRS 1 requires that all IFRS standards and interpretations that are effective as of the first IFRS statement, be applied consistently and retrospectively for all years presented.

2. BASIS OF PREPERATION (continued)

2.1. Statement of compliance (continued)

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These financial statements were approved and authorized for issue by the Board of Directors of the Company on November 6, 2019.

2.2. Basis of measurement

These financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies.
Functional and presentation currency

The financial statements are presented in United States dollars ("USD"), which is the functional currency of the company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months of less.

3.2. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit or Loss ("**FVTPL**"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("**AC**"),

b) fair value through profit or loss, and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement (continued)

c) fair value through other comprehensive income ("**FVTOCI**").

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are

measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

3.2. Financial instruments

Impairment of financial instruments

For accounts receivable, trade, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.4. Income taxes

The income tax payable is based on taxable income (loss) for the year. Taxable income differs from "income (loss) before taxes" as reported in the statement of Operations and because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the combined financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3.5. Share issuance costs

Share issuance costs attributable to the raising of capital are charged against the related share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Equity

Common shares are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares issuances are deducted from the proceeds of the offering. Proceeds from unit offerings are allocated to shares.

3.7. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.8. Related party transaction

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

3.9. Biological assets

The Company's biological assets consist of hemp plants and are valued using the income approach. Production costs are capitalized to biological assets and include all direct and indirect costs relating to biological transformation. The Company measures and adjusts the biological assets to the fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the period are included in the results of operations for the related period.

The company is currently cultivating hemp plants for experimental and own research purposes. As the Company is currently in the process of constructing its processing facilities, the potential sales value of material being grown and harvested hemp is expected to be nominal and costs are expensed.

3.10. Adoption of new IFRS standards

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("**IAS 39**").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Adoption of new IFRS standards (continued)

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

<u>IFRS 9: Financial Instruments</u>

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from incorporation date.

<u>IFRS 15: Revenue from Contracts with Customers</u>

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from incorporation date.

3.11 Changes in accounting standards not yet effective

<u>IFRS 16: Leases</u>

In January 2016, the IASB issued IFRS 16 – Leases ("**IFRS 16**"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant

3.11 Changes in accounting standards not yet effective (continued)

IFRS 16: Leases **(continued)**

changes to the accounting by lessees, introducing a single, on statement of financial position accounting model that is similar to current finance lease accounting, with limited exceptions for short term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.
IFRS 16 is expected to have a material impact on the Company's Statement of Financial Position, with the addition of approximately $23,000 of lease liabilities and right-of-use assets. Lease-related expenses will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. IFRS 16 will also change the presentation of cash flows relating to leases in the Company's Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The 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 if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

4.1. Valuation of deferred income tax assets

The Company assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Company considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1. Financial instruments

The Company has classified its cash and cash equivalents as fair value through the statements of loss and comprehensive loss and other receivables as loans and receivables, and accounts payable and other payables as other financial liabilities.
The carrying values of other receivables, and accounts payable and other payables approximate their fair values due to their short periods to maturity.

5.2. Financial risk management

The Company's activities are exposed to a variety of financial risks in the normal course of business. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the Company's capital costs by using suitable means of financing and to manage and control the Company's financial risks effectively.

(In United States Dollars unless otherwise noted)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2. Financial risk management (continued)

The principal financial risks arising from financial instruments are liquidity risk, credit risk, and capital risk.

a) Liquidity risk

As at June 30, 2018, the Company's financial liabilities consist of accounts payable and other payables, which have contractual maturity dates within one year, with the exception of the long term portion of accounts payable and other payables. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. The Company's cash balance at June 30, 2018, is $nil.

b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposure to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Counterparties in cash transactions are limited to first-rate financial credit institutions.

As of June 30, 2018, the Company's management considers that the Company's other receivables do not have non-collectable accounts because they do not have credit risk.

c) Capital risk management

The capital of the Company includes shareholders' equity there is a deficit of $ 8,660 which is comprised of issued share capital and deficit. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. The Company is not subject to externally imposed capital requirements.

6. CASH AND CASH EQUIVALENTS

	As at June 30, 2018	**As at June 30, 2018**	**As at June 30, 2018**
Cash	**-**	**99**	**99**

(In United States Dollars unless otherwise noted)

7. OTHER RECEIVABLES

This account comprises:

	As at June 30, 2018	As at June 30, 2018	As at June 30, 2018
Value added tax (VAT)	**902**	**-**	**-**

8. RELATED-PARTIES TRANSACTIONS

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

Advances from shareholder of $9,562, outstanding as at June 30, 2018 (June 30, 2017 - $nil and June 30, 2016 - $nil) are unsecured, interest free and with no repayable date to the sole shareholder.

	Year ended June 30, 2018	Year ended June 30, 2017	Year ended June 30, 2016
Current			
Loan with shareholder	9,562	-	-
	9,562	**-**	**-**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended June 30, 2018	Year ended June 30, 2017
Professional fees	3,327	-
Office expenses	262	-
Transportation	110	-
Other	890	-
	4,589	**-**

10. INCOME TAX

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals.

(In United States Dollars unless otherwise noted)

10. INCOME TAX (continued)

The corporation has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized.

The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and liabilities.

The following table reconciles the amount of income tax expense, recoverable and valuation on the application of the combined statutory income tax rates:

	Year ended June 30, 2018	**Year ended June 30, 2017**
Combined statutory tax rates	**25%**	**25%**
Income tax recovery at combined statutory rates	(2,190)	-
Non-deductible expenses and other	1,105	-
Change in unrecognized deferred tax assets	1,085	-
Income tax expense	**-**	**-**

The tax rate used is the Uruguayan rate for the Corporate Income tax.

Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	Year ended June 30, 2018	**Year ended June 30, 2017**
Non-capital and capital loss carry-forwards	4,341	1,077
Total deferred tax assets	1,085	-
Unrecognized deferred tax assets	(1,085)	-
Net deferred tax assets	**-**	**-**

10. INCOME TAX (continued)

The tax losses carried forward will expire in five years (2023). Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(In United States Dollars unless otherwise noted)

11. CONTRACTS AND LICENSES

11.1. Hemp license

On December 14, 2017, the Agricultural Services General Directorate of the Ministry of Livestock, Agriculture and Fishery of Uruguay issued its Resolution N°129 authorizing Oransur for the planting of seeds of hemp, harvesting of grains and inflorescences planted, and conditioning of the grains harvested. The license is for a term of 360 days and has since been renewed until October 2020.

12. SEGMENT INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At June 30, 2018 and 2017, the Company's operations comprise a single reporting unit engaged in its own cultivation and development of hemp assets in Uruguay.

13. SHARE CAPITAL

The Company is authorized to issue 115,000 number of common shares. As at June 30, 2018, the Company has issued 34,500 common shares at the face value of 1 Uruguayan $ per Share.

COMMON SHARES	**Number of shares**	**US$**
Balance as at June 30, 2016	**34,500**	**1,176**
Balance as at June 30, 2017	**34,500**	**1,176**
Balance as at June 30, 2018	**34,500**	**1,176**

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The shareholder has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholder's equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. As at June 30, 2018 the capital was a deficit of $8,660 (June 30, 2017 - $99).

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management

(In United States Dollars unless otherwise noted)

14. CAPITAL MANAGEMENT (continued)

approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

15. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to the company by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	Year ended June 30, 2018	**Year ended June 30, 2017**
Net loss for the year	(8,759)	-
Basic and diluted:		
Weighted average number of common shares outstanding	34,500	34,500
Basic and diluted loss per share	**(0.2539)**	**-**

16. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash and due to related parties.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs.

(In United States Dollars unless otherwise noted)

16. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				**Fair values**
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
June 30, 2018	**$**	**$**	**$**	**$**	**$**
Cash	**—**	**—**	**—**	**—**	**—**
	—	**—**	**—**	**—**	**—**
June 30, 2017	**$**	**$**	**$**	**$**	**$**
Cash	99	—	—	99	99
	99	—	—	99	99
June 30, 2016	**$**	**$**	**$**	**$**	**$**
Cash	99	—	—	99	99
	99	—	—	99	99

	Carrying values			**Fair values**
Financial liabilities	**FVTPL**	**AC**	**Total**	**Total**
June 30, 2018	**$**	**$**	**$**	**$**
Due to related parties	**9.562**	**—**	**9.562**	**9.562**
	9.562	**—**	**9.562**	**9.562**
June 30, 2017	**$**	**$**	**$**	**$**
Due to related parties	—	**—**	—	—
	—	—	—	—
June 30, 2016	**$**	**$**	**$**	**$**
Due to related parties	—	**—**	—	—
	—	—	—	—

16. FINANCIAL RISK FACTORS (continued)

(a) Fair Value (continued)

The Company is exposed to credit risk, currency risk, liquidity risk and interest rate risk. The Company's management oversees the management of these risks. The Company`s management is supported by the Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and receivables.

(c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The presentation currency of the Company is the United States dollar while the Company's functional currency is Uruguayan Peso. This gives rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company mitigates its risk to fluctuations in the Uruguayan Peso by maintaining low cash balances in Uruguayan Peso.

(d) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had current assets of $902 (June 30, 2017 - $99) and current liabilities of $9,562 (June 30, 2017). All of the Company's financial liabilities and receivables are subject to normal trade terms. Working capital as at June 30, 2018 is -$8,660 (June 30, 2017 – $99).

(e) 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. The Company is not exposed to interest rate risk as it has no interest-bearing debt.

17. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As of June 30, 2018, Oransur has $nil commitments.

(b) Contingencies

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At June 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

18. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the financial statements were issued, as follows:

On August 30, 2018, Terrace Inc. ("**Terrace**"), a Canadian incorporated company, entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby Terrace has an option to acquire all of the outstanding shares of Oransur from Inception Investment Corp ("**Inception**"), the sole shareholder of Oransur.

On September 13, 2018, a land lease agreement with a non-related party was signed for the period of August 1, 2018 to July 31, 2020. The lease is for 83 hectares of agricultural land in Uruguay with an annual lease payment of $15,450.

On October 8, 2018, Oransur entered into a letter of intent with Parque de las Ciencias S.A. to lease 259 square meters to build a hemp extraction lab. On August 21, 2019, this letter was replaced by a new agreement with the same counterparty stating a lease of 460.43 square meters for storage and 50 square meters of office space for a monthly fee of $8,200 from August 31, 2019.

Management's Discussion and Analysis

(MD&A)

ORANSUR, S.A.

(Expressed in United States Dollars)

Dated – November 6, 2019

General

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Oransur, S.A. ("**ORANSUR**" or the "**Company**") with an effective date of November 6, 2019. Throughout this MD&A, unless otherwise specified, "Oransur", "the Company", "we", "us" or "our" refer to ORANSUR. This MD&A should be read in conjunction with the unaudited interim financial statements of the Company and notes thereto for the year ended June 30, 2018 (the "**Financial Statements**"). In preparing this MD&A, we have taken into account information available to us up to November 6, 2019 unless otherwise stated.

The Financial Statements have been prepared by management in accordance International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The interim financial statements have been prepared by management in accordance with IAS 34 for Interim Financial Reporting. All amounts are expressed in U.S. dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with information included in the Financial Statements.

This MD&A contains commentary from the Company's management regarding the Company's strategy, operating results, financial position and outlook. Management is responsible for the accuracy, integrity, and objectivity of the MD&A, and develops, maintains and supports the necessary systems and controls to provide reasonable assurance as to the accuracy of the comments contained herein.

The Board of Directors provide an oversight role with respect to all public financial disclosures by the Company. The Board of Directors approves the Financial Statements and MD&A.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute "forward-looking information" and "forward-looking statements". All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions or the negative thereof, are forward-looking statements.

Forward-looking statements and information include, without limitation, the information concerning possible or assumed future results of operations of Oransur. These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Cautionary Statement Regarding Forward-Looking Statements (continued)

The forward-looking statements in this MD&A are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company’s ability to operate on a profitable basis. Oransur does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: limited operating history; regulatory compliance risks; change of cannabis laws, regulations and guidelines; reliance on licenses and authorizations; regulatory and civil proceedings; liability, enforcement, complaints, etc.; legal proceedings; demand for cannabis and derivative products; risks inherent in an agricultural business; product liability; product recalls; seasonality; energy prices and supply; supply of cannabis seeds; retention and acquisition of skilled personnel; managing growth; changes in corporate structure; risks inherent in Uruguayan rural real estate; emerging market risks; global economy; inflation in Uruguay; insurance coverage; ability to establish and maintain bank accounts; operations in Spanish; access to capital; foreign sales; estimates or judgments relating to critical accounting policies; tax risks; market for the common shares of Oransur; no history of payment of cash dividends; reporting issuer status; significant sales of common shares of Oransur; analyst coverage; and tax issues.

In addition to the factors set out above and those identified in under “Risks and Uncertainties”, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Oransur has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

Overview of the Company

Background

Oransur is a company duly incorporated and is validly existing under the laws of Uruguay, has all requisite corporate power and authority to carry on its business as now conducted and to own, lease or operate its properties and assets and no steps or proceedings have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up. The sole shareholder of Oransur is Inception Investment Corp. Oransur is engaged in the production and selling of hemp and its derivatives in Uruguay and is the holder of an industrial hemp license in Uruguay. Oransur leases farms across Uruguay to cultivate various crops with imported genetics. Oransur currently has a license, as granted by the Ministry of Livestock, Agriculture and Fishery, to cultivate in the variety cannabis sativa Futura 75 on 10 hectares of land located in Florida, Uruguay. The hemp license is for a period of 360 days; the current license expires in October 2020. The Ministry of Livestock, Agriculture and Fishery may suspend or revoke the hemp license should Oransur not comply with the approved plan and/or regulations in force in Uruguay. Oransur may apply to the Ministry of Livestock, Agriculture and Fishery at any time for the increase or change of the intended production, as well as for the renewal of the hemp license.

Discussion of Operations

As of the date of this MD&A, the Company operated on approximately 60 hectares of agricultural land in Uruguay.

