Financial Statements

Cannabis Growth Opportunity Corporation

For the Year Ended October 31, 2018 and the Period From October 29, 2017 to October 31, 2017
(Stated in Canadian Dollars)

INDEX

Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Statements of Financial Position	3
Statements of Income and Comprehensive Income	4
Statements of Changes in Shareholders' Equity	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 24

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and other financial information for this annual report were prepared by the management of Cannabis Growth Opportunity Corporation (the "Corporation"), reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Corporation's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Corporation's financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Corporation's books and records.

"Jamie Blundell"
President & COO

"Paul Andersen"
CFO

Toronto, Ontario
January 17, 2019

Independent Auditors' Report

To the Shareholders of Cannabis Growth Opportunity Corporation:

We have audited the accompanying financial statements of Cannabis Growth Opportunity Corporation, which comprise the statements of financial position as at October 31, 2018 and October 31, 2017, and the statements of income and comprehensive income, changes in shareholders' equity and cash flows for the year ended October 31, 2018 and the period from October 29, 2017 to October 31, 2017, 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 audits. We conducted our audits 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 in our audits 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 Cannabis Growth Opportunity Corporation as at October 31, 2018 and 2017, and its financial performance and its cash flows for the year ended October 31, 2018 and the period from October 29, 2017 to October 31, 2017, in accordance with International Financial Reporting Standards.

MNP LLP

Toronto, Ontario

January 17, 2019

Chartered Professional Accountants

Licensed Public Accountants

MNP

Cannabis Growth Opportunity Corporation

Statements of Financial Position
As at October 31, 2018
Stated in Canadian dollars

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 111,762	$ 2.50
Interest receivable	63,629	-
Investments (note 3)	41,354,307	-
Investments receivable (note 4)	500,000	-
Other assets	169,257	-
Prepaid expenses	24,400	-
Total assets	$ 42,223,355	$ 2.50
Liabilities		
Current liabilities		
Bank indebtedness	$ 353,560	$ -
Accounts payable and accrued liabilities (note 11 (d), (h))	397,989	-
Income tax payable (note 10 (a))	3,286	-
Total liabilities	754,835	-
Shareholders' equity		
Share capital (note 5)	27,519,093	2.50
Warrants (note 6)	7,892,531	-
Contributed surplus (note 7)	2,575,976	-
Retained earnings	3,480,920	-
Total shareholders' equity	41,468,520	2.50
Total liabilities and shareholders' equity	$ 42,223,355	$ 2.50

Subsequent events (note 13)

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

Approved on behalf of the Board

"Jamie Blundell", Director "Paul Andersen", Director

Cannabis Growth Opportunity Corporation

Statements of Income and Comprehensive Income
For the year ended October 31, 2018 and the period from October 29, 2017 to October 31, 2017
Stated in Canadian dollars

	2018	2017
Income		
Interest income	$ 205,462	$ -
Net realized gain on disposal of investments	2,687,911	-
Net change in unrealized appreciation on investments	2,955,369	-
Net change in unrealized foreign exchange gain on investments	269,677	-
Gain on conversion of convertible debentures	100,800	-
Gain on warrants exercised	136,289	-
Total income	6,355,508	-
Expenses		
Operating, general, and administrative (notes 9, 11)	1,079,202	-
Stock-based compensation (note 7 (a))	1,792,100	-
Total expenses	2,871,302	-
Net Income before tax	3,484,206	-
Current income tax expense (note 10 (a))	(3,286)	-
Net income and Comprehensive Income	$ 3,480,920	$ -
Net income per common share - Basic and diluted (note 8)	$ 0.29	$ -
Weighted average number of common shares outstanding - basic and diluted (note 8)	11,887,109	-

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

Cannabis Growth Opportunity Corporation

Statements of Changes in Shareholders' Equity
For the year ended October 31, 2018 and the period from October 29, 2017 to October 31, 2017
Stated in Canadian dollars

