FORM 51-102F4
BUSINESS ACQUISITION REPORT

1. IDENTITY OF COMPANY

1.1 Name and Address of Company

SLANG Worldwide Inc. ("**SLANG**" or the "**Corporation**") is a corporation incorporated under the *Canadian Business Corporations Act.* SLANG's head office is located at 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

1.2 Executive Officer

The following executive officer of the Company is knowledgeable about the Acquisition (as defined below) and this report:

Mikel Rutherford
Vice President – Finance
Telephone: (833) 752-6499

2. DETAILS OF ACQUISITION

2.1 Nature of Business Acquired

On January 22, 2019, SLANG acquired all of the equity interests of National Concessions Group, Inc. (the "**Acquisition**") pursuant to the terms of a share purchase agreement dated November 29, 2018 (the "**Agreement**") among SLANG, National Concessions Group, Inc. ("**NCG**"), Ralph Morgan, Tim Cullen, Jeremy Heidl, Amanda Von Kamp, Chris McElvany, Christopher Driessen, Steven Berg, John Moynan, M&H Specialty Finance, LLC and Robert Verdun, Tuatara Capital Fund I L.P. and Tuatara Capital Parallel Fund I L.P.

NCG maintained a portfolio of brand-related intellectual property that was synergistic with the cannabis business sector. NCG's primary business consisted of licensing its intellectual property to cannabis-related businesses in exchange for customary royalty payments. These businesses primarily sold products derived from NCG's intellectual property wholesale to dispensaries and headshops. NCG recouped royalty payments through the sale of the hardware components, non-cannabis ingredients, and marketing materials required to manufacture its consumer brands to its licensees. NCG was not directly involved in the cultivation, extraction, or manufacturing of cannabis ingredients.

2.2 Acquisition Date

The Acquisition closed January 22, 2019.

2.3 Consideration

Under the terms of the Agreement, SLANG acquired all of the shares of common stock and series A preferred stock in the capital of NCG (the "**NCG Securities**"). The purchase price for the NCG Securities was an aggregate of: (i) USD$20 million in cash; (ii) 65,000,000 voting common shares in the capital of SLANG (the "**Common Shares**"); and (iii) 17,500,000 restricted voting common shares in the capital of SLANG (the "**Restricted Shares**"), each issued at a deemed price of $0.75 per share, prior to certain purchase price adjustments.

On September 26, 2018, in connection with the Acquisition, SLANG completed an offering (the "**Offering**") through a syndicate of agents led by Canaccord Genuity Corp. and including Clarus Securities Inc., GMP Securities L.P. and Paradigm Capital Inc. Pursuant to the Offering, SLANG issued 43,998,590 subscription receipts (the "**Subscription Receipts**") at a price of $1.50 per Subscription Receipt for gross proceeds of approximately $66 million. Each Subscription Receipt entitled the holder thereof to receive one unit in the capital of SLANG, each unit consisted of one common hare in the capital of SLANG and one-half of one common share purchase warrant (the "**Underlying Warrant**"). Each Underlying Warrant entitled the holder thereof to acquire one common share in the capital of SLANG at a price of $2.25 until 24 months following the date of SLANG's listing on the Canadian Securities Exchange. The gross proceeds from the Offering were applied by SLANG to fund the cash consideration for the Acquisition.

2.4 Effect on Financial Position

There are presently no plans or proposals for material changes in SLANG's business affairs or the affairs of NCG that may have a significant effect on the financial performance and financial position of SLANG.

2.5 Prior Valuations

No valuation required by securities legislation or a Canadian stock exchange or market to support the consideration payable by SLANG pursuant to the Acquisition has been obtained within the past 12 months by SLANG.

2.6 Parties to Transaction

The Acquisition was not with an informed person (as that term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of the Company other than Christopher Driessen, a director of SLANG since 2017, was both a shareholder of NCG and President of NCG from May 2017.

2.7 Date of Report

May 22, 2019.

3. FINANCIAL STATEMENTS AND OTHER INFORMATION

Attached to this Report are the following schedules.

Schedule A — Audited financial statements of NCG including the statements of operations and comprehensive loss for each of the fiscal years ended December 31, 2018 and 2017

SLANG also acquired all of the issued and outstanding unit and membership interests of NWT Holdings, LLC ("**Firefly**") on January 22, 2019. The acquisition of Firefly can be considered to be an acquisition of a related business to NCG pursuant to Part 8 of 51-102 – *Continuous Disclosure Obligations*. For further information on Firefly, including financial statements of Firefly, please see the business acquisition report dated May 22, 2019 and filed on the Company's sedar profile at www.SEDAR.com.

SCHEDULE A

Audited Annual Financial Statements of NCG
as at and for the years ended December 31, 2018 and December 31, 2017

National Concessions Group, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

(Expressed in US Dollars)

Independent Auditor’s Report

To the Shareholders of National Concessions Group, Inc.:

Opinion

We have audited the consolidated financial statements of National Concessions Group, Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for the years 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 December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

MNP LLP

Toronto, Ontario
May 22, 2019

Chartered Professional Accountants
Licensed Public Accountants

National Concessions Group, Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and December 31, 2017
(Expressed in US Dollars)