The Company is currently focused on one operating segments: producing hemp.

- On December 6, 2017, a lease agreement was signed in the following terms:
    - **Term:** December 6, 2017 to May 30, 2018, subsequently renewed to October 2019 and ultimately to October 2020.
    - **Area:** 10 hectares
    - **Amount:** USD 2,180
- The Company made a small experimental plantation and nothing was harvested.

Summary of Financial Position

	June 30, 2018	June 30, 2017	June 30, 2016
Total current assets	902	99	99
Total current liabilities	9,562	-	-
Working capital	(8,660)	99	99
Biological assets	-	-	-
Non-current liabilities			-
Total shareholders' equity	(8,660)	99	99

Working capital for the year ended June 30, 2018 was financed by loans amounting to $9,562 made by the shareholder of the company.

Total current assets for the Company as at June 30, 2018 were $902, as compared to $99 of June 30, 2017 and 2016.

Summary of Quarterly Results

	June 30, 2018	June 30, 2017
Total revenue	nil	nil
Loss from continuing operations attributable to owners of the parent	(8,759)	-
Basic and diluted loss per-share	(0,25)	-

Total revenue remains unchanged at nil for the year ended June 30, 2018, 2017 and 2016.

For the year ended June 30, 2018, the Company's general and administrative expenses were $4,589, as compared to nil for the year ended June 30, 2017 and 2016. The increase was attributable to the commencement of operations.

For the year ended June 30, 2018, the Company's pre-operational agricultural costs were $4,170 as compared to nil for the year ended June 30, 2017 and 2016. The increase was attributable to the commencement of experimental operations.

Liquidity

The Company is mainly in a pre-operative stage so is not therefor able to generate sufficient amounts of cash and cash equivalents from operations in the short term to meet its planned growth.

The Company has funded its operations from the loans from the shareholder of the Company.

The Company's objectives are to grow revenue by commencing sales and entering new markets where lawful and to ensure that capital resources are readily available to meet obligations as they become due. Liquidity risk arises when the Company is challenged to fund its on-going operations through working capital or either the sale of equity or bank loans.

The main challenges the Company may face in generating sufficient amounts of cash and cash equivalents relate to successfully completing the setup of its facilities and increasing production.

Projected working capital requirements

According to the Company's projections, once the operations commence the annual working capital requirements for the hemp operations will be $300,000. Working capital requirements realized may differ from such estimates should the Company's production quantities, expenses or sales price or should certain macro-economic variables, such as exchange rates or Uruguayan or U.S. inflation differ from that expected by the Company.

Contractual Obligations and Commitments

As at June 30, 2018, all the payable are with the shareholder, and they have no due date.

Transactions between Related Parties

During the year ended in June 30, 2018, the balance owing to the previous sole shareholder (Romualdo Varela) increased from nil to $9.562.

Risks and Uncertainties

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

Subsequent Events to June 30, 2018

Subsequent to year end, the following events occurred:

- On August 30, 2018, Terrace Inc. ("**Terrace**"), a Canadian incorporated company, entered into a call option agreement, which was amended on June 28, 2019 (the "**Call Option Agreement**"), whereby Terrace has an option to acquire all of the outstanding shares of Oransur from Inception Investment Corp, the sole shareholder of Oransur.

- On September 13, 2018, a land lease agreement with a non-related party was signed for the period of August 1, 2018 to July 31, 2020. The lease is for 83 hectares of agricultural land in Uruguay with an annual lease payment of $15,450.

- On October 8, 2018, Oransur S.A. enter into a letter of intent with Parque de las Ciencias S.A. to lease 259 square meters to build a hemp extraction lab. On August 21, 2019, this letter was replaced by a new agreement with the same counterparty stating a lease of 460.43 square meters for storage and 50 square meters of office space for a monthly fee of $8,200 from August 31, 2019.

Approval

The Board of Directors of the Company has approved the disclosure in this MD&A.

PHARMABINOIDE, SL*

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED FROM FEBRUARY 9, 2018 (INCEPTION DATE) TO DECEMBER 31, 2018

(EXPRESSED IN UNITED STATES DOLLARS)

* On February 11, 2019, Pharmabinoide SL was acquired by Terrace Inc.

PHARMABINOIDE, SL
FINANCIAL STATEMENTS

DECEMBER 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholders of Pharmabinoide, SL:

The accompanying financial statements and other financial information in this annual report were prepared by management of Pharmabinoide, SL ("**Pharmabinoide**" or the "**Company**"), reviewed and approved by the sole director of the Company.

Management is responsible for the financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company's auditors, Moore Stephens Iberica de Auditoria, S.L.P., and their report is presented herein.

November 6, 2019

"D. Francisco Javier Gutierrez Rivas" (signed)
Director

Independent Auditor's Report

To the Shareholders of Pharmabinoide, S.L.,

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pharmabinoide, S.L. (the "**Company**"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from February 9, 2018 (date of incorporation) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the period from February 9, 2018 (date of incorporation) to December 31, 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Spain, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 of the financial statements, which indicates that at the year-end, as the equity is below half of the capital, the Company is in a situation of dissolution as per article 363 of the Companies Act, due to accumulated losses during 2018. Until the Company executes the purchase and sale agreement mentioned in this note and starts the business effectively, it will need the financial support of Terrace Inc. to fund the development of its business and to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information: Management's Discussion and Analysis (MD&A)

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A), but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

As per disclosed in note 2.1 of the financial statements, the financial framework applicable to the Company is the Royal Decree 1514/2007, 16th of November that approves the General Plan of Accounts in Spain. As the objective of these financial statements is to submit these financial statements to Canadian Securities Administrator ("**CSA**") for the purpose of the proposed reverse takeover transaction ("**RTO**"), the Company has issued these financial statements on International Financial Reporting Standards financial framework.

For this reason, the financial statements have not been prepared as per legal requirements and have been audited under International Standards on Auditing. This report could not be understood as an audit report in the terms foreseen in the audit regulation approved in Spain.

Fernando Fernández Ripoll
Moore Stephens Ibérica de Auditoria, S.L.P.
November 6, 2019

PHARMABINOIDE, SL
Statement of Financial Position
At December 31, 2018

	December 31 2018 $
ASSETS	
Current	
Cash	18,320
Other receivables	25,044
Inventory (Note 5)	32,142
Advances to suppliers (Note 11b)	166,148
	241,654
Equipment (Note 6)	2,727
Total assets	244,381
LIABILITIES	
Current	
Advances from customers (Note 11b)	266,847
Accrued and other liabilities	5,277
Provisions (Note 11c)	48,444
	320,568
Total liabilities	320,568
SHAREHOLDER'S DEFICIENCY	
Share Capital (Note 8)	3,683
Accumulated other comprehensive income	1,793
Accumulated deficit	(81,663)
Total deficiency	(76,187)
Total liabilities and shareholders' deficiency	244,381

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

Nature of operations (Note 1)
Commitments and contingencies (Note 11)

Approved and authorized on behalf of the Board of Directors

"D. Francisco Javier Gutierrez Rivas" (signed)
Director

PHARMABINOIDE, SL
Statement of Loss and Comprehensive Loss
For the period from February 9, 2018 (Inception date) to December 31, 2018

	Period from February 9, 2018 (Inception date) to December 31 2018 $
Expenses	
Initial recognition and changes in fair value of Biological assets (Note 5)	(32,960)
Production cost	84,466
Gross Margin	51,506
General and administrative (Note 10)	29,118
Depreciation	737
Total expenses	81,361
Net loss from operations	(81,361)
Other expenses	
Interest expense	302
Total other expenses	302
Net loss	(81,663)
Foreign currency translation adjustment	1,793
Comprehensive loss	(79,870)
Loss per common share - basic and diluted	(27.15)
Weighted average number of common shares - basic and diluted	3,008

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

PHARMABINOIDE, SL
Statement of Changes in Shareholders' Equity
For the period from February 9, 2018 (Inception date) to December 31, 2018

	Common shares		Accumulated other comprehensive income	Accumulated deficit	Total
	Shares	Amount			
	#	$	$	$	$
As at February 9, 2018	—	—	—	—	—
Issuance of shares	3,008	3,683	—	—	**3,683**
Loss for the period	—	—	—	(81,663)	**(81,663)**
Foreign currency transalation	—	—	1,793	—	**1,793**
As at December 31, 2018	**3,008**	**3,683**	**1,793**	**(81,663)**	**(76,187)**

The accompanying notes are in integral part of these financial statements.

PHARMABINOIDE, SL
Statement of Cash Flows
For the period from February 9, 2018 (Inception date) to December 31, 2018

	Period from February 9, 2018 (Inception date) to December 31 2018 $
Operating activities	
Net loss for the period	(81,663)
Adjustments for items not affecting cash:	
Depreciation	737
Initial recognition and changes in fair value of biological assets	(32,960)
Provisions	49,678
Changes in working capital items:	
Short term investment	—
Other receivables	(25,682)
Advances to suppliers	(170,378)
Guarantee paid for rent contract	—
Accounts payables	273,641
Accrued and other liabilities	5,412
Cash provided by operating activities	18,785
Investing activities	
Cash used in investing activities	—
Net increase in cash	18,785
Cash and cash equivalents, beginning of period	—
Effect of foreign currency translation	(465)
Cash and cash equivalents, end of period	18,320

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

1. NATURE OF OPERATIONS

Pharmabinoide was incorporated on February 9, 2018 under the laws of Spain. The Company's operations primarily involve cultivation of spices, aromatic, medicinal and pharmaceutical plants. The registered address of the Company is Calle Mercado 12, Edificio Don Ángel 4º-C, 29601 Marbella, Málaga, Spain.

Going concern

These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2018, the Company has incurred an accumulated deficit of $81,663. The Company is in the process of raising debt and equity financing to fund its operations. Moreover, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

At the year end, as the equity is below half of the capital, the Company is in a situation of dissolution as per article 363 of the Companies Act. The Company has entered into a sale and purchase contract before the year end and commenced a new harvest of hemp in 2019 that will result in losses (refer to Note 11). The Company is exploring how to produce with profitability in the future. During 2019, the Company was acquired by Terrace Inc., who will financially support the Company when necessary.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The financial framework applicable to the Company is the Royal Decree 1514/2007, 16th of November that approves the General Plan of Accounts in Spain. As the objective of this financial statements is to submit these financial statements to Canadian Securities Administrator ("**CSA**") for the purpose of the proposed reverse takeover transaction ("**RTO**") as explained in Note 14 to the financial statements, the company has issued these financial statements on IFRS financial framework as per stated in the paragraph above.

These financial statements were approved and authorized for issue by the sole director of the Company on November 6, 2019.

2. BASIS OF PRESENTATION (continued)

2.2 Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The financial statements are presented in United States dollars (U.S.$) which is the presentation currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.2 Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

3.3 Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested hemp are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Biological assets

Biological assets

Biological assets are living plants managed by the Company for sale, as agricultural produce, or as biological assets. Biological assets include hemp crops, which are to be harvested as agricultural produce.

The Company distinguishes between consumable and bearer biological assets, and between mature and immature biological assets. ‘Consumable’ biological assets are those assets that may be harvested as agricultural produce or sold as biological assets. ‘Bearer’ biological assets are those assets capable of producing more than one harvest. ‘Mature’ biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets). ‘Immature’ biological assets are those biological assets other than mature biological assets. Consumable biological assets are classified as current or non-current depending on their period of maturity. Bearer biological assets are generally classified as non-current.

Expenses relating to the agricultural activity include planting, harvesting, weeding, seedlings, irrigation, agrochemicals, fertilizers and others. The Company elected to expense all such costs when incurred and include them within ‘Cost of production’ in the statement of profit or loss and other comprehensive income. Therefore, ‘Cost of production’ represents the costs expensed whilst the biological assets are growing.

Biological assets are measured at fair value less costs of disposal on initial recognition and at each statement of financial position date, except where fair value cannot be reliably measured.

Expected future sale prices for all biological assets are determined by reference to observable data in the relevant market. Costs expected to arise throughout the life of the biological assets are estimated based on statistical data.

The gain or loss arising from initial recognition of a biological asset at fair value less costs of disposal and from a change in fair value less costs of disposal of a biological asset is recognized in profit or loss in the period in which they are incurred.

3.5 Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

3.6 Taxation

The income tax payable is based on taxable income for the year. Taxable income differs from “income before taxes” as reported in the statement of Operations and because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Taxation (continued)

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the yearin which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in other comprehensive earnings or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive earnings or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3.7 Share issuance costs

Share issuance costs attributable to the raising of capital are charged against the related share capital.

3.8 Equity

Common shares and warrants are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares issuances are deducted from the proceeds of the offering. Proceeds from unit offerings are allocated between shares and warrants. The fair value of warrants issued has been determined by using the Black Scholes model and the balance has been allocated to shares.

3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

If the entity has a contract of an onerous nature, the present obligations that derive from it must be recognized and measured, in the financial statements, such as provisions. for the purpose to make provisions a contract of a onerous nature is defined as a contract in which the parties the unavoidable costs of complying with the obligations it entails, exceed the economic benefits expected from it. The unavoidable costs of the contract will reflect the lower net costs of resolving the same, or what is the same, the lower of the cost of complying with its clauses and the amount of the clauses, compensations or fines for non-compliance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Provisions (continued)

Before proceeding to set aside an independent provision on account of a contract for onerous character, the entity shall recognise any impairment losses. which correspond to the assets dedicated to fulfilling the obligations derived from the contract.

3.10 Basic Earnings per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares and series A preferred shares outstanding during the year, respectively. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

3.11 Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost;
b) fair value through profit or loss FVTPL; and
c) fair value through other comprehensive income.

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

Impairment of financial instruments

For accounts receivable, trade, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

3.12 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of non-financial assets (continued)

an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than it's carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

3.13 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight line basis over the lease term.

3.14 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Significant accounting judgments and estimates (continued)

The following area require management's critical estimates and judgments:

(a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

(b) Estimated useful lives and depreciation of equipment

Depreciation of equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgement. 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.