	Share capital					
	Number of shares	Amount	Warrants	Contributed surplus	Retained earnings	Total shareholders' equity
Balance - October 29, 2017	-	$ -	$ -	$ -	$ -	$ -
Issuance of common shares (note 5)	1	2.50	-	-	-	2.50
Balance - October 31, 2017	1	$ 2.50	$ -	$ -	$ -	$ 2.50

	Share capital					
	Number of shares	Amount	Warrants	Contributed surplus	Retained earnings	Total shareholders' equity
Balance - November 1, 2017	1	$ 2.50	$ -	$ -	$ -	$ 2.50
Net comprehensive income	-	-	-	-	3,480,920	3,480,920
Shares and warrants issued from initial public offering	15,513,250	30,084,504	8,698,621	-	-	38,783,125
Shares issued to acquire investments (note 5)	138,889	250,000	-	-	-	250,000
Share and warrant issuance costs (note 5, 6, 7(b))	-	(2,815,414)	(806,090)	783,876	-	(2,837,628)
Stock-based compensation (note 7 (a))	-	-	-	1,792,100	-	1,792,100
Balance - October 31, 2018	15,652,140	$ 27,519,093	$ 7,892,531	$ 2,575,976	$ 3,480,920	$ 41,468,520

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

Cannabis Growth Opportunity Corporation

Statements of Cash Flows
For the year ended October 31, 2018 and the period from October 29, 2017 to October 31, 2017
Stated in Canadian dollars

	2018	2017
Cash flows from operating activities		
Net income and comprehensive income	$ 3,480,920	$ -
Items not involving cash		
Net change in unrealized appreciation on investments	(2,955,369)	
Net realized gain on disposal of investments	(2,687,911)	
Stock-based compensation	1,792,100	
Gain on conversion of convertible debenture	(100,800)	
Gain on warrants exercised	(136,289)	
Net change in unrealized foreign exchange gain on investments	(269,677)	-
	(877,026)	-
Adjustments for:		
Investment receivable	(500,000)	-
Interest receivable	(63,629)	-
Purchase of investments	(49,973,368)	-
Proceeds from disposal of investments	15,019,107	-
Prepaid expenses	(24,400)	-
Other assets	(169,257)	-
Income tax payable	3,286	-
Accounts payable and accrued liabilities	397,989	-
Net cash used in operating activities	(36,187,298)	-
Cash flows from financing activities		
Bank indebtedness	353,560	-
Proceeds from issuance of shares	30,084,504	2.50
Share issuance costs	(2,207,353)	-
Proceeds from issuance of warrants	8,698,621	-
Warrant issuance costs	(630,275)	-
Net cash provided by financing activities	36,299,057	2.50
Net increase in cash and cash equivalents	111,759	2.50
Cash and cash equivalents - beginning of period	2.50	-
Cash and cash equivalents - end of period	$ 111,762	$ 2.50
Significant non-cash transactions		
Shares issued to acquire investments (note 5)	$ 250,000	$ -
Share and warrant issuance costs - agent compensation options (note 7 (b))	$ (783,876)	$ -

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

1. Nature of operations and formation of the Corporation

Cannabis Growth Opportunity Corporation (the "Corporation") is an investment corporation incorporated under the laws of Canada on October 29, 2017. On January 26, 2018, the Corporation completed its initial public offering (the "Offering"). Pursuant to the Offering, the Corporation issued 15,513,250 Units at a price of $2.50 per Unit for gross proceeds of $38,783,125. Each Unit consisted of one common share and one warrant in the capital of the Corporation. The common shares and warrants are listed on the Canadian Securities Exchange under the symbols “CGOC” and “CGOC.WT” respectively.

The Corporation’s investment objectives are to provide shareholders long-term total return through capital appreciation by investing in an actively managed portfolio of securities of public and private companies operating in or that derive a significant portion of their revenue or earnings from products or services related to the cannabis industry.

CGOC Management Corp. (the “Manager”) will act as the manager and promoter of the Corporation and will provide specific management services to the Corporation pursuant to a management agreement. The Corporation will make investment decisions with respect to the portfolio of private companies. The Corporation and the Manager have engaged StoneCastle Investment Management Inc. (the “Investment Manager”) to act as the Corporation’s investment manager with respect to the portfolio of public companies.