	Note	2018	2017
ASSETS			
Current assets			
Cash		$ 17,642	$ 120,997
Accounts receivable, net	8, 19	3,511,844	2,539,981
Inventory	6	1,797,435	1,478,972
Investment held in trust	11	3,298,637	-
Prepaid and other current assets		263,668	500,102
		8,889,226	4,640,052
Non-current assets			
Property and equipment, net	4	972,085	225,630
Intangible assets, net	5	443,515	428,198
Due from related parties	10	1,574,999	4,169,168
Investment in associate	12	13,194,585	15,311,822
Equity investments	11	45,700	127,055
		$ 25,120,110	24,901,925
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,954,168	$ 1,663,125
Lease liability	9	122,693	-
Due to related parties	10	795,275	88,750
Deferred revenue	13	502,784	561,312
Convertible debt	16	-	3,310,969
Derivative liability	16	-	1,082,798
Current portion of note payable	3	20,650	35,548
Current portion of long term note payable	15	337,605	290,850
Shares awarded as compensation	11	3,298,637	-
Revolving promissory note, net of debt discount	14	-	773,196
		7,031,812	7,806,548
Non-current liabilities			
Long term lease liability	9	71,457	-
Long term note payable	15	2,301,700	1,139,305
Deferred revenue	13	14,036,053	14,538,837
Note payable	3	251,063	256,814
		23,692,085	23,741,504
Shareholders' equity:			
Shareholders' capital	17	15,453,647	4,140,518
Warrant reserve	17	101,413	-
Treasury stock, 940,000 shares, at cost	17	(1,142,000)	(1,142,000)
Shareholder distributions		(1,672,602)	-
Accumulated deficit		(11,312,433)	(1,838,097)
Total shareholders' equity		1,428,025	1,160,421
Total liabilities and shareholders' equity		$ 25,120,110	$ 24,901,925

Income taxes (Note 18)
Commitments (Note 20)
Subsequent events (Note 21)

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

National Concessions Group, Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2018 and December 31, 2017
(Expressed in US Dollars)

	Note	December 31, 2018	December 31, 2017
Revenue			
Net sales	7	$ 14,106,238	$ 11,462,298
Licensing revenue	13	647,471	18,034
Total revenue		14,753,709	11,480,332
Cost of goods sold	6	7,079,767	4,741,269
Gross profit		7,673,942	6,739,063
Operating expenses			
Salaries, commissions and benefits		7,187,881	2,442,472
Professional fees		1,552,289	643,156
General and administrative		556,641	510,190
Travel		241,503	358,299
Marketing		194,029	469,908
Advertising		96,765	336,161
Depreciation and amortization	4,5	427,788	214,157
Rent and Parking		148,096	279,854
Office Supplies		40,861	290,160
Systems and technology		97,318	193,895
Insurance		174,210	162,813
Bad debt expense		985,440	120,070
Total operating expense		11,702,821	6,021,135
Operating income (loss)		(4,028,879)	717,928
Other income (expense)			
Interest expense		(718,676)	(537,144)
Accretion expense of convertible debt	16	(746,848)	(325,778)
Stock based compensation expense	17	(150,000)	-
Fair value adjustment of derivative liability	16	1,082,798	432,011
Gain on sale of investment	11	1,331,009	-
Fair value adjustment on investment	11	2,085,308	-
Goodwill and intangible asset impairment	3	-	(310,540)
Unrealized foreign exchange on investment		(1,390,686)	220,932
Share of income (loss) on investment	12	(925,587)	7,370
Provision for loss on related party receivable	10	(6,012,776)	-
Other income		-	(20,460)
Total other income (expense)		(5,445,457)	(533,609)
Total comprehensive income (loss)		$ (9,474,336)	$ 184,319

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

National Concessions Group, Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2018 and December 31, 2017
(Expressed in US Dollars)

	Common Shares	Amount	Preferred Shares	Amount	Warrants Reserve	Treasury Shares	Shareholders Distribution	Accumulated Deficit	Total Equity
Balance, December 31, 2016	4,430,000	$ 4,140,518	-	-	-	$ (620,000)	$ -	$ (2,022,416)	$ 1,498,102
Net Income	-	-	-	-	-	-	-	184,319	184,319
Redemption of shares	(470,000)	-	-	-	-	(522,000)	-	-	(522,000)
Balance, December 31, 2017	3,960,000	4,140,518				(1,142,000)	-	(1,838,097)	1,160,421
Balance, December 31, 2017	3,960,000	$ 4,140,518	-	-	-	$ (1,142,000)	$ -	$ (1,838,097)	1,160,421
Net loss	-	-	-	-	-	-	-	(9,474,336)	(9,474,336)
Issuance of capital shares	572,397	5,500,000	1,153,396	5,813,129	101,413	-	-	-	11,414,542
Shareholder distributions	-	-	-	-	-	-	(1,672,602)	-	- (1,672,602)
Balance, December 31, 2018	4,532,397	9,640,518	1,153,396	5,813,129	101,413	(1,142,000)	(1,672,602)	(11,312,433)	1,428,025

National Concessions Group, Inc.
Condensed Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and December 31, 2017
(Expressed in US Dollars)