(c) Biological Assets

Biological assets are measured as per the policy explained in 3.4 of the financial statements. During 2018 expected future prices have been taken from the sale contracts signed by the company as the best estimation of the fair value.

The significant assumptions used in determining the fair value of hemp plants are as follows:

- Price of the fair value to measure the fair value; and
- Cost of sales incurred and estimates after the year end based on budgets and experience.

3.15 Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PE, less their estimated residual value, using the straight line method over the following expected useful lives:

- Equipment – 4 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Significant accounting judgments and estimates (continued)

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of income (loss).

Assets in process are transferred to the appropriate asset class when available for use and depreciation of the assets commences at that point of time.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

3.16 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss and comprehensive loss.

The results and financial position of the Company (none of which has the currency of a hyper-inflationary economy) that have a functional currency (Euro) different from the presentation currency (United States Dollar) are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new IFRS standards

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from inception date.

<u>IFRS 15: Revenue from Contracts with Customers:</u>

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Changes in accounting standards not yet effective

<u>IFRS 16: Leases ("IFRS 16"):</u>

In January 2016, the IASB issued IFRS 16 – Leases ("**IFRS 16**"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

5. BIOLOGICAL ASSETS AND TRANSFER TO INVENTORY

Biological assets and transfer to inventory, comprised entirely of live plants, are as follows:

	2018
	$
Beginning of the year	—
Initial recognition in fair value of biological assets	32,960
Decrease due to harvest transfer to inventory	(32,960)
End of the year Biological Assets	—
End of the year inventory	**32,960**

In determining the fair value of biological assets, management is required to make a number of estimates, including the expected cost required to grow the hemp up to the point of harvest, harvesting costs, selling costs, sales price, and expected yields for the hemp plant. These estimates are subject a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future years.

6. EQUIPMENT

	Equipment
	$
Cost	
As at February 9, 2018	—
Additions	3,446
As at December 31, 2018	**3,446**
Depreciation	
As at February 9, 2018	—
Depreciation	719
As at December 31, 2018	**719**
Net book value	
As at December 31, 2018	**2,727**

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

During the period ended December 31, 2018, remuneration to the sole director of the Company were $14,947 included part of professional fees. The balance owing at period end was nil.

8. SHARE CAPITAL

Authorized shares

Unlimited common without par value.

Common Stock - Issued and Outstanding

	Number of Common shares	Amount
	#	$
Balance as at As at February 9, 2018	—	—
Shares issued	3,008	3,683
Balance as at December 31, 2018	**3,008**	**3,683**

During the period ended December 31, 2018, the Company issued 3,008 shares to the founding member of the Company against his non-monetary consideration of $3,683.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. As at December 31, 2018, the capital of the Company was $3,683.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

10. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2018
	$
Professional fees	22,403
Marketing expenses	5,243
Travel	—
Other	1,472
	29,118

11. COMMITMENTS, PROVISIONS AND CONTINGENCIES

Commitments

(a) Operating leases

During the period ended December 31, 2018, the Company had one operating lease for 4 hectares of land in Jaén, Spain that expired at the end of 2018.

Total rent expensed for the year ended December 31, 2018 were $4,229.

On December 27, 2018, the Company entered into a two-year lease agreement for approximately 19 hectares of land in Jaen, Spain for growing hemp. As at December 31, 2018, the future lease obligations under the lease agreement are $19,139 for 2019 and $19,139 for 2020.

(b) Commitments

During the period ended December 31, 2018, the Company has signed a contract to provide 20 tons of hemp seed valued between $18,901 and $30,241 per ton, and has signed a contract with a supplier that will provide these goods for a total value between $16,037 and $28,638 per ton. The Company estimates to provide these goods during the year 2019. At the year end, the Company has received an advance from the client of $266,848 and has given an advance to the supplier of $166,148. As at the date of preparation of the financial statements, the Company is renegotiating the terms and conditions.

(c) Onerous contracts

The Company signed an agreement to deliver 20 tons of dry flower hemp to an outside third party pursuant to specific agreed process. As of the year-end, management expects the costs to be incurred to satisfy this contract to be in excess of the total selling price. As such, the Company has recorded a loss on this contract of $48,444 (€42,291). This provision is included as part of production costs in the P&L and a provision in the liabilities in Balance Sheet.

(d) Contingencies and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

12. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash, trade payables and, accrued and other liabilities.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				Fair values
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
December 31, 2018	**$**	**$**	**$**	**$**	**$**
Cash	—	—	18,320	18,320	18,320
Other asset	—	—	25,044	25,044	25,044
	—	—	43,364	43,364	43,364

	Carrying values				Fair values
Financial liabilities		**FVTPL**	**AC**	**Total**	**Total**
December 31, 2018	**$**	**$**	**$**	**$**	**$**
Other creditors	—	—	5,277	5,277	5,277
	—	—	5,277	5,277	5,277

All the financial instruments managed by the company as at December 31, 2018 are classified in the category at Amortized cost. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company`s management is supported by the shareholders that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash and receivables. The cash consist mainly of checking and operating accounts. As at December 31, 2018 the maximum amount exposed to credit risks was $43,364.

(c) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. As at December 31, 2018, all trade payables are due within a year.

(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. The Company is not exposed to interest rate risk as it has no interest-bearing debt.

13. SEGMENTED INFORMATION

Operating and geographical segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2018, the Company's operations comprise a single reporting operating and geographical segment engaged in the cultivation of spices, aromatic, medicinal and pharmaceutical plants.

14. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the financial statements were issued, and determined the following subsequent event:

On February 11, 2019, Terrace entered into a share purchase agreement to acquire all of the issued and outstanding shares of the Company. The acquisition cost for the transaction was $451,000 (€400,000), which was paid upon closing on February 14, 2019.

On February 12, 2019, Terrace entered into a Finder Fee Agreement (the "**Finders Fee Agreement**") with Taskmaster Corp. ("**Taskmaster**"), whereby Taskmaster introduced the Terrace to the Company for the purpose for entering into negotiations with respect to potential acquisition of the Company. The compensation for finder fee is $678,900 (€600,000), of which $113,200 (€100,000) is payable upon the closing of the share purchase agreement. The remainder of $565,800 (€500,000) is payable upon the earlier of the closing of Terrace's reverse takeover transaction with Apolo II Acquisition Corp. and six months from the date of Finder Fee Agreement. The amount is overdue as at the date of the approval of these financial statements, however, Taskmaster has informally agreed to defer the receipt of the payment of the outstanding balance after the reverse takeover transaction without any penalty.

On July 17, 2019, Terrace entered into a definitive agreement with Apolo II Acquisition Corp. in connection with the reverse takeover transaction (the "**Definitive Agreement**"), pursuant to which Apolo II Acquisition Corp. agreed to acquire all of the issued and outstanding Terrace common shares (the "**Terrace Shares**") by way of a three-cornered amalgamation (the "**Amalgamation**"). In connection with the Amalgamation, holders of Terrace Shares will ultimately receive one post-Consolidation (as hereafter defined) share of Apolo II Acquisition Corp. ("**Apolo Shares**") for each Terrace Share held (the "**Exchange Ratio**") and all convertible securities of Terrace will be exchanged for convertible securities of the resulting issuer, or adjusted on their terms, as applicable, based on the Exchange Ratio.

As of the date of hereof, the Company was in negotiation with its dry flower hemp customer to revise the terms of its initial agreement.

Management's Discussion and Analysis

(MD&A)

PHARMABINOIDE, SL*

(Expressed in United States Dollars)

Dated – November 6, 2019

* On February 11, 2019, Pharmabinoide SL was acquired by Terrace Inc.

General

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Pharmabinoide, SL ("**Pharmabinoide**" or the "**Company**") with an effective date of November 6, 2019. Throughout this MD&A, unless otherwise specified, "Pharmabinoide", "the Company", "we", "us" or "our" refer to Pharmabinoide.

The following discussion of performance, financial condition and future prospects should be read with our annual audited financial statements and notes thereto for the period from February 9, 2018 (the date of incorporation) to December 31, 2018. These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB. All dollar amounts in this MD&A are expressed in United States dollars ("**US$**"), unless otherwise specified.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the completion of the Proposed Transaction (as defined hereafter), the terms on which the Proposed Transaction is intended to be completed, short term objectives, potential acquisitions and strategic relationships, obtaining regulatory approvals and licenses to operate the business, ability to raise funds, acquisition of land and buildings, design and build out of required facilities, development of branding strategies, cultivation and harvest of cannabis, development of additional product lines and acquisition of required inventory.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include:

Cautionary Statement on Forward Looking Statements (continued)

- The Company may not complete the Proposed Transaction;
- Uncertainty about the Company's ability to continue as a going concern;
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- There are factors which may prevent the Company from the realization of growth targets;
- The Company is subject to changes in Spanish laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- There is no assurance that the Company will turn a profit or generate immediate revenues;
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- The Company may be unable to adequately protect its proprietary and intellectual property rights;
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- The Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- There is no assurance that the Company will obtain and retain any relevant licenses;
- The Company's licenses and assets subject to local/municipal regulations;
- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- The Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators;

Cautionary Statement on Forward Looking Statements (continued)

- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- The Company will be reliant on information technology systems and may be subject to damaging cyber- attacks;
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- In certain circumstances, the Company's reputation could be damaged;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company is subject to uncertainty regarding legal and regulatory status and changes;
- The Company does not anticipate paying cash dividends; and
- There is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Pharmabinoide was incorporated on February 9, 2018 under the laws of Spain. The Company's operations primarily involve cultivation of spices, aromatic, medicinal and pharmaceutical plants. The registered address of the Company is Calle Mercado 12, Edificio Don Ángel 4º-C, 29601 Marbella, Málaga, Spain.

Proposed/Qualifying Transaction

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") upon the terms and conditions to be set out in a definitive agreement (the "**Proposed Transaction**"). Apolo is a Capital Pool Company and intends the Proposed Transaction to constitute its qualifying transaction under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo, a wholly-owned subsidiary of Apolo and Terrace, entered into a definitive agreement in respect of the Proposed Transaction (the "**Definitive Agreement**"), which, superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own, assuming a majority of the outstanding common shares of Apolo ("**Apolo Common Shares**").

The holders of the issued and outstanding Terrace Common Shares shall receive one post-Consolidation (as defined hereafter) Apolo Common Share for each Terrace Common Share held. On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace (the "**Resulting Issuer**"); and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

Summarized Annual Information – Pharmabinoide

Summarized annual information for the Company along with our analysis is as follows:

	For the period from February 9, 2018 (Inception date) to December 31, 2018 US$
Income statement	
Revenues	-
Cost of sales	-
Gross profit	-
Operating expenses	(81,361)
Net loss	(81,663)
Balance sheet	
Total assets	244,381
Total liabilities	320,568
Statement of cash flows	
Cash provided by operating activities	18,785
Cash used in investing activities	-
Cash provided by financing activities	-

Results of Operations

Pharmabinoide was incorporated on February 9, 2018. Since the date of incorporation and up to period ended December 31, 2018, the Company incurred total operating expenses of $81,361, comprising of mainly production cost of $84,466, stock variation of ($32,960), professional fees of $22,402, marketing expenses of $5,243, and other expense of $1,472.

These expenses incurred were mainly for business development. The Company is engaged in cultivation of spices, aromatic, medicinal and pharmaceutical plants.

On February 11, 2019, Terrace entered into a share purchase agreement to acquire all of the issued and outstanding shares of Pharmabinoide, a licensed producer of hemp in Spain. The acquisition cost for the transaction was €400,000, which was paid upon closing on February 14, 2019. Therefore, no results for March 2019 are included in this report.

On February 12, 2019, Terrace Inc. entered into a Finder Fee Agreement ("**Agreement**") with Taskmaster Corp. ("**Taskmaster**"), whereby Taskmaster introduced Terrace to Pharmabinoide for the purpose of entering into negotiations with respect to potential acquisition of the Company. The compensation for finder fee is €600,000, of which €100,000 is payable upon the closing of the share purchase agreement. The remainder of €500,000 is payable upon the earlier of the closing of the Proposed Transaction and six months from the date of Finder Fee Agreement.

Summarized Annual Information – Pharmabinoide (continued)

Liquidity, Capital Resources and Financial Position

As at December 31, 2018, the Company had total assets of $244,381, mainly comprising of cash of $18,320, other receivable of $25,044 and advances to suppliers of $166,148, inventory of $32,142, equipment and other assets of $2,727. The Company has total liabilities of $320,568, comprising of advances from customers of $266,848 provisions of $48,444 and accrued and other liabilities of $5,277.

The Company had positive cash flows of $18,785 from operations. The loss for the period had adjusted with addition in accounts payable and accrued and other liabilities. This addition has been offset by advances to suppliers and other receivables.

Off-Balance Sheet Arrangements

The entities have no off-Balance Sheet arrangements as at the date of this report.

Related Party Transactions and Balances

"**Related Parties**" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

During the period ended December 31, 2018, remuneration to the sole director of the Company (Francisco Gutierrez) were $14,947 included part of professional fees. The balance owing at period end was nil.

Critical Accounting Estimates, Assumptions and Judgements

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

Critical Accounting Estimates, Assumptions and Judgements (continued)

The following area require management's critical estimates and judgments:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption. During 2019, the Company was acquired by Terrace, who will financially support the company when necessary.

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Biological assets

Biological assets are measured as per the policy explained in Section 3.4 of the Financial Statements. During 2018, the expected future prices have been taken from the sale contracts signed by the company as the best estimation of the fair value.

The significant assumptions used in determining the fair value of hemp plants are as follows:

- Price of the fair value to measure the fair value; and
- Cost of sales incurred and estimates after the year end based on budgets and experience.

Controls and Procedures

Evaluation of disclosure controls and procedures:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("**ICFR**") as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under NI 52-109. At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR. No such changes were identified through their evaluation.