The Corporation's head office is located at 240 Richmond St. W, Suite 4164, Toronto, Ontario, M5V 1V6.

2. Basis of presentation and summary of significant accounting policies

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of October 31, 2018.

These financial statements were approved by the Board of Directors on January 16, 2019.

b) Investments in associates and subsidiaries

In accordance with IFRS 10, the Corporation uses the following criteria to evaluate and determine if it meets the definition of an "investment entity":

i) Obtain funds from one or more investors for the purpose of providing those investors with investment management services.

ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

2. Basis of presentation and summary of significant accounting policies (continued)

b) Investments in associates and subsidiaries (continued)

iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Corporation has determined that it meets the definition of an investment entity and as a result, it measures subsidiaries and investments in associates at fair value through profit and loss. As at October 31, 2018, the Corporation does not have any subsidiaries or investments in associates.

c) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost convention except for certain financial instruments, which have been measured at fair value.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates calculated. Significant judgments made when applying accounting policies are as follows:

i) Fair value of investments not quoted in an active market or investments in private companies

Where the fair values of investments cannot be derived from active markets, the Corporation uses valuation models to determine fair value. Where possible, the Corporation uses inputs derived from observable market data for the models. Where observable market data is not available, the Corporation uses judgment to establish fair value.

2. Basis of presentation and summary of significant accounting policies (continued)

e) Use of estimates and judgments (continued)

ii) Fair value of financial derivatives

Investments in options and warrants, which are not traded on a recognized securities exchange, do not have readily available market value. When observable and reliable market inputs exist, the Corporation uses valuation techniques to determine fair value. If such market inputs do not exist, the Corporation values the warrants and options using the Black-Scholes Model.

iii) Stock-based compensation expense

The Corporation uses the Black-Scholes Model to determine the fair value of stock options issued in order to calculate compensation expense. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Corporation's control.

iv) Warrants

The Corporation uses the Black-Scholes Model to calculate the value of warrants issued as part of the Corporation's public and/or private placements. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Corporation's control. Proceeds from unit placements, net of issuance costs, are allocated between common shares and warrants issued according to their relative fair value.

f) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the Corporation's functional currency at the rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the Corporation's functional currency spot rate of exchange in effect at the reporting date. Non-monetary assets and liabilities are measured at historical cost in a foreign currency and are translated using the exchange rates as at the date of the initial transaction. All exchange differences are recognized in the statement of comprehensive income.

g) Financial instruments

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Corporation has elected for the early adoption of the the requirements under IFRS 9 for the reporting period starting November 1, 2017. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at November 1, 2017.

2. Basis of presentation and summary of significant accounting policies (continued)

g) Financial instruments (continued)

On initial recognition, a financial asset is classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Purchases and sales of financial assets are recorded on a settlement date basis.

Subsequent to initial recognition, all investments are measured at fair value. All gains and losses arising from changes in fair value of the investments are presented in comprehensive income within changes in unrealized depreciation/appreciation of investments in the period in which the gains and losses arise. The Corporation would only reclassify a financial asset when the Corporation changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

i) Cash and cash equivalents

Cash and cash equivalents comprise deposits in banks and highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and are not subject to a significant risk of changes in value.

ii) Bank indebtedness

Bank indebtedness comprises of overdraft positions entered into with the Corporation's prime broker to facilitate the securities settlement process.

iii) Financial assets classified at fair value through profit and loss

Financial assets are classified as FVTPL if the asset is an equity investment, if the Corporation has not elected to classify the equity investment as FVOCI, or if the Corporation's business model for holding the investment is achieved other than by both collecting contractual cash flows and by selling the assets.

FVTPL assets are initially recorded at fair value with realized gains and losses on disposition and subsequent changes in fair value recorded in net income. Directly attributable transaction costs are reported in net income as incurred.

iv) Non-derivative financial liabilities

Non-derivative financial liabilities are recognized initially on the date the Corporation becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value along with directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost using the effective interest rate method.