		December 31, 2018		December 31, 2017
Operating activities:				
Net (loss) income for the year	$	(9,474,336)	$	184,319
Items not involving cash:				
Depreciation and amortization		427,788		214,157
Deferred rent		-		-
Impairment on investment		-		66,800
Bad debt expense		985,440		120,070
Impairment of related party balance		6,012,776		-
Accretion expense of convertible debt		746,848		325,778
Stock based compensation expense		150,000		-
Fair value adjustment of deriviative liability		(508,885)		(432,011)
Goodwill and intangible asset impairment		-		310,540
Accretion of discount on revolving promissory note		-		23,196
Unrealized foreign exchange (gain) loss on investment		1,390,686		(220,932)
Share of (income) loss on investment		925,587		(7,370)
Amortization of deferred revenue		-		(41,900)
Gain on sale of investment		(1,331,009)		-
Shares awarded as compensation		3,298,637		-
Fair value adjustment on investment		(2,085,308)		-
Changes in non-cash working capital:				
Accounts receivable		(1,957,303)		(1,612,754)
Inventory		(318,463)		(409,820)
Prepaid and other current assets		236,434		30,407
Deferred revenue		(561,312)		58,528
Due from (to) related parties, net		(2,112,082)		(1,362,900)
Accounts payable		291,043		385,317
		(3,883,459)		(2,368,575)
Investing activities:				
Purchases of property and equipment		(823,790)		(10,923)
Purchases of intangible assets		(145,770)		(74,488)
Cash paid on acquisition of a business		-		(31,000)
Investments		-		(171,355)
		(969,559)		(287,766)
Financing activities:				
Proceeds from loans		1,500,000		2,983,594
Repayment of loans		(1,084,695)		(318,358)
Repayment of lease liability		(25,851)		-
Shareholder distributions		(1,672,602)		-
Issue of share capital		6,032,812		-
		4,749,664		2,665,236
Net change in cash		(103,355)		8,895
Cash, beginning of the year		120,997		112,102
Cash, end of the year	$	17,642	$	120,997
Supplemental disclosure of cash flow information:				
Shares issued for debt	$	3,310,969		-
Shares issued in exchange for notes receivable		600,000		-
Equipment acquired under capital lease		220,000		-
Cash paid for interest		920,314		(66,704)

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

1. Nature of Operations

National Concessions Group, Inc. (the “Company” or “NCG”) was incorporated under the laws of the State of Colorado on December 19, 2012. NCG was formed to distribute portable vaporizer devices and accessories to selected distribution networks. NCG’s primary business is licensing its intellectual property to cannabis-related businesses in exchange for customary royalty payments. These businesses primarily sell products derived from NCG’s intellectual property wholesale to dispensaries and headshops. Presently, NCG has granted sublicenses to 14 cannabis-related businesses. NCG recoups royalty payments through the sale of the hardware components, non-cannabis ingredients, and marketing materials required to manufacture its consumer brands to its licensees. Each licensee is responsible for securing and sourcing the cannabis-derived components that are ultimately added to each product; NCG is not directly involved in the cultivation, extraction, or manufacturing of cannabis ingredients. NCG is the sole owner of NCG Transport, LLC (“NCGT”) an entity which was incorporated on May 18, 2015 and that has not yet begun operations.

The Company’s head office and registered office is located at 1058 Delaware St, Denver, CO 80204.

2. Significant Accounting Policies

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) as issued by the International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the years ended December 31, 2018 and 2017.

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors (“Board”) on May 22, 2019.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation of foreign currency

The consolidated financial statements are presented in US dollars (“USD”) unless otherwise noted, which reflects the presentation and functional currency of the Company.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, NCGT. All significant intercompany balances and transactions were eliminated on consolidation.

e) Significant accounting judgments estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets or liabilities in the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

I) Impairment of non-financial assets:

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. As at December 31, 2018 and December 31, 2017, management is not aware of any indicators of impairment of non-financial assets.

II) Estimated useful life and amortization of property and equipment and intangible assets:

Amortization of property and equipment and intangible assets is dependent upon estimates of useful lives.

III) Fair value of investment in private companies or securities not quoted in an active market

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

f) Equipment

Equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided using the straight-line method over the following periods:

Computer equipment	2 years
Furniture and fixtures	10 years
Machinery and equipment	2-7 years
Leasehold improvements	lesser of lease term or 20 years

An asset's residual value, useful life and amortization method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of property, and equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Amortization of property, and equipment is dependent upon estimates of useful lives. Assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account key estimates such as economic and market conditions and the useful lives of assets.

g) Impairment of tangible and intangible assets other than goodwill

Long-lived assets, including property and equipment and finite life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Long-lived assets that are not amortized are subject to an annual impairment test or earlier if there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or “CGU”). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

h) Business combination and goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired, and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Company’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity.

j) Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

i) Current tax

Current income tax assets and liabilities for the current and prior periods 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 date of the statement of financial position.

ii) Deferred tax

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss except where they related to items that are recognized in other comprehensive income or directly in equity, in which case, related deferred tax is also recognized in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

k) Revenue recognition

To determine whether to recognize revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer

2 Identifying the performance obligations

3 Determining the transaction price

4 Allocating the transaction price to the performance obligations

5 Recognizing revenue when/as performance obligations are satisfied.

The Company does not offer services for the goods it manufactures and distributes and therefore the Company's performance obligation is directly related to the sale of its manufactured products including a product license fee and a licensee revenue-based milestone license fee structure as established in the terms of the licensee contract.

For product sales, revenue is recognized when the Company has shipped the product to customer, and control of the product has been transferred to the customer, per the agreed upon shipping terms. The Company recognizes product licensing revenue when the underlying product has been sold to the licensee, and the Company is entitled to their related fee based on the terms in the licensee contract which is recognized proceeding the month the revenue-based milestone in achieved.