Risk Management

Except as otherwise disclosed in the MD&A and in the Company's financial statements for the period ended December 31, 2018, there have been no significant changes to the nature and scope of the risks faced by the Company as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

Accounting Standards Pronouncements

Adoption of New IFRS Standards

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

<u>IFRS 9: Financial Instruments (continued)</u>

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

<u>IFRS 15: Revenue from Contracts with Customers:</u>

IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**") supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

Accounting Standards Pronouncements (continued)

Changes in accounting standards not yet effective

<u>IFRS 16: Leases:</u>

In January 2016, the IASB issued IFRS 16 – Leases ("**IFRS 16**"), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

IFRIC 23: Uncertainty Over Income Tax Treatments

IFRIC 23 – Uncertainty Over Income Tax Treatments ("**IFRIC 23**") was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

TERRA NOVA BUSINESS HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

AND

FOR THE PERIOD FROM JANUARY 31, 2017 (INCORPORATION DATE) TO DECEMBER 31, 2017 (UNAUDITED)

(EXPRESSED IN UNITED STATES DOLLARS)

TERRA NOVA BUSINESS HOLDINGS INC.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017 (UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Responsibility

To the Shareholder of Terra Nova Business Holdings Inc.:

The accompanying consolidated financial statements and other financial information in this report were prepared by management of Terra Nova Business Holdings Inc. (the "**Company**"), reviewed and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These consolidated financial statements have been audited by the Company's auditors, MNP LLP, and their report is presented herein.

November 6, 2019

Michael Galego (signed)
Director

Independent Auditor's Report

To the Shareholder of Terra Nova Business Holdings Inc.:

Opinion

We have audited the consolidated financial statements of Terra Nova Business Holdings Inc. and its subsidiary (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholder's deficit and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company describe conditions of material uncertainty related to going concern. The company incurred a net loss of $128,864 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $146,592. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the period ended December 31, 2017 are unaudited.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Man agement's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have perf ormed on this other information, we conclude that there is a material misstatement of this other information, we are re quired to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MNP LLP

Toronto, Ontario
November 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

MNP

TERRA NOVA BUSINESS HOLDINGS INC.
Consolidated Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2018 $	December 31, 2017 (Unaudited) $
ASSETS		
Current		
Cash and cash equivalents	**15,498**	1,164
Other receivables	**1,375**	—
VAT recoverable	**4,084**	—
Total assets	**20,957**	1,164
LIABILITIES		
Current		
Accrued and other liabilities	**31,569**	23,788
Withholding tax payable	**3,007**	—
Provision for tax penalties	**28,639**	—
Due to related party (Note 5)	**104,334**	—
Total liabilities	**167,549**	23,788
SHAREHOLDER'S DEFICIT		
Share capital (Note 6)	**1,200**	1,200
Other comprehensive (loss) income	**4,283**	(613)
Accumulated deficit	**(152,075)**	(23,211)
Total shareholder's deficit	**(146,592)**	(22,624)
Total liabilities and shareholder's deficit	**20,957**	1,164

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

Nature of operations (Note 1)
Contingencies (Note 9)

Approved and authorized on behalf of the Board of Directors

Michael Galego (signed)
Director

TERRA NOVA BUSINESS HOLDINGS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US Dollars)

	Year ended December 31, 2018 $	Period from January 31, 2017 (incorporation date) to December 31, 2017 (Unaudited) $
Expenses		
Preoperational agricultural costs	**1,772**	—
General and administrative (Note 8)	**93,491**	23,210
Total expenses	**95,263**	23,210
Net loss from operations	**(95,263)**	(23,210)
Other expenses		
Other expense	**33,601**	1
Total other (income) expenses	**33,601**	1
Income tax expense	**—**	—
Net loss	**(128,864)**	(23,211)
Effect of foreign currency translation	**4,896**	(613)
Net loss and comprehensive loss	**(123,968)**	(23,824)
Loss per common share - basic and diluted	**(2.58)**	(0.46)
Weighted average number of common shares - basic and diluted	**50,000**	50,000

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

TERRA NOVA BUSINESS HOLDINGS INC.
Consolidated Statements of Changes in Shareholder's Deficit
(Expressed in US Dollars)

	Share capital		Other comprehensive	Accumulated	
	Shares	**Amount**	**(loss) income**	**deficit**	**Total**
	#	$	$	$	$
As at January 31, 2017		**—**	**—**	**—**	**—**
Issuance of shares	50,000	1,200	—	—	1,200
Effect of foreign currency translation	—	—	(613)	—	(613)
Net loss for the period	—	—	—	(23,211)	(23,211)
As at December 31, 2017	**50,000**	**1,200**	**(613)**	**(23,211)**	**(22,624)**
Effect of foreign currency translation	—	—	4,896	—	**4,896**
Net loss for the year	—	—	—	(128,864)	**(128,864)**
As at December 31, 2018	**50,000**	**1,200**	**4,283**	**(152,075)**	**(146,592)**

The accompanying notes are in integral part of these consolidated financial statements.

TERRA NOVA BUSINESS HOLDINGS INC.
Consolidated Statements of Cash Flows
(Expressed in US Dollars)

	Year ended December 31 2018 $	Period from January 31, 2017 (incorporation date) to December 31 2017 (Unaudited) $
Operating activities		
Net loss	**(128,864)**	(23,211)
Adjustments for items not affecting cash:		
Effect of foreign currency translation	**4,896**	(613)
Changes in working capital items:		
Other receivables	**(1,375)**	—
Taxes recoverable	**(4,084)**	—
Accrued and other liabilities	**7,781**	23,788
Withholding tax payable	**3,007**	—
Income tax provision	**28,639**	—
Due to related party	**104,334**	—
Cash used in operating activities	**14,334**	(36)
Financing activities		
Paid-in-capital	**—**	1,200
Cash provided by financing activities	**—**	1,200
Net increase in cash	**14,334**	1,164
Cash and cash equivalents, beginning of year/period	**1,164**	—
Cash and cash equivalents, end of year/period	**15,498**	1,164

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

1. NATURE OF OPERATIONS

Terra Nova Business Holdings Inc. (the "**Company**"), was incorporated and head quartered in the British Virgin Islands on January 31, 2017. The Company registered Terra Nova – Produção e Comercialização de Produtos Naturais e Farmacêuticos Unipessoal Lda., ("**Terra Nova**") under AP number 133/20170620, taxpayer No. 514 406 836 as a Limited liability Company, on June 19, 2017, under the laws of Portugal. Terra Nova's office is located at Caminho do Canteiro, Caixa Postal nº 272-A, 8005-502 Faro.

Terra Nova aims to import and cultivate natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The net loss for the year ended December 31, 2018 is $128,864 (period ended December 31, 2017: $23,211). As at December 31, 2018, the Company has an accumulated deficit of $152,075 (December 31, 2017: $23,211). As explained in the subsequent event note, the Company was acquired by Terrace Inc., which in the process of entering into a reverse take-over transaction with Apolo II Acquisition Corp. and expects to raise more financing in the future. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS**") issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These consolidated financial statements were approved and authorized for issue by the Director of the Company on November 6, 2019.

2.2 Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The

2. BASIS OF PRESENTATION (continued)

2.2 Basis of presentation (continued)

consolidated financial statements are presented in United States dollars which is the presentation currency of the Company.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the statement of operations.

The functional currency of the Company is Euros (EUR). Assets and liabilities are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Effect of translation differences are accumulated and presented as a component of equity under the Other Comprehensive income (loss).

2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary – Terra Nova. The results of subsidiary acquired or disposed of during the year are included in the consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents. Cash is held in banks and trust fund of the Company’s lawyer.

3.2 Related party transactions

A party is related to an entity if the party directly or indirectly controls, is controlled by or is under common control with the entity; or if it has an interest in the entity that gives it significant influence over the entity; or if it has joint control over the entity or is an associate or a joint venture of the entity. In addition, members and dependents of the key management personnel of the entity (Board of Directors and Executive Management Board) are also considered related parties.

3.3 Taxation

The income tax payable is based on taxable income (loss) for the year. Taxable income differs from “income (loss) before taxes” as reported in the statement of operations and because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Taxation (continued)

Current income tax represents the expected income taxes recoverable (or payable) on taxable income for the period using income tax rates enacted or substantively enacted at the end of the reporting period and taking into account any adjustments arising from prior years.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in earnings in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the extent that it is probable that future taxable profits will be available. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

3.4 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.5 Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as Fair Value Through Profit or Loss ("**FVTPL**"), are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial Instruments (continued)

financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost ("**AC**");
b) fair value through profit or loss ("**FVTPL**"); and
c) fair value through other comprehensive income ("**FVTOCI**")

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL: a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTOCI.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized, except for financial liabilities classified as FVTPL.

Financial instruments are classified into one of the following categories: FVTPL; financial assets at amortized cost, financial liabilities at amortized cost, and financial assets at FVTOCI.

Impairment of financial instruments

For accounts receivable, trade, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable, trade based on the Company's historical default rates over the expected life of the accounts receivable, trade and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant loan receivables are assessed for impairment. All individually significant loans receivable found not to be specifically impaired are then collectively assessed for impairment. Loans receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

3.6 Impairment of non-financial assets

At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication
exists, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than it’s carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income (loss), unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised.

3.7 Basic Earnings per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year, respectively. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the year, if dilutive.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.9 Significant accounting judgments and estimates

The application of the Company’s accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, assets and liabilities recognized and disclosures made in the financial statements.

Management’s best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management’s budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management’s critical estimates and judgments:

(a) Going concern

The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company’s ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Significant accounting judgments and estimates (continued)

(b) Income taxes

The Company computes an income tax provision in accordance with the applicable income tax laws. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income.

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new IFRS standards

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

The Company adopted IFRS 9 effective from incorporation date.

4. CHANGES IN ACCOUNTING STANDARDS (continued)

Adoption of new IFRS standards

<u>IFRS 15: Revenue from Contracts with Customers:</u>

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from incorporation date.

Changes in accounting standards not yet effective

<u>IFRS 16: Leases (“IFRS 16”):</u>

In January 2016, the IASB issued IFRS 16 – Leases (“**IFRS 16**”), which replaces IAS 17 – Leases, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

IFRS 16 is expected to have a material impact on the Company’s Balance Sheets, with the addition of approximately $96,426 (EUR 84,175) of lease liabilities and right-of-use assets. Lease-related expenses will be recorded as depreciation on the right-of-use assets and a finance charge from unwinding the discount on the lease liabilities. IFRS 16 will also change the presentation of cash flows relating to leases in the Company’s Statements of Cash Flows, but does not cause a difference in the amount of cash transferred between the parties of a lease.

<u>IFRIC 23, Uncertainty Over Income Tax Treatments</u>

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements and plans to adopt the requirements in 2019.

(Expressed in US Dollars)

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

As at December 2018, balance due to the only shareholder (Apolo Capital Advisory Corp., an entity owned and controlled by Michael Galego), amounts to $104,334 (EUR 91,078) [December 31, 2017: $Nil]. These advances are short term, unsecured, interest free and repayable on demand and were used to funds the operations of the Company.

6. SHARE CAPITAL

Authorized shares

A maximum amount of 50,000 shares of one class without par value.

Common Stock - Issued and Outstanding

	Number of Common shares	Amount
	#	$
Balance as at January 31, 2017	—	—
Shares issued	50,000	1,200
Balance as at December 31, 2017	50,000	1,200
Shares issued	—	-
Balance as at December 31, 2018	**50,000**	**1,200**

7. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The shareholders do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

(Expressed in US Dollars)

8. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2018	2017
	$	$
Professional fees	**82,465**	23,176
Advertising & marketing	**591**	—
Rent (Note 9)	**9,920**	—
Other	**515**	34
	93,491	23,210

9. COMMITMENTS AND CONTINGENCIES

(a) Commitments

During the year ended December 31, 2018, Terra Nova had an operating lease for land. The leases expire through 2025 and contains renewal provisions. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

Year ending December 31	**$**
2019	**16,496**
2020	**16,496**
2021	**16,496**
2022	**16,496**
2023 and thereafter	**41,239**
	107,223

Total rent expensed for the year ended December 31, 2018 was $9,920 [Period ended December 31, 2017: $Nil].

In addition, as at May 2, 2018, Terra Nova entered into a consulting agreement to provide assistance for obtaining cannabis and hemp production licenses and local permits, upon Terra Nova obtaining the License and in consideration of performance, will provide to a consultant, an annual remuneration under employment of EUR 60,000 and an option to grant 100,000 common shares of Terra Nova or an affiliate.

(b) Contingencies and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At December 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

(Expressed in US Dollars)

10. INCOME TAX

Management uses judgment and estimates in determining the appropriate rates and amounts in recording deferred income taxes, giving consideration to timing and probability of realization. Actual taxes could significantly vary from these estimates as a result of a variety of factors including future events, changes in income tax law or the outcome of reviews by tax authorities and related appeals.

The company has not recognized any deferred tax assets on its deductible temporary differences and unused tax losses as it has determined that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The resolution of these uncertainties and the associated final taxes may result in adjustments to the Corporation's deferred and current tax assets and liabilities.

The following table reconciles the amount of income tax expense, recoverable and valuation on the application of the statutory income tax rate:

	2018	2017
Net loss for the year	**(128,864)**	(23,211)
Statutory tax rate	**21.0%**	21.0%
	$	$
Income tax recovery at combined statutory rates	**(27,061)**	(4,874)
Difference in foreign tax rates	**—**	—
Non-deductible expenses	**6,014**	—
Change in unrecognized deferred tax assets	**21,047**	4,874
Income tax expense	**—**	—

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
	$	$
Non-capital and capital loss carry-forwards:	**180,714**	23,211
Total deferred tax assets	**37,950**	4,874
Valuation allowance	**(37,950)**	(4,874)
Net deferred tax assets	**—**	—

10. INCOME TAX (continued)

The foreign non-capital loss carry forwards expire as noted in the table below. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

Year 2022	$	22,746
Year 2023	$	96,355

The deduction of tax losses may not exceed the amount corresponding to 70% of the taxable profit calculated in each period of taxation, but it is not impaired to deduct the part of the losses which has not been deducted, under the same conditions, until the end of the respective deduction period.

11. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash and cash equivalents, other receivables, accrued and other liabilities and due to related party.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

(Expressed in US Dollars)

11. FINANCIAL RISK FACTORS (continued)

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying values				Fair values
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
December 31, 2018	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	**15,498**	—	—	**15,498**	**15,498**
Other receivables	**1,375**	—	—	**1,375**	**1,375**
	16,873	—	—	**16,873**	**16,873**
December 31, 2017	**$**	**$**		**$**	**$**
Cash and cash equivalents	1,164	—	—	1,164	1,164
Other receivables	—	—	—	—	—
	1,164	—	—	1,164	1,164

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**AC**	**Total**	**Total**
December 31, 2018	**$**	**$**	**$**	**$**
Accrued and other liabilities	—	**31,569**	**31,569**	**31,569**
Due to related party	—	**104,334**	**104,334**	**104,334**
	—	**135,903**	**135,903**	**135,903**
December 31, 2017	**$**		**$**	**$**
Accrued and other liabilities	—	23,788	23,788	23,788
Due to related party	—	—	—	—
	—	23,788	23,788	23,788

The Company’s financial instruments as at December 31, 2018 are classified as “Level 1 - quoted prices in active markets” is cash and cash equivalents. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit and liquidity risks. The Company’s management oversees the management of these risks. The Company`s management is supported by the shareholders that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company’s financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company’s policies and Company’s risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash and due from related parties. The cash consist mainly of checking and operating accounts. As at December 31, 2018 the maximum amount exposed to credit risks was $15,498.

11. FINANCIAL RISK FACTORS (continued)

(c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Net financial liabilities of the Company denominated in Euros (presented in United States dollars) at year ended December 31, 2018 were EUR 103,908 ($119,030). A 10% change in the value of the Euros would result in a change in comprehensive loss of $11,903.

(d) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. As at December 31, 2018, all trade payables are due within a year. The management considers all balances which are outstanding over six months as past due. There are no balances which are past due.

(e) 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. The Company is not exposed to interest rate risk as it has no interest-bearing debt.

12. SEGMENTED INFORMATION

(a) Operating segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At December 31, 2018 the Company's operations comprise a single reporting operating and geographical segment engaged in the import and cultivation of natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

(Expressed in US Dollars)

12. SEGMENTED INFORMATION (continued)

(b) Geographic segments

The Company operates within two geographical locations. The Company is located in British Virgin Islands, whereas Terra Nova in Portugal. The geographical segmented information on consolidated statements of loss and comprehensive loss for year ended December 31, 2018 are as below:

		December 31, 2018
Net loss		
British Virgin Islands		—
Portugal		128,864
	$	**128,864**

The geographical segmented information on the consolidated statements of financial position items is given below:

	British Virgin Islands	Portugal	Total
	$	**$**	**$**
Current assets	—	20,957	**20,957**
Non-current assets	—	—	—
Total assets	—	20,957	**20,957**
Current liabilities	—	167,549	**167,549**
Deficit	—	(146,592)	**(146,592)**
Total liabilities	—	20,957	**20,957**

13. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the consolidated financial statements were issued, and determined the following event:

On May 17, 2019, the Company was acquired by Terrace Inc. ("**Terrace**"), a Canadian company focused on the development and acquisition of international cannabis assets.

On July 17, 2019, Terrace entered into a definitive agreement with Apolo II Acquisition Corp. in connection with the reverse takeover transaction (the "**Definitive Agreement**"), pursuant to which Apolo II Acquisition Corp. agreed to acquire all of the issued and outstanding Terrace common shares (the "**Terrace Shares**") by way of a three-cornered amalgamation (the "**Amalgamation**"). In connection with the Amalgamation, holders of Terrace Shares will ultimately receive one post-Consolidation (as hereafter defined) share of Apolo II Acquisition Corp. ("**Apolo Shares**") for each Terrace Share held (the "**Exchange Ratio**") and all convertible securities of Terrace will be exchanged for convertible securities of the resulting issuer, or adjusted on their terms, as applicable, based on the Exchange Ratio.

Management's Discussion and Analysis

(MD&A)

TERRA NOVA BUSINESS HOLDING INC.*

(Expressed in United States Dollars)

Dated – November 6, 2019

* On May 17, 2019, Terra Nova Business Holding Inc. was acquired by Terrace Inc.

General

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Terra Nova Business Holdings Inc. (the "**Company**") with an effective date of November 6, 2019. Throughout this MD&A, unless otherwise specified, "Terra Nova", "the Company", "we", "us" or "our" refer to Terra Nova.

The following discussion of performance, consolidated financial condition and future prospects should be read with our annual audited consolidated financial statements and notes thereto for the year ended December 31, 2018 and unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2019. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB. All dollar amounts in this MD&A are expressed in United States dollars ("US$") unless otherwise specified.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the completion of the Proposed Transaction (as defined hereafter), the terms on which the Proposed Transaction is intended to be completed, short term objectives, potential acquisitions and strategic relationships, obtaining regulatory approvals and licenses to operate the business, ability to raise funds, acquisition of land and buildings, design and build out of required facilities, development of branding strategies, cultivation and harvest of cannabis, development of additional product lines and acquisition of required inventory.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws.

Cautionary Statement on Forward Looking Statements (continued)

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include:

- The Company may not complete the Proposed Transaction;
- Uncertainty about the Company's ability to continue as a going concern;
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- There are factors which may prevent the Company from the realization of growth targets;
- The Company is subject to changes in Portuguese laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- There is no assurance that the Company will turn a profit or generate immediate revenues;
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- The Company may be unable to adequately protect its proprietary and intellectual property rights;
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- The Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- There is no assurance that the Company will obtain and retain any relevant licenses;
- The Company's licenses and assets subject to local/municipal regulations;
- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- The Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;

Cautionary Statement on Forward Looking Statements (continued)

- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- The Company will be reliant on information technology systems and may be subject to damaging cyber- attacks;
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- In certain circumstances, the Company's reputation could be damaged;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company is subject to uncertainty regarding legal and regulatory status and changes;
- The Company does not anticipate paying cash dividends; and
- There is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

The Company was incorporated and headquartered in the British Virgin Islands on January 31, 2017. The Company registered Terra Nova – Produção e Comercialização de Produtos Naturais e Farmacêuticos Unipessoal Lda., ("**Terra Nova**") under AP number 133/20170620, taxpayer No. 514 406 836 as a Limited liability Company, on June 19, 2017, under the laws of Portugal. Terra Nova's office is located at Caminho do Canteiro, Caixa Postal nº 272-A, 8005-502 Faro.

Terra Nova aims to import and cultivate natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Proposed/Qualifying Transaction

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") upon the terms and conditions to be set out in a definitive agreement (the "**Proposed Transaction**"). Apolo is a Capital Pool Company and intends the Proposed Transaction to constitute its qualifying transaction under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo, a wholly-owned subsidiary of Apolo and Terrace, entered into a definitive agreement in respect of the Proposed Transaction (the "**Definitive Agreement**"), which, superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the provisions of the OBCA. The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own, assuming a majority of the outstanding common shares of Apolo ("**Apolo Common Shares**").

The holders of the issued and outstanding Terrace Common Shares shall receive one post-Consolidation (as defined hereafter) Apolo Common Share for each Terrace Common Share held. On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace (the "**Resulting Issuer**"); and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

Summarized Annual Information – Terra Nova

Summarized annual information for the Company along with our analysis is as follows:

	Interim Period Ended March 31		Years Ended December 31	
	3 Months	3 Months		From June 19, 2017 (inception date)
	2019	2018	2018	2017
	US$	US$	US$	US$
Income statement				
Revenues	-	-	-	-
Total expenses	23,669	-	128,864	23,211
Net loss	23,669	-	128,864	23,211
Balance sheet				
Total assets	100,723	1,233	20,957	1,164
Total liabilities	267,860	24,477	167,549	23,788
Statement of cash flows				
Cash provided by (used in) operating activities	(8,740)	69	14,334	(36)
Cash used in investing activities	(3,561)	-	-	-
Cash provided by (used) in financing activities	-	-	-	1,200

Results of Operations

Terra Nova was registered on June 19, 2017. For the year ended December 31, 2018, the Company incurred total expenses of US$128,864, comprising of mainly specialized jobs expenses of US$82,465, rent of US$9,920. Further, the Company has recorded a provision of US$29,525 and other expenses of US$5,182. In addition, the Company incurred preoperational agriculture cost of US$ 1,772. For the period from June 19, 2017 to December 31, 2017, the Company incurred total expenses of US$23,211, comprising mainly of expenses on specialized jobs of US$23,176.

At March 31, 2019, the Company incurred total expenses of US$23,669, mainly specialized jobs expenses of US$15,157, depreciation of US$3,677 and preoperational agriculture cost of US$4,046. There are no comparatives as the Company registered in June 2017.

Summarized Annual Information – Terra Nova (continued)

Results of Operations (continued)

These expenses incurred mainly for the business development. The Company is engaged in the import and cultivation of natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Liquidity, Capital Resources and Financial Position

As at December 31, 2018, the Company had total assets of US$20,957 (December 31, 2017: US$1,164), mainly comprising of cash of US$15,498 (December 31, 2017: US$1,164), other receivables of US$1,375 (December 31, 2017: US$ nil) and VAT recoverable of US$4,084 (December 31, 2017: US$ nil). The Company has total liabilities of US$167,549 (December 31, 2017: US$23,788), comprising of amounts due to related party of US$104,334 (December 31, 2017: US$ nil), accrued and other liabilities of US$31,569 (December 31, 2017: US$23,788), provision for tax penalties of US$28,639 (December 31, 2017: US$ nil) and withholding tax payable of US$3,007 (December 31, 2017 : US$ nil).

As at March 31, 2019, the Company had total assets of US$100,723 (December 31, 2018: US$20,957), mainly comprising of cash of US$3,197 (December 31, 2017: US$15,498), other receivables of US$1,348 (December 31, 2018: US$1,375) and VAT recoverable of US$5,273 (December 31, 2018: US$4,084). There is an addition of right-of-use assets in 2019 of US$90,905 due to adoption of IFRS 16 – Leases. The Company has total liabilities of US$267,860 (December 31, 2018: US$167,549), comprising of amounts due to related party of US$102,295 (December 31, 2017: US$104,334), accrued and other liabilities of US$42,255 (December 31, 2018: US$31,569), provision for tax penalties of US$28,079 (December 31, 2018: US$ 28,639) and withholding tax payable of US$4,212 (December 31, 2018 : US$ 3,007). There is an addition of lease obligations amounting to US$91,019 due to adoption of IFRS 16 – Leases.

At December 31, 2018, The Company had positive cash flows of US$14,334 (December 31, 2017: negative cash flow of US$36) from operations mainly due to accumulated deficits which was partly offset by addition in due to related parties, income tax provision and accrued and other liabilities. Cash provided by financing activities amounting to US$ nil (December 31, 2017: positive cash flow of US$1,200 representing paid in capital).

At March 31, 2019, The Company had negative cash flows of US$8,740 (March 31, 2018: positive cash US$69) from operations mainly due to accumulated deficits which was partly offset by addition in accrued and other liabilities. Cash used in investing activities amounting to US$ 3,561 (March 31, 2018: US$ nil).

Off-Balance Sheet Arrangements

The entities have no off-Balance Sheet arrangements as at the date of this report.

Related Party Transactions and Balances

"**Related Parties**" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

As at December 31, 2018, balance due to the sole shareholder of the Company (being Apolo Capital Advisory Corp., an entity owned and controlled by Michael Galego) amounts to $104,334 (EUR $91,078) [December 31, 2017: $Nil]. These advances are short term, unsecured, interest free and repayable on demand and used to funds the operations of Terra Nova.

As at March 31, 2019, balance due to the sole shareholder (being Apolo Capital Advisory Corp., an entity owned and controlled by Michael Galego) amounts to $102,295 (EUR 91,078) [December 31, 2018: $104,334 (EUR 91,078)]. These advances are short term, unsecured, interest free and repayable on demand.

Critical Accounting Estimates, Assumptions and Judgements

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management's critical estimates and judgments:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

On May 17, 2019, the Company was acquired by Terrace, which in the process of completing the Proposed Transaction and expects to raise more financing in the future. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

Critical Accounting Estimates, Assumptions and Judgements

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Controls and Procedures

Evaluation of disclosure controls and procedures:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("**ICFR**") as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under NI 52-109. At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR. No such changes were identified through their evaluation.

Risk Management

Except as otherwise disclosed in the MD&A and in the Company's consolidated financial statements for the year ended December 31, 2018 and in condensed interim consolidated financial statements for the quarter ended March 31, 2019, there have been no significant changes to the nature and scope of the risks faced by the Company as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

Accounting Standards Pronouncements

Adoption of New IFRS Standards

IFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

Accounting Standards Pronouncements (continued)

IFRS 15: Revenue from Contracts with Customers:

IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**") supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

IFRS 16: Leases

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted.