2. Basis of presentation and summary of significant accounting policies (continued)

g) Financial instruments (continued)

v) Derivative financial instruments - warrants and options

A financial derivative such as warrants or options that will be settled with the Corporation's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the Corporation's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered a financial liability at fair value through profit or loss if it's to acquire either a variable number of equity instruments and the options/warrants were not offered pro-rata to all existing owners of the case class of non-derivative equity instruments.

The following table presents the Corporation's classification of financial assets and financial liabilities as at October 31, 2018.

Financial assets/ financial liability	**Classification**
Cash and cash equivalents	FVTPL
Investment receivable	FVTPL
Interest receivable	Amortized cost
Investments	FVTPL
Bank indebtedness	FVTPL
Accounts payable and accrued liabilities	Amortized cost

The Corporation recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For interest receivable, the Corporation applies the simplified approach to providing for expected credit losses, which allows for the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized.

h) Revenue recognition

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, Revenue. The standard introduces a 5-step approach to measuring and recognizing revenue. The Corporation has elected for the early adoption of the requirements in the standard.

2. Basis of presentation and summary of significant accounting policies (continued)

h) Revenue recognition (continued)

More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Corporation.

Interest income and other income are recognized on an accrual basis.

i) Current tax

Current taxes are recognized for estimated income taxes payable or recoverable for the current period and any adjustments to taxes payable in respect to prior periods. Current taxes payable or recoverable are offset when they relate to income taxes imposed by the same taxation authority when the taxation authority permits receiving or making a single net payment.

j) Deferred tax

Deferred tax is recognized for temporary differences at the reporting date between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are measured using currently enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which the temporary differences reverse. Measurement of deferred tax reflects the tax consequences that would follow the manner in which the Corporation expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it's probable the Corporation will have sufficient taxable income with which to offset such items. The Corporation reviews deferred tax assets each reporting period and would be reduced to the extent that it's no longer probable that the benefit arising from the unused tax loss, tax credit, or deductible temporary difference will be realized.

k) Stock-based compensation

The Corporation has a stock option plan whereby management, including officers and directors of the Corporation receive remuneration in the form of stock options granted within the plan for services rendered. The cost of options is recognized as an increase to contributed surplus over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (the "vesting date").

Stock-based awards are recognized as an expense to the extent that management expects such awards to vest based on service and performance conditions attached to the stock-based awards.

2. Basis of presentation and summary of significant accounting policies (continued)

l) Share and warrant capital

Common shares and warrants are classified as equity in the financial statements. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

m) Fair value measurement

Fair value is defined as 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. A fair value hierarchy is applied to all fair value measurements including non-financial assets and liabilities, which are measured at or based on fair value. The Corporation's fair value hierarchy is disclosed in note 3.

n) Income per common share

The Corporation presents basic and diluted income per share for its common shares. Basic income per common share is determined by dividing the Corporation's net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income per common share is determined by adjusting the weighted average number of shares outstanding for the impact of all dilutive potential shares, which are comprised of stock-based compensation awards granted.

o) Accounting standards and amendments issued but not yet applied

Amendments to IFRS 2 Share-Based Payment ("IFRS 2")

On June 20, 2016, the IASB, published final amendments to IFRS 2 that clarify the classification and measurement of share-based payments transactions. The amendments pronounce requirements related to accounting for:

i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments;

ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and

iii) the effect of a modification of the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is currently assessing the impact the Amendments to IFRS 2 will have on its financial statements.

Stated in Canadian Dollars

2. Basis of presentation and summary of significant accounting policies (continued)

o) Accounting standards and amendments issued but not yet applied (continued)

IFRS 16 Leases ("IFRS 16")

This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Corporation is currently assessing any effect on its financial statements from the adoption of this standard.

3. Fair value measurement

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in determining the fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

- Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.
- Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit and loss. For other financial instruments, transaction costs are capitalized on initial recognition.