Contract obligations arise when the Company has received payments for goods not yet delivered to the customer based on the shipping terms.

l) Investments at fair value

Financial assets that are held within a different business model than ‘hold to collect’ or ‘hold to collect and sell’, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

This category also contains equity investments. The Company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in Duby Ltd. at FVOCI. Assets in the category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

m) Investment in Associates

The Company holds equity investments in associates. An associate is an entity over which the Company has significant influence and is neither a controlled subsidiary nor a jointly controlled entity. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for equity investments using the equity method. Under the equity method, the Company’s investment in an associate is initially recognized at cost and is subsequently increased or decreased to recognize the Company’s share of earnings or losses of the associate, and for impairment losses after the initial recognition date. The Company’s share of an associate’s losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company’s share of earnings or losses of associates are recognized through net income or loss during the year. Cash distributions received from an associate are accounted for as a reduction in the carrying amount of the Company’s investment in the associate.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the associate’s operations. When there is objective evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount, being the greater of its fair value less costs to sell and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in an associate is less than its carrying amount, then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in an associate is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through net income or loss in the period in which the reversal occurs.

n) Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

o) Intangible Assets Valuation

Intangible assets with definite useful lives consist of capitalization of actual costs of creating the intangible asset. Capitalized costs included website development cost before the website went live to the public, and trademarks acquired in a business combination. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial reporting period. Intangible assets with definite useful lives will be amortized on a straight-line basis over their estimated useful lives. Website development costs are amortized over 5 years and trademarks over 15 years.

Subsequent expenditure on the maintenance of the website are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in the Statement of operations.

p) Development Costs

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria related to technical, market and financial feasibility, in which case they are deferred and amortized to operations using the straight-line method over the economic life of the product from the date of completion of the project.

q) Financial Instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash, derivative liability and equity investments..

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1– Receivables that have not experienced a significant increase in credit risk since initial recognition;

Stage 2– Receivables that have experienced a significant increase in credit risk since initial recognition;

Stage 3 – Receivables for which there is objective evidence of impairment.

Significant increase in credit risk

The Company has established a policy to assess, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. IFRS 9 provides a rebuttable presumption that a significant increase in credit risk ("SICR") has occurred if contractual payments are more than 30 days past due. The Company has not rebutted this presumption. Additional risk factors may be considered such as changes in financial condition of the borrower and other borrower specific information and other forward looking information.

Definition of default

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. In certain other cases, where qualitative thresholds indicate unlikeliness to pay as a result of a credit event, the Company carefully considers whether the event should result in an assessment at Stage 2 or 3 for ECL calculations.

The Company applies the simplified approach for accounts receivable. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statements of financial position as a deduction from the gross carrying amount of the financial asset.
Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Summary of the Company's classification and measurements of financial assets and liabilities:

	IFRS 9	
	Classification	**Measurement**
Cash and cash equivalents	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Due from related parties	Amortized cost	Amortized cost
Equity investments	FVTPL	Fair value
Investment in associate	Cost	Equity method
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Long term note payable	Amortized cost	Amortized cost
Note payable	Amortized cost	Amortized cost
Revolving promissory note, net of debt discount	Amortized cost	Amortized cost
Lease liability	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Convertible debt	Amortized cost	Amortized cost
Derivative liability	FVTPL	Fair value

r) New and revised IFRS in issue but not yet effective

In January 2016, the IASB issued IFRS 16, Leases, was issued in January 2016, and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions.

The Company expects this pronouncement to have no impact on the financial statements.

(Expressed in US Dollars)

3. Acquisition of a business

On January 1, 2017 the Company acquired the assets of the corporation SC-GH Holdings, LLC, and certain trademarks and tradenames owned by Inspired Specialty Products, LLC and an individual. The corporation is engaged in the preparation, manufacture, assembly and creation of non-THC infused drinks, drink formulas, and recipes to be sold to producers and thereafter infused with THC. The trade name and trademark acquired was “The Magic Buzz”.

The consideration paid has been allocated to the net assets acquired based on their acquisition date fair values and the excess of the purchase price over the value of the net assets acquired has been recorded as goodwill. The acquisition was accounted for using the acquisition method of accounting under IFRS 3, Business Combinations, which requires that the Company recognize the identifiable assets acquired and the liabilities assumed at their fair values on the date of acquisition. As the business was acquired on January 1, 2017 the operations of the acquired entity have been included in the consolidated financial statements for the full fiscal year.

The transaction can be summarized as follows:

Purchase Price		
Cash	$	31,000
Note payable		319,000
		350,000

Assets acquired		
Trademark	$	39,000
Inventory		19,000
Equipment		20,460
Goodwill		271,540
		350,000

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets acquired was allocated to goodwill. Goodwill is attributed to post-acquisition synergies. The goodwill is not deductible for tax purposes and any transaction costs incurred were expensed in the period.

As part of the purchase price the entity provided a note payable for $319,000 maturing January 1, 2020, with an option to extend the note for an additional year at a penalty cost of $5,000. Payments on the note are to be made monthly and are variable based on the total revenue made by the Company on the sales made associated with the trademark acquired.

The following transactions occurred on the note:

	Note Payable
December 31, 2017	292,362
Repayment	(20,649)
	271,713
Less current portion	20,650
December 31, 2018	251,063

(Expressed in US Dollars)

Operating results for the Magic Buzz did not meet management expectations and the Company recognized a full impairment charge of $310,540 on its goodwill and intangibles in its Statement of Operations for the year ended December 31, 2017.

The recoverable amount of the Magic Buzz CGU was determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five-year period and an after-tax weighted average cost of capital (WACC) discount rate of 26% to 29% (32.2% to 33.6% pre-tax WACC) per annum. The cash flows for the five-year period have been extrapolated using a steady 25% per annum growth rate.