Changes in accounting standards not yet effective

Insurance Contracts

In May 2017, the International Accounting Standards Board ("**IASB**") issued IFRS 17 - Insurance Contracts ("**IFRS 17**"), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders’ equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

TERRA NOVA BUSINESS HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2019

(EXPRESSED IN UNITED STATES DOLLARS)

TERRA NOVA BUSINESS HOLDINGS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2019

Financial Statements (Unaudited)

TERRA NOVA BUSINESS HOLDINGS INC.
Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(Expressed in US Dollars)

	March 31, 2019 $	December 31, 2018 $
ASSETS		
Current		
Cash and cash equivalents	**3,197**	15,498
Other receivables	**1,348**	1,375
VAT recoverable	**5,273**	4,084
	9,818	20,957
Non-current		
Right-of-use assets (Note 5)	**90,905**	—
Total assets	**100,723**	20,957
LIABILITIES		
Current		
Accrued and other liabilities	**42,255**	31,569
Withholding tax payable	**4,212**	3,007
Provision for tax penalties	**28,079**	28,639
Due to related party (Note 6)	**102,295**	104,334
Lease obligations (Note 5)	**13,306**	—
	190,147	167,549
Non-Current		
Lease obligations (Note 5)	**77,713**	—
Total liabilities	**267,860**	167,549
SHAREHOLDER'S DEFICIT		
Share capital (Note 7)	**1,200**	1,200
Other comprehensive loss	**7,407**	4,283
Accumulated deficit	**(175,744)**	(152,075)
Total shareholder's deficit	**(167,137)**	(146,592)
Total liabilities and shareholder's deficit	**100,723**	20,957

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

Nature of operations (Note 1)
Contingencies (Note 10)

Approved and authorized on behalf of the Board of Directors

Michael Galego (signed)
Director

TERRA NOVA BUSINESS HOLDINGS INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
(Expressed in US Dollars)

	Three months period ended March 31, 2019 $	Three months period ended March 31, 2018 $
Expenses		
Preoperational agricultural costs	**4,046**	—
General and administrative (Note 8)	**15,160**	—
Depreciation (Note 5)	**3,677**	
Total expenses	**22,883**	—
Net loss from operations	**(22,883)**	—
Other expenses		
Interest expense	**786**	
Total other (income) expenses	**786**	—
Income tax expense	—	—
Net loss	**(23,669)**	—
Effect of foreign currency translation adjustment	**3,124**	(620)
Net loss and comprehensive loss	**(20,545)**	(620)
Loss per common share - basic and diluted	**(0.47)**	—
Weighted average number of common shares - basic and diluted	**50,000**	50,000

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

TERRA NOVA BUSINESS HOLDINGS INC.
Condensed Interim Consolidated Statements of Changes in Shareholder's Deficit (Unaudited)
(Expressed in US Dollars)

	Share capital		Other comprehensive	Accumulated	
	Shares	**Amount**	**(loss) income**	**deficit**	**Total**
	#	$	$	$	$
As at December 31, 2017	**50,000**	**1,200**	**(613)**	**(23,211)**	**(22,624)**
Effect of foreign currency translation	—	—	4,896	—	**4,896**
Net loss for the year	—	—	—	(128,864)	**(128,864)**
As at December 31, 2018	**50,000**	**1,200**	**4,283**	**(152,075)**	**(146,592)**
Effect of foreign currency translation	—	—	3,124	—	**3,124**
Net loss for the period	—	—	—	(23,669)	**(23,669)**
As at March 31, 2019	**50,000**	**1,200**	**7,407**	**(175,744)**	**(167,137)**

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

TERRA NOVA BUSINESS HOLDINGS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(Expressed in US Dollars)

	Three months period ended March 31, 2019	Three months period ended March 31, 2018
	$	$
Operating activities		
Net loss	**(23,669)**	—
Adjustments for items not affecting cash:		
Depreciation	**3,677**	
Effect of foreign currency translation adjustment	**3,124**	(620)
Changes in working capital items:		
Other receivables	**27**	—
VAT recoverable	**(1,189)**	—
Accrued and other liabilities	**10,684**	689
Withholding tax payable	**1,205**	—
Provision for tax penalties	**(560)**	—
Due to related party	**(2,039)**	—
Cash (used in) provided by operating activities	**(8,740)**	69
Investing activities		
Lease payment	**(3,561)**	—
Cash used in investing activities	**(3,561)**	—
Net (decrease) increase in cash	**(12,301)**	69
Cash and cash equivalents, beginning of period	**15,498**	1,164
Cash and cash equivalents, end of period	**3,197**	1,233

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

1. NATURE OF OPERATIONS

Terra Nova Business Holdings Inc. (the "Company"), was incorporated and headquareterd in the British Virgin Islands on January 31, 2017. The Company's subsidiary Terra Nova – Produção e Comercialização de Produtos Naturais e Farmacêuticos Unipessoal Lda., ("Terra Nova") is registered under AP number 133/20170620, taxpayer No. 514 406 836 as a Limited liability Company, on June 19, 2017, under the laws of Portugal. Terra Nova's office is located at Caminho do Canteiro, Caixa Postal nº 272-A, 8005-502 Faro.

Terra Nova aims to import and cultivate natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The net loss for the period ended March 31, 2019 is $23,669 (period ended March 31, 2018: $Nil). As at March 31, 2019, the Company has an accumulated deficit of $175,744 (December 31, 2018: $152,075). As explained in the subsequent event note, the Company was acquired by Terrace Inc., which is in the process of entering into a reverse take-over transaction with Apolo II Acquisition Corp, which expects to raise more financing in the future. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations.

These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed interim consolidated financial statements are referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018.

These condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS-IASB") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

These condensed interim consolidated financial statements of the Company are as at and for the three months period ended March 31, 2019.

2. BASIS OF PRESENTATION (continued)

These condensed interim consolidated financial statements were approved and authorized for issue by the Director of the Company on November 6, 2019.

2.2 Basis of presentation

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The condensed interim consolidated financial statements are presented in United States dollars which is the presentation currency of the Company.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the statement of operations.

The functional currency of the Company is Euros (EUR). Assets and liabilities are translated at the rate of exchange prevailing at the reporting date and revenues and expenses at average rates during the period. Effect of translation differences are accumulated and presented as a component of equity under the Other Comprehensive income (loss).

2.3 Basis of consolidation

The condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary – Terra Nova. The results of subsidiary acquired or disposed of during the year are included in the condensed interim consolidated statements of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The condensed interim consolidated financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basic Earnings per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year, respectively. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the year, if dilutive.

3.2 Significant accounting judgments and estimates

The application of the Company's accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, assets and liabilities recognized and disclosures made in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting judgments and estimates (continued)

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made. Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management's critical estimates and judgments:

(a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These condensed interim consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

(b) Income taxes

The Company computes an income tax provision in accordance with the applicable income tax laws. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income.

The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

(Expressed in US Dollars)

4. CHANGES IN ACCOUNTING STANDARDS

Adoption of new IFRS standards

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted (Also refer to note 5).

Changes in accounting standards not yet effective

<u>Insurance Contracts</u>

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 - Insurance Contracts ("IFRS 17"), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

5. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

	Right-of-use assets	**Lease obligations**
	$	**$**
Net book value at January 1, 2019	97,201	(97,201)
Depreciation and repayment	(3,677)	3,561
Effect of foreign currency exchange differences	(2,619)	2,621
Net book value at March 31, 2019	**90,905**	**(91,019)**

The current obligation of lease and long-term lease obligations were $13,306 and $77,713, respectively.

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which have previously been classified as operating leases under the principles of IAS 17. These liabilities are measured at the present value of the remaining fixed lease payments, discounted using the lessee's incremental borrowing rate as of March 31, 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in these condensed interim consolidated balance sheet on March 31, 2019 was 3.38 percent.

(Expressed in US Dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

As at March 31 2019, balance due to the only shareholder (Apolo Capital Advisory Corp., an entity owned and controlled by Michael Galego), amounts to $102,295 (EUR 91,078) [December 31, 2018: $104,334 (EUR 91,078)]. These advances are short term, unsecured, interest free and repayable on demand and used to fund the operations of the Company.

7. SHARE CAPITAL

Authorized shares

A maximum amount of 50,000 shares of one class without par value.

Common Stock - Issued and Outstanding

	Number of Common shares	Amount
	#	$
Balance as at December 31, 2017	50,000	1,200
Shares issued	—	—
Balance as at December 31, 2018	50,000	1,200
Shares issued	—	—
Balance as at March 31, 2019	50,000	1,200

8. GENERAL AND ADMINISTRATIVE

General and administrative expenses were comprised of:

	2019	2018
	$	$
Professional fees	**14,963**	—
Other	**197**	—
	15,160	—

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

10. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at May 2, 2018, Terra Nova entered into has a consulting agreement to provide assistance for obtaining cannabis and hemp production licenses and local permits, upon Terra Nova obtaining the License and in consideration of performance, will provide to a consultant, an annual remuneration under employment of EUR 60,000 and an option to grant 100,000 common shares of Terra Nova or an affiliate.

(b) Contingencies and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At March 31, 2019, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

11. FINANCIAL RISK FACTORS

The Company's financial instruments mainly comprise of cash and cash equivalents, other receivables, accrued and other liabilities and due to related party.

(a) Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

(Expressed in US Dollars)

11. FINANCIAL RISK FACTORS (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed interim consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

• Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.

• Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The classification of financial instruments at their carrying and fair values is as follows:

	Carrying value s				Fair value s
Financial assets	**FVTPL**	**FVTOCI**	**AC**	**Total**	**Total**
March 31, 2019	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	**3,197**	—	—	**3,197**	**3,197**
Other receivables	**1,348**	—	—	**1,348**	**1,348**
	4,545	—	—	**4,545**	**4,545**
December 31, 2018	**$**	**$**		**$**	**$**
Cash and cash equivalents	15,498	—	—	15,498	15,498
Other receivables	1,375	—	—	1,375	1,375
	16,873	—	—	16,873	16,873

	Carrying values			Fair values
Financial liabilities	**FVTPL**	**AC**	**Total**	**Total**
March 31, 2019	**$**	**$**	**$**	**$**
Accrued and other liabilities	—	**42,255**	**42,255**	**42,255**
Due to related party	—	**102,295**	**102,295**	**102,295**
Lease obligation	—	**91,019**	**91,019**	**91,019**
	—	**235,569**	**235,569**	**235,569**
December 31, 2018	**$**		**$**	**$**
Accrued and other liabilities	—	31,569	31,569	31,569
Due to related party	—	104,334	104,334	104,334
	—	135,903	135,903	135,903

11. FINANCIAL RISK FACTORS (continued)

The Company's financial instruments as at March 31, 2019 are classified as "Level 1 - quoted prices in active markets" is cash and cash equivalents. The Company has determined that there have been no transfers between levels in the hierarchy by re-assessing categorization at the reporting date.

The Company is exposed to credit and liquidity risks. The Company's management oversees the management of these risks. The Company`s management is supported by the shareholders that advise on financial risks and the appropriate financial risk governance framework for the Company. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and Company's risk appetite.

(b) Credit Risk

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consists of cash and due from related parties. The cash consist mainly of checking and operating accounts. As at March 31, 2019 the maximum amount exposed to credit risks was $4,545 (December 31, 2018: $16,873).

(c) Foreign Currency Risk

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Net financial liabilities of the Company denominated in Euros (presented in United States dollars) at year ended March 31, 2019 were EUR 124,425 ($139,749). A 10% change in the value of the Euros would result in a change in comprehensive loss of $13,975.

(d) Liquidity Risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company manages liquidity risk through obtaining financing from its shareholders. As at March 31, 2019, all trade payables are due within a year. The management considers all balances which are outstanding over six months as past due. There are no balances which are past due.

(e) 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. The Company is not exposed to interest rate risk as it has no interest-bearing debt.

(Expressed in US Dollars)

12. SEGMENTED INFORMATION

(a) Operating segments

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

At March 31, 2019 the Company's operations comprise a single reporting operating and geographical segment engaged in the import and cultivation of natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

(b) Geographic segments

The Company operates within two geographical locations. The Company is located in British Virgin Islands, whereas Terra Nova in Portugal. The geographical segmented information on condensed interim consolidated statements of loss and comprehensive loss for year ended March 31, 2019 are as below:

		March 31, 2019
Net loss		
British Virgin Islands		—
Portugal		23,678
	$	**23,678**

The geographical segmented information on the condensed interim consolidated statements of financial position items is given below:

	British Virgin Islands	Portugal	Total
	$	$	$
Current assets	—	9,818	**9,818**
Non-current assets	—	90,905	**90,905**
Total assets	—	100,723	**100,723**
Current liabilities	—	190,147	**190,147**
Non-current liabilities	—	77,713	**77,713**
Deficit	—	(167,137)	**(167,137)**
Total liabilities	—	100,723	**100,723**

13. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events up to November 6, 2019, the date the condensed interim consolidated financial statements were issued, and determined the following event:

On May 17, 2019, the Company was acquired by Terrace Inc. (Terrace), a Canadian company focused on the development and acquisition of international cannabis assets.

On November 12, 2018, Terrace, entered into a binding letter of intent with Apolo II Acquisition Corp. (Apolo), pursuant to which Apolo will acquire all of the issued and outstanding common shares in the Capital of Terrace upon the terms and conditions of a definitive agreement entered into in July 2019.

Management's Discussion and Analysis

(MD&A)

TERRA NOVA BUSINESS HOLDING INC.*

(Expressed in United States Dollars)

Dated – November 6, 2019

* On May 17, 2019, Terra Nova Business Holding Inc. was acquired by Terrace Inc.

General

This Management's Discussion and Analysis ("**MD&A**") has been prepared by management of Terra Nova Business Holdings Inc. ("**Terra Nova**" or the "**Company**") with an effective date of November 6, 2019. Throughout this MD&A, unless otherwise specified, "Terra Nova", "the Company", "we", "us" or "our" refer to Terra Nova.

The following discussion of performance, consolidated financial condition and future prospects should be read with our annual audited consolidated financial statements and notes thereto for the year ended December 31, 2018 and unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2019. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB. All dollar amounts in this MD&A are expressed in United States dollars ("**US$**") unless otherwise specified.

Cautionary Statement on Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. In particular, this MD&A contains forward-looking statements, pertaining to the completion of the Proposed Transaction (as defined hereafter), the terms on which the Proposed Transaction is intended to be completed, short term objectives, potential acquisitions and strategic relationships, obtaining regulatory approvals and licenses to operate the business, ability to raise funds, acquisition of land and buildings, design and build out of required facilities, development of branding strategies, cultivation and harvest of cannabis, development of additional product lines and acquisition of required inventory.