Investments consisted of the following at October 31, 2018:

Financial assets measured at fair value	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equities	$ 29,997,306	$ 14,012,993	$ -	$ 18,984,109	$ 32,997,102
Warrants	4,412,144	713,369	1,377,912	1,963,008	4,054,289
Convertible debentures	3,334,378	2,495,312	1,400,000	-	3,895,312
Subscription receipts	385,434			407,604	407,604
	$ 38,129,262	$ 17,221,674	$ 2,777,912	$ 21,354,721	$ 41,354,307

Stated in Canadian Dollars

3. Fair value measurement (continued)

Subscription receipts

Subscription receipts represent investments in private companies that are in the process of completing a public transaction. Once the public transaction is complete, each subscription right entitles the Corporation to receive, without payment of additional consideration, one unit of the newly formed entity. If the public transaction does not complete, the subscription receipts become void, and the total subscription price is returned to the Corporation. Due to the short-term nature of the holding period of subscription rights, the carrying value is approximated to be the fair market value. The Corporation holds $407,604 in subscription receipts as at October 31, 2018.

Changes in Level 3 investments

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended October 31, 2018.

	Private equities	Convertible debentures	Warrants	Subscription receipts	Total fair value
Balance - November 1, 2017	$ -	$ -	$ -	$ -	$ -
Purchases	16,428,023	348,740	1,206,278	3,087,927	21,070,968
Unrealized gains (losses)	3,686,086	-	877,990	22,169	4,586,245
Transfers out of Level 3	(1,130,000)	(348,740)	(121,260)	(2,702,492)	(4,302,492)
Balance - October 31, 2018	$18,984,109	$ -	$1,963,008	$ 407,604	$21,354,721

Transfers out of Level 3 investments are due to changes in the observability of market data, such as a recent new transaction, conversion of subscription receipts into underlying securities or due to a company going public.

During the year ended October 31, 2018, $4,586,245 of net change in unrealized appreciation on investments and net change in unrealized foreign exchange gain on investments includes Level 3 investments held as at October 31, 2018.

Significant unobservable inputs

The key assumptions the Corporation used in the valuation of level 3 investments include and are not limited to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

Stated in Canadian Dollars

3. Fair value measurement (continued)

The following table summarizes valuation techniques and significant unobservable inputs used for the Corporation's investments classified in Level 3 of the fair value hierarchy as at October 31, 2018.

	Fair value at October 31, 2018	Valuation technique	Unobservable inputs	Range of inputs
Private equities	$ 18,984,109	Recent financing and trends in comparable companies	Transaction price	N/A
Warrants	1,963,008	Black-Scholes model	Volatility	74% to 81%
Subscription receipts	407,604	Recent financing	Transaction price	N/A
	$ 21,354,721			

For these Level 3 investments, the inputs used can be highly judgemental. A 25% increase or decrease in the assumptions will result in a corresponding $5,338,680 change to the total fair value of Level 3 investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments.

4. Investment receivable

Investment receivable represents funds advanced by the Corporation pursuant to a subscription agreement, which had not settled as at October 31, 2018. Due to the short-term nature of the holding period of the investment receivable, the carrying value is approximated to be the fair market value.

The Corporation had $500,000 in investment receivable as at October 31, 2018.

The subscription agreement settled on December 10, 2018.

Stated in Canadian Dollars

5. Share capital

a) Authorized:

Unlimited common shares

b) Common Shares issued and outstanding

	Number		Amount
Balance - November 1, 2017	1	$	2.50
Initial public offering	15,513,250		30,084,504
Shares issued to acquire investments	138,889		250,000
Issuance costs	-		(2,815,414)
Balance - October 31, 2018	15,652,140	$	27,519,093

Initial public offering

On January 26, 2018, the Corporation completed its initial public offering and issued 15,513,250 units at a price of $2.50 per unit for gross proceeds of $38,783,125. Each Unit consisted of one common share and one warrant in the capital of the Corporation. Each warrant which entitles the holder thereof to purchase one common share at a price of $2.50 until January 26, 2020. The Corporation allocated $30,084,504 of the gross proceeds to common shares and $8,698,621 of the proceeds to warrants.