4. Property and Equipment

The property and equipment consisted of:

	Furniture and fixtures	Machinery and equipment	Computers	Leasehold Improvements	Total Property & Equipment
Cost					
Balance, December 31, 2017	$179,935	$234,141	$50,374	$ -	$464,450
Additions	2,153	986,036	24,067	31,534	$1,043,790
Balance, December 31, 2018	$182,088	$1,220,177	$74,441	$31,534	$1,508,240
Accumulated Amortization					
Balance, December 31, 2017	$51,405	$143,370	$44,045	$ -	$238,820
Amortization	17,997	264,592	13,878	868	$297,335
Balance, December 31, 2018	$69,402	$407,962	$57,923	$868	$536,155
Net carrying cost, December 31, 2018	**$112,686**	**$812,215**	**$16,518**	**$30,666**	**$972,085**
Net carrying cost, December 31, 2017	**$128,530**	**$90,771**	**$6,329**	**$ -**	**$225,630**

5. Intangible Assets

Intangible assets consist of:

	Software
Cost	
Balance, December 31, 2017	$587,091
Additions	145,770
Balance, December 31, 2018	$732,861
Accumulated Amortization	
Balance, December 31, 2017	$158,893
Amortization	130,453
Balance, December 31, 2018	$289,346
Net carrying cost, December 31, 2018	**$443,515**
Net carrying cost, December 31, 2017	**$428,198**

(Expressed in US Dollars)

6. Inventory

The following comprise inventory:

Category		2018		2017
Batteries	$	351,267	$	91,141
Cartridges		675,119		420,402
Packaging		595,228		459,130
Finished Goods		173,109		251,004
Other		54,583		141,286
Inventory in-transit		-		116,009
Reserve for obsolete inventory		(51,871)		-
Total	**$**	**1,797,435**	**$**	**1,478,972**

The Company classifies slow-moving inventory, not expected to be consumed or realized in cash in its normal operating cycle, as a non-current asset. Inventory is periodically reviewed for potential obsolescence, and the Company writes down inventory based on its assessment of market conditions. A reserve for obsolete inventory of $51,871 was recorded at December 31, 2018 (2017 - $nil).

During the year, the total inventory expensed through cost of goods sold was $ 5,281,839 (2017 - $4,544,717).

7. Related party transactions

The Company routinely conducts business with Allied Concessions Group (“ACG”), California Open Vape (“CalVAPE”) and GNT Oregon (“GNT”). ACG and GNT have common ownership and common management with NCG and CalVAPE had common ownership with NCG. All entities are separate entities due to the US marijuana regulation licensing requirements. ACG, GNT and CalVAPE operate labs that manufacture oil and packages and markets products to be sold to dispensaries. NCG provides all packaging and marketing materials for their operations. ACG products are sold in the State of Colorado, whereas GNT’s products are sold in the state of Oregon, and CalVAPE products are sold in the state of California.

NCG’s net product sales to ACG, CalVAPE and GNT Oregon for the year ended December 31, 2018, were approximately $3,342,676 (2017- $4,665,000), $3,402,338, (2017- $811,000), and $429,091 respectively. ACG, CalVAPE and GNT accounted for approximately 27% (2017 – 40%), 26% (2017 – 13%) and 3% of NCG net sales, respectively. GNT Oregon was taken over by common management of NCG in April 2018.

As of December 31, 2018, NCG held accounts receivable balances (net of provision) with ACG, CalVAPE, and GNT Oregon for merchandise of approximately $589,706 (December 31, 2017 - $544,131), $2,1,53,080 (December 31, 2017 - $1,422,364) and $388,207 (December 31, 2017 - $nil) respectively. These balances were included in accounts receivable.

As of December 31, 2018, NCG held an accounts payable balance with ACG of approximately Nil (December 31, 2017 – $101,129). No accounts payable balances were held with GNT or CalVAPE.

(Expressed in US Dollars)

Key management of the company are the executive members of the Board and members of the senior management team. Key management personnel remuneration includes the following:

	December 31, 2018	December 31, 2017
Salary & Wages	$842,380	$668,124
Bonus	171,962	1,000
Total Remuneration	$1,014,342	$669,124

8. Accounts receivables

Accounts receivables consist of the following;

	2018	2017
Trade	$4,603,667	$2,668,414
Expected credit losses (refer to note 18)	(1,091,823)	(128,433)
	$3,511,844	**$2,539,981**

The Company provides for expected credit losses ("ECLs") based on its assessment of the probability of specific losses, estimates of future individual exposures and provisions based on historical experience.

The aging of receivables is as follows:

	2018	2017
Current	$357,125	$83,961
Aged 1-30 days past due	390,284	507,521
Aged 31-60 days past due	332,176	515,481
Aged 61-90 days past due	673,913	241,596
Aged >90 days past due	2,850,169	1,319,855
Expected credit losses	(1,091,823)	(128,433)
	$3,511,844	$2,539,981

9. Lease Liability

The Company financed the purchase of equipment under a finance lease. As of December 31, 2018, the amount payable under the lease was $194,150 (2017 – Nil). As at December 31, 2018 the net carrying amount included in machinery and equipment was $183,333 (2017 – Nil).

The future annual minimum payments due under finance lease obligations are as follows:

	Within 1 year	1 to 5 years	Total
December 31, 2018			
Future minimum lease payments	$ 138,600	73,067	$ 211,667
Finance charges	(15,907)	(1,610)	(17,517)
Present value of minimum lease payment	**$ 122,693**	**71,457**	**$ 194,150**

(Expressed in US Dollars)

10. Due from (to) Related Parties

Balances due from related parties consist of the following;

	2018	2017
CalVAPE	$ 3,721,419	$ 770,150
ACG	2,878,376	3,011,630
Due from Shareholders	7,755	-
GNT Oregon	869,245	350,000
Other	110,980	37,388
Expected credit loss	(6,012,776)	-
Total	**$ 1,574,999**	**$ 4,169,168**

These amounts are net of provision for expected credit loss of $2,158,782 from ACG, $2,984,749 from CalVAPE and $869,245 from GNT Oregon.