Although the Company believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except where required by applicable securities laws. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, which include:

- The Company may not complete the Proposed Transaction;
- Uncertainty about the Company's ability to continue as a going concern;
- The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- The Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- There are factors which may prevent the Company from the realization of growth targets;
- The Company is subject to changes in Portuguese laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- The Company's business plan involves a number of strategic partnerships. If these partnerships do not materialize, the Company may be unable to sell its products;
- There is no assurance that the Company will turn a profit or generate immediate revenues;
- The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- The Company may be unable to adequately protect its proprietary and intellectual property rights;
- The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- The Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- There is no assurance that the Company will obtain and retain any relevant licenses;
- The Company's licenses and assets subject to local/municipal regulations;
- Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- The Company may continue to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;

- The Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- The Company will be reliant on information technology systems and may be subject to damaging cyber- attacks;
- The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- In certain circumstances, the Company's reputation could be damaged;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company is subject to uncertainty regarding legal and regulatory status and changes;
- The Company does not anticipate paying cash dividends; and
- There is no guarantee on the use of available funds by the Company.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Terra Nova Business Holdings Inc. (the "**Company**"), was incorporated and headquartered in the British Virgin Islands on January 31, 2017. The Company registered Terra Nova – Produção e Comercialização de Produtos Naturais e Farmacêuticos Unipessoal Lda., ("**Terra Nova**") under AP number 133/20170620, taxpayer No. 514 406 836 as a Limited liability Company, on June 19, 2017, under the laws of Portugal. Terra Nova's office is located at Caminho do Canteiro, Caixa Postal nº 272-A, 8005-502 Faro.

Terra Nova aims to import and cultivate natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Proposed/Qualifying Transaction

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace Inc. ("**Terrace**") pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") upon the terms and conditions to be set out in a definitive agreement (the "**Proposed Transaction**"). Apolo is a Capital Pool Company ("**CPC**") and intends the Proposed Transaction to constitute its Qualifying Transaction (the "**Qualifying Transaction**") under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo, a wholly-owned subsidiary of Apolo and Terrace, entered into a definitive agreement in respect of the Proposed Transaction (the "**Definitive Agreement**"), which superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "**OBCA**"). The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own, assuming completion of the QT Financing (as defined hereafter), a majority of the outstanding Apolo Common Shares.

The holders of the issued and outstanding Terrace Common Shares shall receive one post-Consolidation (as defined hereafter) common shares in the capital of Apolo (each, an "**Apolo Common Share**") for each Terrace Common Share held (the "**Exchange Ratio**"). On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace (the "**Resulting Issuer**"); and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

Summarized Annual Information – Terra Nova

Summarized annual information for the Company along with our analysis is as follows:

	Interim Period Ended March 31		Years Ended December 31	
	3 Months	3 Months		From June 19, 2017 (inception date)
	2019	2018	2018	2017
	US$	US$	US$	US$
Income statement				
Revenues	-	-	-	-
Total expenses	23,669	-	128,864	23,211
Net loss	23,669	-	128,864	23,211
Balance sheet				
Total assets	100,723	1,233	20,957	1,164
Total liabilities	267,860	24,477	167,549	23,788
Statement of cash flows				
Cash provided by (used in) operating activities	(8,740)	69	14,334	(36)
Cash used in investing activities	(3,561)	-	-	-
Cash provided by (used) in financing activities	-	-	-	1,200

Results of Operations

Terra Nova was registered on June 19, 2017. For the year ended December 31, 2018, the Company incurred total expenses of US$128,864, comprising of mainly specialized jobs expenses of US$82,465, rent of US$9,920. Further, the Company has recorded a provision of US$29,525 and other expenses of US$5,182. In addition, the Company incurred preoperational agriculture cost of US$ 1,772. For the period from June 19, 2017 to December 31, 2017, the Company incurred total expenses of US$23,211, comprising mainly of expenses on specialized jobs of US$23,176.

At March 31, 2019, the Company incurred total expenses of US$23,669, mainly specialized jobs expenses of US$15,157, depreciation of US$3,677 and preoperational agriculture cost of US$4,046. There are no comparatives as the Company registered in June 2017.

Results of Operations (continued)

These expenses incurred mainly for the business development. The Company is engaged in the import and cultivation of natural plants for the production, manufacture, marketing and export of natural components, extracts and/or pharmaceuticals.

Liquidity, Capital Resources and Financial Position

As at December 31, 2018, the Company had total assets of US$20,957 (December 31, 2017: US$1,164), mainly comprising of cash of US$15,498 (December 31, 2017: US$1,164), other receivables of US$1,375 (December 31, 2017: US$ nil) and VAT recoverable of US$4,084 (December 31, 2017: US$ nil). The Company has total liabilities of US$167,549 (December 31, 2017: US$23,788), comprising of amounts due to related party of US$104,334 (December 31, 2017: US$ nil), accrued and other liabilities of US$31,569 (December 31, 2017: US$23,788), provision for tax penalties of US$28,639 (December 31, 2017: US$ nil) and withholding tax payable of US$3,007 (December 31, 2017 : US$ nil).

As at March 31, 2019, the Company had total assets of US$100,723 (December 31, 2018: US$20,957), mainly comprising of cash of US$3,197 (December 31, 2017: US$15,498), other receivables of US$1,348 (December 31, 2018: US$1,375) and VAT recoverable of US$5,273 (December 31, 2018: US$4,084). There is an addition of right-of-use assets in 2019 of US$90,905 due to adoption of IFRS 16 – Leases. The Company has total liabilities of US$267,860 (December 31, 2018: US$167,549), comprising of amounts due to related party of US$102,295 (December 31, 2017: US$104,334), accrued and other liabilities of US$42,255 (December 31, 2018: US$31,569), provision for tax penalties of US$28,079 (December 31, 2018: US$ 28,639) and withholding tax payable of US$4,212 (December 31, 2018 : US$ 3,007). There is an addition of lease obligations amounting to US$91,019 due to adoption of IFRS 16 – Leases.

At December 31, 2018, The Company had positive cash flows of US$14,334 (December 31, 2017: negative cash flow of US$36) from operations mainly due to accumulated deficits which was partly offset by addition in due to related parties, income tax provision and accrued and other liabilities. Cash provided by financing activities amounting to US$ nil (December 31, 2017: positive cash flow of US$1,200 representing paid in capital).

At March 31, 2019, The Company had negative cash flows of US$8,740 (March 31, 2018: positive cash US$69) from operations mainly due to accumulated deficits which was partly offset by addition in accrued and other liabilities. Cash used in investing activities amounting to US$ 3,561 (March 31, 2018: US$ nil).

Off-Balance Sheet Arrangements

The entities have no off-Balance Sheet arrangements as at the date of this report.

Related Party Transactions and Balances

"Related Parties" are defined as management and principal shareholders of the Company and/or members of their immediate family and/or other companies and/or entities in which a principal shareholder, director or senior officer is a principal owner or senior executive.

As at December 31, 2018, balance due to Apolo Capital Advisory Corp. (an entity owned and controlled by Michael Galego, a shareholder and director of the Company) amounts to $104,334 (EUR $91,078) [December 31, 2017: $Nil]. These advances are short term, unsecured, interest free and repayable on demand and used to fund the operations of the Company.

As at March 31, 2019, balance due to Apolo Capital Advisory Corp. (an entity owned and controlled by Michael Galego, a shareholder and director of the Company) amounts to $102,295 (EUR 91,078) [December 31, 2018: $104,334 (EUR 91,078)]. These advances are short term, unsecured, interest free and repayable on demand and used to fund the operations of the Company.

Critical Accounting Estimates, Assumptions and Judgements

Management's budget and strategic plans are fundamental information used as a basis for estimates necessary to prepare financial information. Management tracks performance as compared to the budget and significant variances in actual performance are a key trigger to assess whether certain estimates used in the preparation of financial information must be revised.

The following area require management's critical estimates and judgments:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company's ability to continue in the normal course of operations for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the appropriateness of this assumption.

On May 17, 2019, the Company was acquired by Terrace, which in the process of completing the Proposed Transaction and expects to raise more financing in the future. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs.

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The income tax provision is based on estimates of full-year earnings by jurisdiction. The average annual effective income tax rates are re-estimated at the end of each reporting period. To the extent that forecasts differ from actual results, adjustments are recorded in subsequent periods.

Controls and Procedures

Evaluation of disclosure controls and procedures:

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting ("**ICFR**") as defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"). At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for designing and maintaining internal controls over financial reporting as defined under NI 52-109. At December 31, 2018, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") in Internal Control – Integrated Framework.

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR. No such changes were identified through their evaluation.

Risk Management

Except as otherwise disclosed in the MD&A and in the Company's consolidated financial statements for the year ended December 31, 2018 and in condensed interim consolidated financial statements for the quarter ended March 31, 2019, there have been no significant changes to the nature and scope of the risks faced by the Company as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

Accounting Standards Pronouncements

Adoption of New IFRS Standards

<u>IFRS 9: Financial Instruments</u>

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments ("**IFRS 9**"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("**IAS 39**").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("**OCI**") instead of Net Income, unless this would create an accounting mismatch.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("**AC**"), fair value through other comprehensive income ("**FVTOCI**") and fair value through profit & loss ("**FVTPL**"). The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables, and available for sale. Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk. Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 15: Revenue from Contracts with Customers:

IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**") supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company has adopted IFRS 15 from inception date.

IFRS 16: Leases

Effective in the first quarter of 2019, the Company adopted IFRS 16 issued in January 2016 and related consequential amendments. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company transitioned to IFRS 16 in accordance with the modified retrospective approach, with the cumulative effect of initially applying the new standard recognized in retained earnings on January 1, 2019. The prior year figures were not adjusted.

Changes in accounting standards not yet effective

Insurance Contracts

In May 2017, the International Accounting Standards Board ("IASB") issued IFRS 17 - Insurance Contracts ("IFRS 17"), that replaces IFRS 4 - Insurance Contracts and establishes a new model for recognizing insurance policy obligations, premium revenue and claims-related expenses. IFRS 17 is effective for annual periods beginning on or after January 1, 2021; however, based on recent IASB meetings, an upcoming amendment to IFRS 17 and a deferral of the transition date by one year is anticipated. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support business development. The Members do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders' equity. In order to carry out the planned business development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through cash injection by the shareholders of the Company. There can be no assurance that the Company will be able to continue raising equity capital in this manner. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments. The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments.

APOLO II ACQUISITION CORP.

UNAUDITED PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS

AS AT JUNE 30, 2019

(EXPRESSED IN CANADIAN DOLLARS – unless otherwise specified)

Apolo II Acquisition Corp.

Pro-Forma Consolidated Financial Statements

APOLO II ACQUISITION CORP.

Pro Forma Statement of Financial Position
As at June 30, 2019
(Expressed in Canadian Dollars - unless otherwise specified)

	Apolo June 30, 2019	Terrace[1] June 30, 2019	Sub-total	Pro-Forma Adjustments	Notes	Total June 30, 2019
	$	$	$	$		$
ASSETS						
Current						
Cash and cash equivalents	412,090	2,881,091	3,293,181	15,000,000	4 (a)	**19,543,181**
	—	—	—	2,000,000	4 (a)	
	—	—	—	(750,000)	4 (b)	
Restricted cash	—	420,000	420,000	—		**420,000**
Short-term investments	404,400	—	404,400	—		**404,400**
Advance payment to suppliers	—	237,455	237,455	—		**237,455**
Prepaids	—	110,491	110,491	—		**110,491**
Biological assets	—	63,843	63,843	—		**63,843**
Inventory	—	43,092	43,092	—		**43,092**
Other receivables	—	54,090	54,090	—		**54,090**
Interest receivable	—	23,004	23,004	—		**23,004**
	816,490	3,833,066	4,649,556	16,250,000		**20,899,556**
Non-current						
Due from related parties	—	1,240,796	1,240,796	—		**1,240,796**
Goodwill	—	2,233,907	2,233,907	—		**2,233,907**
Right-of-use assets	—	202,151	202,151	—		**202,151**
Property and equipment	—	465,928	465,928	—		**465,928**
Total assets	816,490	7,975,848	8,792,338	16,250,000		**25,042,338**
LIABILITIES						
Current						
Accounts payables	—	987,809	987,809	—		**987,809**
Provisions (Note 13c)	—	42,300	42,300	—		**42,300**
Accrued and other liabilities	50,627	128,871	179,498	—		**179,498**
Due to related parties	—	1,180,532	1,180,532	—		**1,180,532**
Advances from customers	—	313,818	313,818	—		**313,818**
Lease obligations - current	—	71,919	71,919	—		**71,919**
Subscription receipts in advance	—	420,000	420,000	—		**420,000**
	50,627	3,145,249	3,195,876	—		**3,195,876**
Non-current						
Lease obligations - non-current	—	131,764	131,764	—		**131,764**
Total liabilities	50,627	3,277,013	3,327,640	—		**3,327,640**
Share capital	889,208	7,090,618	7,979,826	2,380,000	4 (c)	**26,470,618**
	—	—	—	(889,208)	4 (c)	—
	—	—	—	15,000,000	4 (a)	—
	—	—	—	2,000,000	4 (a)	—
Accumulated deficit	(239,084)	(2,394,998)	(2,634,082)	239,084	4 (c)	**(5,281,838)**
	—	—	—	(750,000)	4 (b)	—
	—	—	—	(2,136,840)	4 (c)	—
Accumulated other comprehensive income	—	3,215	3,215	—		**3,215**
Contributed surplus	115,739	—	115,739	522,703	4 (c)	**522,703**
	—	—	—	(115,739)	4 (c)	—
	765,863	4,698,835	5,464,698	16,250,000		**21,714,698**
Total liabilities and shareholder's equity	816,490	7,975,848	8,792,338	16,250,000		**25,042,338**

1 - Terrace includes Oransur, S.A., Pharmabinoide, SL and Terra Nova Business Holdings Inc.

The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.

APOLO II ACQUISITION CORP.