Shares issued to acquire investments

On April 26, 2018, the Corporation acquired 400,000 shares of a private entity investment at a purchase price of $1,000,000 or $2.50 per share. Consideration for the acquisition consisted of $750,000 paid in cash and issuance of 138,889 common shares of the Corporation issued at $1.80 per share.

6. Warrants

A summary of the status of the Corporation's warrants as at October 31, 2018 and changes during the year is as follows:

	Number		Amount		Weighted average exercise price
Balance - November 1, 2017	-	$	-	$	-
Initial public offering	15,513,250		8,698,621		2.50
Issuance costs	-		(806,090)		-
Balance - October 31, 2018	15,513,250	$	7,892,531	$	2.50

The fair value of the Warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.43%
Expected life	2 years
Expected volatility	66%*
Share price	$1.94

*Based on volatility of comparable companies

Stated in Canadian Dollars

7. Stock based compensation and agent compensation options

a) Stock-based compensation

The Board of Directors has adopted a stock-based compensation plan for the Corporation (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase common shares to directors, officers, and consultants of the Corporation.

Under the Plan, the aggregate number of common shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding common shares at the time of granting the options. Options shall expire no later than five years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the common shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the common shares are listed. The options shall vest and may be exercised as determined by a resolution of the board of directors.

A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - November 1, 2017	-	$ -	$ -
Granted and outstanding	1,500,000	1,792,100	2.35
Balance - October 31, 2018	1,500,000	$ 1,792,100	$ 2.35

All outstanding options have fully vested and are exercisable.

The fair value of the options was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.64%
Expected life	5 years
Expected volatility	66%*
Share price	$2.20

*Based on volatility of comparable companies

b) Agent compensation options

Pursuant to the Agency Agreement, on January 26, 2018, the Corporation granted Agent compensation options (the "Agent's Options") equal to 5.5% of the number of units sold under the initial public offering.

Stated in Canadian Dollars

7. Stock based compensation and agent compensation options (continued)

b) Agent compensation options (continued)

Each Agent's Option will entitle the Agent to purchase one Unit, at an exercise price equal to $2.50 per Unit for a period of 24 months from the closing date. In the event that the Agent's Option is not exercised prior to the expiry time, the Agent will only be entitled to receive the Common Shares underlying the Units upon any subsequent exercise of the Agent's Option. The Warrants underlying the Units issuable upon exercise of the Agent's Option will be void and of no value at the Expiry Time.

A summary of changes to agent options is as follows:

	Number		Amount		Weighted average exercise price
Balance - November 1, 2017	-	$	-	$	-
Granted and outstanding	851,025		783,876		2.50
Balance - October 31, 2018	851,025	$	783,876	$	2.50

All outstanding agent options have fully vested and are exercisable. The total cost of agent options granted is allocated as share and warrant issuance costs of $783,876, which comprises $608,061 of share issuance costs and $175,815 of warrant issuance costs.

The fair value of the agent options was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.43%
Expected life	2 years
Expected volatility	66%*
Unit price	$2.50

*Based on volatility of comparable companies

8. Net income per share

Basic and diluted net income per share has been calculated using the weighted average number of shares outstanding of 11,887,109. There were no dilutive items outstanding for the year as the Corporation's average common share stock price during the year was below the exercise price of the outstanding warrants (note 6), stock options (note 7 (a)) and agent compensation options (note 7 (b)).