On November 29, 2018, the Company's shareholders entered into a share purchase agreement ("SPA") with Slang Worldwide Inc. ("Slang"), where Slang agreed to acquire 92.5% of the Company's equity (Slang acquired 7.5% of the Company's equity on March 20, 2018 (Note 17) and Slang option to purchase 100% of the equity of Allied Concessions Group, Inc and NS Holdings Inc. In connection with the SPA, the Company, provided parachute payments to two key executives as a result of change in control provisions in their loan agreements. The unvested shares of NCG held by the two executives became vested. In addition, the Company also agreed to forgive the indebtedness in the amounts of $450,000 and $150,000 to the two executives. The debt forgiveness was recorded at year end as employment compensation.

Balances due from related parties are unsecured, non-interest bearing and with no specific terms of repayment. Refer to Note 7 for details on relationships.

Balances due to related parties consist of the following;

	2018	2017
NS Holdings, Inc.	**$ 795,275**	**$ 88,750**

Balance is non-interest bearing with no specific terms of repayment.

11. Investments

During prior periods the Company invested a total of $180,000 in Duby, Inc, ("Duby"). This investment represented a 2.8% equity interest in Duby. Duby provides a network for people to gain and share knowledge around their experiences. NCG invested in Duby for a strategic marketing purpose. Duby is a private company, no quoted market prices are available for its shares. No additional investments were made in the year ended December 31, 2018 by the Company. Duby raised additional capital in the year, which diluted the Company's interest to 2.6%.

During the year ended December 31, 2017, the Company recognized an impairment of $66,800 on the Duby investment. No additional impairment was recognized on the investment for the year ending December 31, 2018.

On November 30, 2017 the Company entered into a memorandum of understanding with various other parties that would allow the parties to expand business into Florida. Based on the agreement the Company was to provide initial funding of $81,355 to obtain Florida business licenses and up to an additional $159,000 to fund the operations of the new entity once it has been formed. The investment will give the Company a 26.5% ownership in the new entity once formed. As at December 31, 2018 the balance of this investment was written off, as the Florida business is still waiting to obtain their licence and under the current guidelines obtaining the Florida business licence may not be achievable.

(Expressed in US Dollars)

During the period, the Company incorporated a new 100% owned subsidiary, Slang Organa Brands, Inc., ("SOB"). Subsequent to the incorporation of SOB, the Company sold 50% of its shares to Slang in exchange for 3,000,000 shares in Slang. At the time of the exchange SOB had not yet begun operations and as of December 31, 2018 the entity is not operational. As such, the fair value of SOB has been determined to be $nil. The shares in Slang have been valued using level 3 fair value inputs, and were initially valued at $0.44 per share and subsequently re-valued to $1.10 per share. The level 3 inputs were based on private investment agreements with third parties at the time of investment and as at December 31, 2018. The value at December 31, 2018 of $3,298,637 includes a period end foreign exchange loss of $199,036.

In connection with the SPA, the Company, as holder of 3,000,000 common shares of Slang agreed to establish a share award program to its employees and employees of its affiliates. The share award program will be treated as taxable compensation income to the recipients in accordance with the share award agreement. The Company has accrued the compensation expense of $3,298,637 as at December 31, 2018 representing the entire 3,000,000 shares. Senior management were allocated 850,000 of the shares. All recipients were required to sign a share award agreement. Transfer of the shares was completed April 8th, 2019 in full satisfaction of the liability.

Summary of investment balances:

Investment	December 31, 2018	December 31, 2017
Duby	45,700	45,700
Florida expansion	-	81,355
Total Investments	**45,700**	**127,055**

12. Investment in Associate

On November 30, 2017 the Company received a 20% ownership share in Agripharm Corp. (Agripharm), a licensed producer located in Creemore, Ontario, for the use of intellectual property ("IP"), over a period of 30 years plus two 5 year renewal periods, valued on initial recognition at $15,083,520. As such, the IP transferred has been recorded as deferred revenue and will be amortized over the 30 year period. During the period ended December 31, 2018 the Company recognized as license revenue of $561,312 in the consolidated statement of operations and comprehensive income (loss), refer to note 13.

(Expressed in US Dollars)

As at December 31, 2018 a foreign exchange loss was recognized on the investment as follows;

Investment	$
December 31, 2017	15,083,520
Foreign exchange gain	220,932
Share of income	7,370
December 31, 2017	**15,311,822**
Foreign exchange loss	(1,184,450)
Share of losses	(932,787)
December 31, 2018	**13,194,585**

Summarized financial information for Agripharm is set out below;

	2018	2017
Non-current assets	49,446,615	53,770,484
Current assets (a)	4,250,585	4,622,278
Total assets	**53,697,200**	**58,392,762**
Non-current liabilities (b)	8,904,264	9,682,899
Current liabilities (c)	1,342,449	1,459,840
Total liabilities	**10,246,713**	**11,142,739**
Net assets	**43,450,487**	**47,250,023**
(a) Includes cash and cash equivalents	1,287,936	1,400,560
(b) Includes financial liabilities (excluding trade and other payables and provisions)	97,743	106,290
(c) Includes financial liabilities (excluding trade and other payables and provisions)	8,904,264	9,682,899

	Year ended December 31, 2018	Period from December 1, 2017 to December 31, 2017
Revenue	**1,657,846**	**-**
Profit and total comprehensive income (loss) for the year	**(4,663,938)**	**36,831**
Depreciation and amortization	**2,098,490**	**156,508**
Tax expense	**-**	**-**

Agripharm is a private company; therefore, no quoted market prices are available for its shares.