Pro Forma Statement of Loss and Comprehensive Loss
For the six months ended June 30, 2019
(Expressed in Canadian Dollars - unless otherwise specified)

	Apolo June 30, 2019 $	Terrace[1] June 30, 2019 $	Sub-total $	Pro-Forma Adjustments $	Notes	Total June 30, 2019 $
Changes in fair value of biological assets	—	64,463	64,463	—		**64,463**
Production costs	—	(69,612)	(69,612)	—		**(69,612)**
Gross margin		(5,149)	(5,149)			**(5,149)**
Expenses						
Pre-operational agricultural cost	—	131,987	131,987	—		**131,987**
Professional fees	31,513	522,924	554,437	750,000	**4 (b)**	**1,304,437**
Referral commision	—	909,380	909,380	2,136,840	**4 (c)**	**3,046,220**
Filing and lisitng fees	15,906	20,029	35,935	—		**35,935**
Advisory fee	—	132,505	132,505	—		**132,505**
Insurance expense	—	18,642	18,642	—		**18,642**
Travel expenses	—	40,217	40,217	—		**40,217**
Office rent	—	20,340	20,340	—		**20,340**
Salaries	—	19,830	19,830	—		**19,830**
Depreciation expense	—	21,972	21,972	—		**21,972**
General and administrative	69	98,268	98,337	—		**98,337**
Total expenses	47,488	1,936,094	1,983,582	2,886,840		**4,870,422**
Net loss from operations	(47,488)	(1,941,243)	(1,988,731)	(2,886,840)		**4,875,571**
Other expenses						
Interest expense	—	4,428	4,428	—		**4,428**
Other income	(4,400)	(21,257)	(25,657)	—		**(25,657)**
Other expense	—	4,310	4,310	—		**4,310**
Exchange gain - net	—	(420)	(420)	—		**(420)**
Total other (income) expenses	(4,400)	(12,939)	(17,339)	—		**(17,339)**
Income tax expense	—	—	—	—		—
Net loss	(43,088)	(1,928,304)	(1,971,392)	(2,886,840)		**4,858,232**
Effect of foreign currency translation	—	10,234	10,234	—		**10,234**
Net loss and comprehensive loss	(43,088)	(1,918,070)	(1,961,158)	(2,886,840)		**4,847,998**
Loss per common share - basic and diluted						**0.03**
Weighted average number of common shares - basic and diluted						**167,340,956**

1 - Terrace includes Oransur, S.A., Pharmabinoide, SL and Terra Nova Business Holdings Inc.

The accompanying notes are an integral part of these unaudited pro-forma consolidated financial statements.

1) Description of Transactions

On November 12, 2018, Apolo II Acquisition Corp. ("**Apolo**") entered into a binding letter of intent (the "**Letter of Intent**") with Terrace Inc. ("**Terrace**") pursuant to which Apolo will acquire all of the issued and outstanding common shares in the capital of Terrace (the "**Terrace Common Shares**") (the "**Proposed Transaction**"). Apolo is a Capital Pool Company and intends the Proposed Transaction to constitute its qualifying transaction under the policies of the TSX Venture Exchange (the "**Exchange**").

On July 17, 2019, Apolo and Terrace entered into a definitive agreement with respect to the Proposed Transaction (the "**Definitive Agreement**"), which superseded the Letter of Intent. Pursuant to the Definitive Agreement, Apolo will acquire all of the issued and outstanding Terrace Common Shares by way of a "three-cornered amalgamation" pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"). The Proposed Transaction will constitute a reverse take-over of Apolo by Terrace where the existing shareholders of Terrace will own a majority of the outstanding common shares of Apolo ("**Apolo Common Shares**").

Pursuant to the Proposed Transaction, the holders of the issued and outstanding Terrace Common Shares shall receive one Apolo Common Share on a post-Consolidation (as defined below) basis for each Terrace Common Share held. For the purposes of the Proposed Transaction, the parties agree that the deemed value of each Apolo Common Share shall be $0.10 (on a pre-Consolidation basis) and that Terrace shall have a deemed valuation of $25 million (prior to giving effect to the Subscription Receipt Financing).

On or immediately prior to the completion of the Proposed Transaction, it is anticipated that: (i) Apolo will effect a name change to such name as may be determined by Apolo and Terrace; and (ii) Apolo will consolidate its common shares on the basis of one "new" share for every 2.5 "old" shares issued and outstanding (the "**Consolidation**").

Completion of the Proposed Transaction will be subject to a number of conditions including completion of the Consolidation, shareholder approval, if required, completion or waiver of sponsorship, receipt of all required regulatory approvals, including the approval of the Exchange, completion of satisfactory due diligence reviews, satisfaction of all initial listing requirements of the Exchange and all requirements under the policies of the Exchange relating to the completion of the Proposed Transaction, and execution of the Definitive Agreement.

2) Basis of Presentation

The unaudited Pro-Forma Consolidated Financial Statements include the statements of financial positions of the respective entities as at June 30, 2019, and have been prepared by Apolo to give effect to the Proposed Transaction, as if they had occurred on June 30, 2019.

2) Basis of Presentation (continued)

The Pro Forma Consolidated Financial Statements are derived from the following:

- The unaudited condensed interim financial statements of Apolo as at June 30, 2019 and the related notes; and

- The unaudited condensed interim consolidated and combined financial statements of Terrace (including Oransur, S.A., Pharmabinoide, SL. and Terra Nova Business Holdings Inc.) as at June 30, 2019 and the related notes.

Pursuant to the Definitive Agreement, the transaction is deemed to be a reverse take-over transaction of Apolo by Terrace. Resultantly, Terrace is deemed to be the acquirer in the Proposed Transaction for accounting purposes. Since Apolo's operations do not constitute a business, the Proposed Transaction is accounted for in accordance with IFRS 2. The purchase price is determined as the fair value of the shares that are held by the current shareholders of Apolo after completion of the Proposed Transaction.

All financial data in the Pro-Forma Consolidated Financial Statements are presented in Canadian Dollars ($), unless stated otherwise.

Total transaction costs incurred by Apolo in connection with the Proposed Transaction were approximately $750,000 in the period ended June 30, 2019.

3) Accounting Policies

The accounting policies used in the preparation of these unaudited Pro-Forma Consolidated Financial Statements are consistent with those described in the audited financial statements of Apolo and Terrace for the years ended December 31, 2018 and period ended June 30, 2019. Apolo has conducted a review of the Proposed Transaction's accounting policies and has not identified any differences in accounting policies that were applied historically by these entities. Additional accounting policies related to the reverse take over transaction will be included in the Apolo consolidated financial statements on going forward basis.

4) Pro-Forma adjustments

The following summarizes the pro-forma adjustments in connection with the Proposed Transaction to give effect to the acquisitions as if they had occurred on June 30, 2019 for purposes of the unaudited pro-forma consolidated financial statements:

a) On July 19, 2019, Terrace completed a subscription receipt financing (the "**Subscription Receipt Financing**") by issuing 30,000,000 subscription receipts for gross proceeds of $15,000,000 at $0.50 per subscription receipt. Each subscription receipt is convertible into one common share of Terrace. Terrace closed an additional $2,000,000 subscription receipt financing by issuing 4,000,000 subscription receipts at $0.50 per subscription receipt on August 28, 2019.

b) Transaction costs of the Subscription Receipt Financing are estimated at $750,000 for the legal and professional fees.

As at June 30, 2019 (Expressed in Canadian dollars – unless otherwise specified)

4) Pro-Forma adjustments (continued)

c) To give effect to the reverse take-over transaction of Terrace, pursuant to the Definitive Agreement, below is the breakdown of the listing expense:

Pro forma Listing Expense

Total purchase price for Apolo:		
Fair valuation of shares issued to Apolo shareholders	$	2,380,000
Fair value of options issued to replace Apolo options	$	522,703
Net assets of Apolo	$	765,863
Excess paid over net assets - Listing expense	**$**	**2,136,840**

Accumulated deficit has been charged with expenses representing the expense of listing, as detailed.

Apolo options were revalued under existing terms with a volatility of 54%, interest rate of 1.54%, expected life between 1 to 4 years and fair value of 50 cents as per recent financing.

d) **Reconciliation of outstanding shares**

	#
Outstanding shares of Terrace as at June 30, 2019	128,580,956
Add: Shares issued in financing related to Subsription receipts	34,000,000
Add: Shares issued to Apolo shareholders (11,9000,000 shares pre-consolidation)	4,760,000
Total shares outstanding of Terrace inmediately after RTO	167,340,956

SCHEDULE "A"

APOLO II ACQUISITION CORP.
(THE "CORPORATION")
AUDIT COMMITTEE CHARTER

A. <u>Composition and Process</u>

1. The audit committee of the Corporation (the "**Audit Committee**") shall be composed of a minimum of three members of the board of directors of the Corporation (the "**Board of Directors**"), a majority of whom are independent. An independent director, as defined in *National Instrument 52-110 - Audit Committees* ("**NI 52-110**") is a director who has no direct or indirect material relationship which could, in the view of the Corporation's Board of Directors, be reasonably expected to interfere with the exercise of a members' independent judgment or as otherwise determined to be independent in accordance with NI 52-110.

2. Members shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.

3. The chairperson of the Audit Committee (the "**Chairperson**") shall be appointed by the Board of Directors for a one-year term, and may serve any number of consecutive terms.

4. All members of the Audit Committee are encouraged to become financially literate if they are not already. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity comparable to the Corporation's financial statements.

5. The Chairperson shall, in consultation with management, establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting.

6. The Audit Committee shall try to meet at least four times per year and may call special meetings as required. A quorum at meetings of the Audit Committee shall be its Chairperson and one of its other members or the Chairman of the Board of Directors. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone conference if this is deemed appropriate.

7. The minutes of the Audit Committee meetings shall accurately record the decisions reached and shall be distributed to Audit Committee members with copies where applicable to the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the external auditor.

8. The Audit Committee enquires about potential claims, assessments and other contingent liabilities.

9. The Charter of the Audit Committee shall be reviewed by the Board of Directors on an annual basis.

B. <u>Authority</u>

1. Appointed by the Board of Directors pursuant to provisions of the *Business Corporations Act* (Ontario) and the Memorandum and Articles of Association of the Corporation.

2. Primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board of Directors. The Audit Committee is a standing committee of the Board of Directors established to assist it in fulfilling its responsibilities in this regard. The Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.

3. In fulfilling its responsibilities, the Audit Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.

4. The Audit Committee shall have direct communication channels with the internal auditor (if any) and the external auditor to discuss and review specific issues, as appropriate.

5. The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.

6. The Audit Committee shall establish the compensation to be paid to any advisors employed by the Audit Committee and such compensation shall be paid by the Corporation as directed by the Audit Committee.

C. <u>Relationship with External Auditors</u>

1. An external auditor must report directly to the Audit Committee.

2. The Audit Committee is directly responsible for overseeing the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting.

3. The Audit Committee shall implement structures and procedures to ensure that it meets with the external auditor on at least an annual basis in the absence of management.

D. <u>Accounting Systems, Internal Controls and Procedures</u>

1. Obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.

2. The Audit Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation’s disclosure of financial information extracted or derived from the Corporation’s financial statements and will periodically assess the adequacy of those procedures.

3. Direct the external auditor’s examinations to particular areas.

4. Review control weaknesses identified by the external auditor, together with management’s response.

5. Review with the external auditor its view of the qualifications and performance of the key financial and accounting executives.

6. In order to preserve the independence of the external auditor the Audit Committee will:

   a) Recommend to the Board of Directors the external auditor to be nominated; and

   b) Recommend to the Board of Directors the compensation of the external auditor’s engagement;

7. The Audit Committee shall review and pre-approve any engagements for non-audit services to be provided by the external auditor or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.

8. Review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.

9. The Audit Committee shall review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and most recent former external auditor of the Corporation.

10. The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

11. The Audit Committee shall on an annual basis, prior to public disclosure of its annual financial statements, ensure that the external auditor's participant status has not been terminated or, if its participant status was terminated, has been reinstated in accordance with the Canadian Public Accountability Board ("**CPAB**") bylaws and is in compliance with any restriction or sanction imposed by the CPAB.

E. Statutory and Regulatory Responsibilities

1. Annual Financial Information - review the annual audited financial statements and related management's discussion and analysis ("**MD&A**"), including any related press releases if same contains material information, and recommend their approval to the Board of Directors, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.

2. Annual Report - review the management MD&A section and all other relevant sections of the annual report, if prepared, to ensure consistency of all financial information included in the annual report.

3. Interim Financial Statements - review the quarterly interim financial statements and related MD&A, related press releases and recommend their approval to the Board of Directors.

4. Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements.

F. Reporting

1. Report, through the Chairperson of the Audit Committee, to the Board of Directors following each meeting on the major discussions and decisions made by the Audit Committee.

2. Review the Audit Committee's Charter annually and recommend the approval of any proposed amendments to the Board of Directors.

G. Other Responsibilities

1. Investigating fraud, illegal acts or conflicts of interest.

2. Discussing selected issues with corporate counsel or the external auditor or management.

CERTIFICATE OF APOLO II ACQUISITION CORP.

Dated: November 7, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of Ontario.

(signed) Vincent Gasparro
Vincent Gasparro
CEO, CFO and Director

On behalf of the Board of Directors

(signed) Michael Young	*(signed) Ryan Roebuck*
Michael Young	Ryan Roebuck
Director	Director

CERTIFICATE OF TERRACE INC.

Dated: November 7, 2019

The foregoing, as it relates to Terrace, constitutes full, true and plain disclosure of all material facts relating to the securities of Terrace.

(signed) Francisco Ortiz von Bismarck Francisco Ortiz von Bismarck Chief Executive Officer	*(signed) Leon Dadoun* Leon Dadoun Chief Financial Officer

On behalf of the Board of Directors

(signed) Michael Galego Michael Galego Director	*(signed) Vincent Gasparro* Vincent Gasparro Director

CERTIFICATE OF PROMOTER

Dated: November 7, 2019

The foregoing, as it relates to Terrace, constitutes full, true and plain disclosure of all material facts relating to the securities of Terrace.

(signed) Francisco Ortiz von Bismarck
Francisco Ortiz von Bismarck

(signed) Michael Galego
Michael Galego