Net income per share is presented as follows:

	Year ended October 31, 2018
Basic and diluted net income per share	
Net income	$ 3,480,920
Weighted average basic and diluted number of common shares outstanding	11,887,109
Basic and diluted net income per share	$ 0.29

Stated in Canadian Dollars

9. Expenses by nature

Operating, general and administrative expenses includes the following:

	Year ended October 31, 2018	Period ended October 31, 2017
Directors' fees (note 11(h))	$ 75,000	$ -
Foreign exchange gain	38	-
Investment transaction costs	79,217	-
Listing and filing fees	45,312	-
Management fees (note 11(a))	242,524	-
Marketing	292,469	-
Office and general	75,164	-
Professional fees (note 11(b))	269,478	-
	$ 1,079,202	-

10. Income taxes

a) Current income taxes vary from amount that would be computed by applying the basic federal and provincial tax rates to income before income taxes:

	Year ended October 31, 2018	Period ended October 31, 2017
Net income before tax	$ 3,484,206	$ -
Statutory rate (combined federal and provincial rate)	26.5%	26.5%
Expected income tax at statutory rate	923,315	-
Permanent differences		
Net of non-taxable gains and non-deductible expenses	(335,538)	-
Share and warrant issuance costs booked through equity	(959,699)	-
Change in tax benefits not recognized	375,208	-
Current income tax expense	$ 3,286	$ -

b) Deferred taxes are provided as a result of temporary differences that arise due to income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following:

	Year ended October 31, 2018	Period ended October 31, 2017
Accounts payable	$ 26,096	$ -
Share and warrant issuance costs	1,389,782	-
	$ 1,415,878	$ -

11. Related party transactions and balances

During the year ended October 31, 2018, the Corporation reported the following related party transactions:

a) Management fees

The Corporation is required to pay the Manager an annual management fee (the "Management Fee") fee of 1.0% of the market capitalization of the Corporation based on the daily volume-weighted average price of the common shares calculated. The Management Fee is accrued daily and paid by the Corporation to the Manager monthly in arrears. The Manager will pay the Investment Manager and the officers and directors of the Corporation provided by the Manager (other than the independent directors) out of the Management Fee.

During the year ended October 31, 2018, the Corporation incurred management fees of $242,524. As at October 31, 2018, accounts payable and accrued liabilities included $26,096 of management fees payable to the Manager.

b) Performance fee

As soon as practicable following the final Business Day of each calendar quarter (each such date, a "Performance Fee Payment Date" and each such period, a "Performance Fee Period"), the Corporation is required to pay the Manager a quarterly performance fee (the "Performance Fee") in respect of the outstanding Common Shares equal to 20% of the amount by which the sum of (i) the "weighted average market price" of the Common Shares on the Canadian Securities Exchange (the "CSE) (or such other principal market on which the Common Shares are quoted for trading) during the 15 trading days preceding the end of the Performance Fee Period, plus (ii) distributions on such Common Shares during such period, exceeds 101.25% of the Threshold Amount (the "Hurdle Rate"). The Threshold Amount will be the greater of (i) $2.60; and (ii) the weighted average market price of the Common Shares on the Performance Fee Payment Date in the last quarter for which a Performance Fee was paid.

For the period from the Closing Date to the end of the quarter, which includes the Closing Date, the Hurdle Rate will be reduced proportionately to reflect the number of days remaining in the quarter from the Closing Date to the end of that quarter. In the event that new Common Shares are issued, the Hurdle Rate application to the Performance Fee payable with respect to those Common Shares will be reduced proportionately to reflect the number of days remaining in that quarter and the Threshold Amount in respect of such Common Shares for that quarter will be the greater of (i) the issue price of the Common Shares; and (ii) the then current Threshold Amount.

During the year ended October 31, 2018, the Hurdle rate was not reached; therefore, the Corporation did not incur performance fees.

11. Related party transactions and balances (continued)

c) Operating expenses

The Corporation will reimburse the Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Manager in connection with the performance of the services described in the Management Agreement, as well as certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Corporation and office space and services. During the year ended October 31, 2018, the Corporation reimbursed the Manager operating expenses of $Nil.

d) The Corporation incurred accounting and regulatory compliance fees of $169,839 for the year ended October 31, 2018 from Forbes Andersen LLP, the accounting firm in which the Corporation's CFO is a Partner. The Corporation allocated $142,945 of these fees to operating, general and administrative expenses on the statement of income and comprehensive income. As at October 31, 2018, accounts payable and accrued liabilities included $35,934 of fees payable to the accounting firm.

e) On behalf of the Corporation, the President and COO paid $57,636 of reimbursable operating expenses for the year ended October 31, 2018. As at October 31, 2018, accounts payable and accrued liabilities included $nil of reimbursable expenses payable to the President and COO.

f) The stock-based compensation expense for the year ended October 31, 2018 related to stock options issued and immediately vested to directors and management was $1,792,100.

g) Other than the stock-based compensation, compensation of key management and personnel was $Nil during the year ended October 31, 2018.

h) The Corporation incurred directors' fees of $75,000 for the year ended October 31, 2018. As at October 31, 2018, accounts payable and accrued liabilities included $75,000 of directors' fees.