13. Deferred Revenue

Deferred revenue can be summarized as follows:

	$
Agripharm	15,041,621
Other	58,528
December 31, 2017	**15,100,149**
Recognized as licence revenue	(561,312)
	14,538,837
Less current portion	502,784
Total deferred revenue	**14,036,053**

(Expressed in US Dollars)

14. Revolving Promissory Note

In March 2016, the Company entered into a Revolving Promissory Note (the “Note”) providing for a borrowing amount of up to $773,196 with funds provided at a 97% discount rate. The Company drew the entire amount for inventory and equipment purchases. The Note had an 18% interest with a 6-month interest only period of $10,653 and 6 months principal and interest payments of $142,045 beginning in September 2016 with a maturity date of February 2017. The note was secured by a general security agreement over all current or future assets of the Company. In March 2017, the Company renewed its Note, and re-borrowed funds up to the $773,196 maximum at the same terms as the loan was initially lent at in 2016, and due in February 2018. The Company repaid the entire Note in 2018.

	Revolving Promissory Note
January 1, 2017	**516,406**
Proceeds from issuance	750,000
Repayment	(516,406)
Accretion of discount	23,196
December 31, 2017	773,196
Repayment	(773,196)
December 31, 2018	-

During the period, the Company recognized interest and accretion expense on the note of $53,157 (December 31, 2017 - $98,201).

15. Long Term Note Payable

On November 18, 2016 the Company entered into a promissory note agreement for a total principal amount of $1,750,000 with Anthony Frischknecht, a third party. The note is secured, bears interest at 15% per annum and has a term of 60 months, with repayments made on a monthly basis. The note carries a pre-payment penalty, of 12% if the balance is repaid before the first anniversary of the note and 10% and 8% if the note is repaid before the second and third anniversaries, respectively.

	Long-term borrowings
January 1, 2017	**1,721,875**
Repayment	(291,720)
December 31, 2017	1,430,155
Repayment	(290,850)
	1,139,305
Less current portion	337,605
December 31, 2018	**801,700**

(Expressed in US Dollars)

The future minimum principal repayments on the note are as follows;

	$
2019	337,605
2020	391,877
2021	409,823
	1,139,305
Less current portion	337,605
Long term note payable	**801,700**

All assets of NCG have been pledged as security for the above loan. During the year, the Company recognized interest expense on the note of $195,740 (December 31, 2017 - $237,173).

On October 3, 2018, Slang entered into a USD $1,500,000 promissory note and security agreement with the Company (the "Loan"). The Loan has an interest rate of 12% per annum, with interest accrued and payable on a monthly basis commencing October 31, 2018. The principal together with all outstanding interest, fees and expenses is required to be paid in full by the Company on the earliest of any of the following dates (the "Maturity Date"): (i) September 30, 2020; (ii) an Insolvency Default (as such term is defined in the Loan); and (iii) upon demand from Slang following an Event of Default (as such term is defined in the Loan).

16. Convertible Note

On April 28, 2017 the Company entered into a convertible promissory note agreement with Tuatara Capital Parallel Fund I, L.P ('Tuatara'), a third party. The note carries an initial term of 180 days during which time the holder has the option to convert the note to preferred units. During the initial term, the note has an annual interest rate of 10.75%. The note can be converted to Series A Preferred shares at the conversion ratio of (Initial term balance)/ (Borrower Value + Initial Term Balance), whereas the initial term balance shall include principal and accrued interest, and the borrower value is based on a pre-money valuation of the Company. If the note is not converted, within the initial term the note will be extended for an 18 month period. During the extended term, the note has an annual interest rate of 12.75% with monthly repayments over the term of the note. During the extended term, the Company can prepay the remaining loan balance without penalty. On October 11, 2017 and subsequently December 1, 2017 the agreement was amended for the principal balance to be increase to $2,750,000 and $4,500,000 respectively. The terms of the amended agreement were consistent with the initial agreement except the initial 180 days period which was re-set at each amended agreement date.

Details of the Company's convertible note are as follows:

	Convertible Debt	**Derivative liability**
December 31, 2017	3,310,969	1,082,798
Accretion expense	746,848	-
Fair value adjustment	-	(1,082,798)
Repayment	(4,057,817)	-
December 31, 2018	**-**	**-**

For the year ended December 31, 2018, total interest paid and expensed, related to the convertible note, was $390,320 (December 31, 2017 - $183,594). Prior to expiry of the conversion option, conversion was requested by the holder and was exercised during the year.

17. Share Capital

Authorized shares:

14,000,000 authorized common shares
2,000,000 authorized series A preferred shares

Shares issued and outstanding:

On February 5, 2018, the Company's authorized share capital was increased to 6,500,000 shares of common stock. Shareholders holding shares prior to December 31, 2014 (original shareholders), were granted a 100x multiplier on their shares.

On February 5, 2018, 107,530 and 41,506 common shares were issued to two key management personnel for consideration of notes payable of $450,000 and $150,000 respectively. An additional 41,506 and 41,925 common shares were issued to a third parties in 2018 for stock compensation of $150,000 and cash of $250,000.

On March 20, 2018, 339,930 common shares were issued to Slang for cash of $4,500,000.

On October 11, 2018 the Company authorized an increase of 9,500,000 shares, of which 2,000,000 would be preferred stock, and 7,500,000 would be common stock.