During the year ended October 31, 2018, all related party transactions were in the normal course of operations and all services provided by related parties were made on terms equivalent to those which prevail with arm's length transactions.

12. Financial risk management

The primary business activities of the Corporation result in financial statements that are primarily comprised by financial instruments. As such, the Corporation is exposed to certain risks related to financial instruments:

a) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk from its investments in convertible debentures of various entities and the related interest receivable. The carrying value of interest receivable affected by changes in credit risk is minimal.

12. Financial risk management (continued)

b) Liquidity risk

Liquidity risk refers to the risk that the Corporation will have insufficient cash resources to meet its financial obligations when they become due. The Corporation manages liquidity risk by reviewing resources to ensure that it will have sufficient liquidity to meet liabilities as they become due and to support business strategies.

The Corporation generates cash flow from the disposal of investments, financing activities, and dividend and interest income. The Corporation primarily invests in equity and debt instruments of publicly traded cannabis companies. The Corporation is also permitted to invest up to 40% of capital in non-publicly traded cannabis companies. Disposal of investments in non-publicly traded companies could differ from the carrying value since an active-market does not exist.

As at October 31, 2018, the Corporation's contractual cash flows, which were payable under financial liabilities in these financial statements consisted of bank indebtedness, accounts payable and accrued liabilities and income tax payable with payments due in less than one year. All of the Corporation's financial assets reported on the October 31, 2018 statement of financial position are considered liquid and convertible into cash in less than one year.

c) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed are equity price risk and interest rate risk.

i) Equity price risk

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market or the cannabis sub-market. The Corporation's investments are subject to fluctuations in fair value arising from changes in the equity market. As at October 31, 2018, should the equity prices of the Company’s holdings increase or decrease by 5%, the impact on net income or loss would be approximately $779,600.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held.

The fair value of the Corporation's cash and cash equivalents and investments affected by changes of interest rates is minimal.

12. Financial risk management (continued)

d) Currency risk

Currency risk is the risk that the fair value of future cash flows from the Company's operations will fluctuate due to changes in foreign exchange rates. The Corporation holds investments denominated in United States dollars, ("U.S. dollar"). A change in the U.S. dollar foreign exchange rate versus the Corporation's functional and presentation currency may have an adverse effect on the Corporation's investments. As at October 31, 2018, should the U.S. dollar foreign exchange rate increase or decrease by 1%, the impact on net income or loss would be approximately $98,469.

	October 31, 2018	October 31, 2017
Investments denominated in U.S dollars	$ 9,846,939	$ -

e) Concentration risk

Concentration risk is the risk that any single investment or group of investments will have the potential to materially affect the Corporation's operating results. As at October 31, 2018, the Corporation invested entirely in equities, fixed income securities, and warrants of public and non-publicly listed companies in the cannabis industry. The allocation of investments between public and non-publicly listed companies follows:

	Cost	Fair value	Percentage
Publicly listed companies	$ 21,360,787	$ 19,999,586	48 %
Non-publicly listed companies	16,768,475	21,354,721	52 %
	$ 38,129,262	$ 41,354,307	100 %

13. Subsequent events

a) On November 1, 2018, the Corporation entered into a management services agreement with a corporation controlled by one of its directors.

b) On November 20, 2018, the Corporation announced its intention to commence a normal course issuer bid, to purchase up to an aggregate of 782,607 common shares, representing 5% of the issued and outstanding common shares as of November 15, 2018.