On October 16, 2018, Tuatara acquired 918,992 shares of Series A Preferred stock in NCG by converting the USD$4.5 million convertible note and agreed to acquire an additional 234,404 shares of Series A Preferred Stock in the Company for approximately USD$1.3 million. The preferences of the Series A Preferred Stock include: (i) voting and notice rights that exceed those of the Common shareholders, (ii) a liquidation preference, (iii) a conversion right at a predetermined conversion rate, and (iv) standard covenants that are consistent with those regularly granted to preferred stockholders. The Series A Preferred Stock ceased to exist upon the consummation of the Slang acquisition as discussed in note 10.

As at December 31, 2018 the Company had 4,532,397 common shares issued and outstanding with a value of $9,640,518, and 1,153,396 preferred shares issued and outstanding with a value of $5,813,129.

On November 18, 2016 the Company agreed to redeem 470,000 shares for $620,000 and on June 28, 2017 Company agreed to redeem an additional 470,000 shares for $522,000. As a result, as at December 31, 2018 the Company had 940,000 treasury shares with a value of $1,142,000.

18. Income taxes

For the year ended December 31, 2017, NCG was an S-Corporation, and therefore had elected to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. No provision for income taxes was provided in the accompanying consolidated financial statements for the year ended December 31, 2017 because as an S-Corporation management believes that the Company is not subject to income taxes, and, that such taxes are the responsibility of the individual shareholders.

(Expressed in US Dollars)

The Company converted to a C-Corporation during the year ended December 31, 2018 and therefore became subject to income taxes as of January 1, 2018.

The reconciliation of the combined US federal and state statutory income tax rate of 24.66% to the effective tax rate is as follows:

	2018
Total comprehensive income (loss)	(9,474,336)
Statutory tax rate	24.66%
Expected tax	(2,336,153)
Permanent difference	(196,283)
Prior year true ups	70,588
Unrecognized deferred tax asset	2,461,848
Income tax expense	-

Deferred tax

The following table summarizes the components of deferred tax:

	2018
Property and equipment	(83,436)
Intangible assets	(36,167)
Bad debt reserve	601,080
Inventory reserve	12,790
Stock based compensation	850,355
Unrealized foreign exchange	346,339
Non capital losses	593,694
Other	177,193
Unrecognized deferred tax asset	(2,461,848)
Net deferred income tax	-

19. Financial risk management

Financial instruments measured at fair value are classified into one of levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At December 31, 2018, the Company's financial instruments consist of cash, accounts receivables, equity investments, due from related parties, due to related parties, lease liability, convertible debt, derivative liability, notes payable, and accounts payable and accrued liabilities. The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and investments at fair value, as FVTPL. Convertible debt, notes payable and accounts payable and accrued liabilities as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy. The Company is exposed to a variety of financial instrument related risks.

(Expressed in US Dollars)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation, resulting in financial loss to the Company. Such risks arise primarily from certain financial assets held by the Company consisting of accounts receivable. The Company's maximum exposure to credit risk is limited to the carrying amount of the financial assets.

The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The loss allowance provision is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables.

	Gross Carrying Amount	Lifetime expected credit loss allowance	Expected loss rate
Current	357,125	357	0.10%
Aged 1-30 days past due	390,285	1,200	0.31%
Aged 31-60 days past due	332,177	1,390	0.42%
Aged 61-90 days past due	673,913	158,609	23.54%
Aged >90 days past due	2,850,167	930,267	32.64%
	4,603,667	1,091,823	23.72%

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. Other receivables are assessed collectively to determine whether there is objective evidence that an impairment has occurred, but not yet been identified. The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amount based on specific losses estimated on individual exposures and provisions based on historical experience.

The Company considers that there is evidence of impairment if any of the following indicators are present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganization; and/or
- Default of delinquency in payments

The Company has balances due from related parties as disclosed in note 10. The Company's due from related parties is a Stage 2 financial asset as there has been an increase in credit risk of the related parties. The Company has recorded an expected credit loss of $6,012,776 at December 31, 2018 which is included in the Statement of Operations and Comprehensive Loss.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company typically settles its financial obligations out of cash and occasionally will settle liabilities with the issuance of common shares. The ability to settle obligations with cash relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at December 31, 2018, the Company had a cash balance of $17,642 and excess working capital of $1,857,413. The Company has mitigated its liquidity risk by entering into additional capital transactions to provide funding after period end, as well as expanding its product base to allow future growth and sales.

(Expressed in US Dollars)

Interest rate risk

The Company is not subject to interest rate risk on future cash flows, as all of its instruments bear fixed rates of interest.

Capital management

Capital is comprised of the Company's shareholder's equity, other than trade payables in the normal course of operations. As at December 31, 2018, the Company's shareholders' equity was $1,428,025 and liabilities other than accounts payable were $21,737,917. The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. The Board of Directors does 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. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and early development stage of the Company, is reasonable.

The Company is dependent on external financing to fund its activities. The Company will spend its existing working capital on operations and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the period ended December 31, 2018.

20. Commitments

The Company leases office space and a warehouse in Denver, Colorado. The office space lease expired in February 2019, and management is renting the office space on month to month basis. The office space is 7,026 square feet which offices the management team, operational support teams and sales team. Rent expense for these leases for the year ended December 31, 2018 was approximately $126,900 (December 31, 2017 - $158,000). The Company also had two equipment leases which have been capitalized in the financial statements. Both leases had a two year term, commencing June 2018. During 2018, the Company made total payments of $36,000 on these lease obligations.

Future minimum lease payments at December 31, 2018 are approximately as follows:

Year Ending	Total
2019	136,793
2020	71,457
Total	208,250

21. Subsequent events

As discussed in Note 10, subsequent to the year end the Company was acquired by Slang.