Green Growth Brands Inc. (formerly Xanthic Biopharma Inc.)
Interim Consolidated Financial Statements

For the three and six months ended
December 31, 2018
(unaudited)
(In United States Dollars)

Interim Consolidated Statement of Financial Positions
As at June 30, 2018 and December 31, 2018

(Expressed in United States dollars)

	Note		December 31, 2018		June 30, 2018
			(unaudited)		(unaudited)
Assets					
Current Assets					
Cash and cash equivalents		$	31,483,284	$	4,688,311
Short term investments	5		17,260,064		-
Receivables			165,422		-
Prepaid expenses			2,701,515		-
Inventories	6		1,438,967		-
Biological assets	7		431,811		-
Notes receivable	8		47,083		-
Other receivables			939,977		18,269
			54,468,123		4,706,580
Property and equipment, net	9		1,386,926		-
Deposits and other assets	10		3,000,000		-
Notes receivable	8		21,121,511		-
Security deposits			544,176		-
Intangible assets	12		32,110,133		-
Goodwill	13		26,251,635		-
Total assets		**$**	**138,882,504**	**$**	**4,706,580**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	14		5,556,897		316,768
Taxes payable	20		375,618		-
Due to related parties	19		97,304		-
Note payable	15		21,565,000		-
			27,594,819		316,768
Shareholders' Equity					
Share capital	16		114,492,903		7,016,421
Reserve for warrants	17		16,471,127		-
Reserve for share based payments	18		187,640		-
Reserve for changes in equity of subsidiary			(2,837,500)		-
Accumulated deficit			(19,999,829)		(2,626,609)
Accumulated other comprehensive income			148,286		-
Total equity attributable to shareholders of Xanthic			108,462,627		4,389,812
Non-controlling interest			2,825,058		-
Total equity			111,287,685		4,389,812
Total liabilities and equity		**$**	**138,882,504**	**$**	**4,706,580**

The comparative figures at June 30, 2018 represent those of Green Growth Brands Ltd.

Nature of operations *(note 1)*
Commitments (*note 25*)
Subsequent events *(note 26)*

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

Interim Consolidated Statements of Loss and Comprehensive Loss
(unaudited)

(Expressed in United States dollars)

	Note		Three months 2018		Six months 2018
Sales					
Revenue		$	3,142,620	$	3,142,620
Cost of goods sold			1,962,763		1,962,763
Gross profit before fair value adjustments			1,179,857		1,179,857
Fair value adjustment on inventory			593,670		593,670
Fair value adjustment on biological assets			(757,564)		(757,564)
Gross profit			1,343,751		1,343,751
Operating Expenses					
General and administrative			5,645,454		7,219,581
Legal and professional fees			2,845,058		5,051,278
Sales and marketing			1,192,531		1,192,531
Stock based compensation	18		182,335		187,640
Depreciation and amortization	9,12		203,061		203,061
			10,068,439		13,854,091
			(8,724,688)		(12,510,340)
Non-operating expenses					
Loss on equity investment in Xanthic Beverages USA, LLC	11		671,578		671,578
Interest expense			1,887,378		1,887,595
Foreign exchange loss			585,529		741,414
Unrealized gain on short term investment	5		(500,073)		(500,073)
Loss on acquisition	10		1,000,000		1,000,000
Net loss before listing fees and income taxes			**(12,369,100)**		**(16,310,854)**
Listing fees	4		459,715		699,190
Net loss after listing fees			**(12,828,815)**		**(17,010,044)**
Income taxes	20		375,618		375,618
Net loss after income taxes		**$**	**(13,204,433)**	**$**	**(17,385,662)**
Less: Non-controlling interest			(12,442)		(12,442)
Net Loss attributable to owners of the parent		**$**	**(13,191,991)**	**$**	**(17,373,220)**
Net loss per Common Share attributable to the parent					
Basic and Diluted	21	$	(0.08)	$	(0.15)
Weighted average common shares			164,090,148		114,258,347
Other comprehensive loss					
Exchange gain on translating foreign operations			148,286		148,286
Comprehensive loss for the period		**$**	**(13,043,705)**	**$**	**(17,224,934)**

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

Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

(unaudited)

(Expressed in United States dollars)

	Note	Common Shares	Proportionate Voting Shares	Share Capital	Reserves: Share based Payments	Reserves: Warrants	Reserves: Changes in Equity of subsidiaries	Deficit	Accumulated Other Comprehensive loss	Non controlling Interest	Total
Balance at June 30, 2018		79,010,263	-	$ 7,016,421	$ -	$ -	$ -	$ (2,626,609)	$ -	$ -	$ 4,389,812
Shares issued for services	16	7,527,445	-	673,328	-	-		-	-	-	673,328
Shares issued under private placement, net of issuance costs	16	16,988,654	-	25,747,713	-	-		-	-	-	25,747,713
GGB Debentures converted to common shares	4,16	46,127,001	38,194	60,618,156	-	-	-	-	-	-	60,618,156
Warrants issued in connection with GGB Debenture	4,16	-	-	(14,809,779)	-	14,809,779	-	-	-	-	-
Issuance of shares to Xanthic	4,16	14,436,637	-	4,582,299	-	-		-	-	-	4,582,299
Issuance in connection with NOR acquisition	16	1,870,620	-	2,837,500	-	-	-	-	-	-	2,837,500
Issuance in connection with Nevada license award	16	426,992	-	1,000,000	-	-		-	-	-	1,000,000
Warrants issued on HOR acquisition advance	17	-	-	-		5,433,594		-	-	-	5,433,594
Shares issued on stock option exercise	18	327,000	-	119,846	-	-	-	-	-	-	119,846
Shares issued on warrant exercise	17	15,553,359	-	26,707,419	-	(3,772,246)	-	-	-	-	22,935,173
Stock based compensation	18	-	-	-	187,640	-	-	-	-	-	187,640
Non-controlling interest in subsidiary		-	-	-	-	-	(2,837,500)	-	-	2,837,500	-
Exchange loss on translating foreign operations		-	-	-	-	-	-	-	148,286	-	148,286
Deficit		-	-	-	-	-	-	(17,373,220)	-	(12,442)	(17,385,662)
Balance at December 31, 2018		**182,267,971**	**38,194**	**$ 114,492,903**	**$ 187,640**	**$ 16,471,127**	**$ (2,837,500)**	**$ (19,999,829)**	**$ 148,286**	**$ 2,825,058**	**$ 111,287,685**

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

GREEN GROWTH BRANDS INC.

Consolidated Statement of Cashflow
For the period ended December 31, 2018
(unaudited)

(Expressed in United States dollars)

	Note	December 31, 2018
Cashflow from Operating Activities		
Net loss for the period		$ (17,385,662)
Adjustments for:		
Stock based compensation	18	187,640
Shares issued for bonus	16	1,000,000
Shares issued for services	16	673,328
Depreciation and amortization		209,195
Loss on equity investment in Xanthic Beverages USA, LLC	11	671,578
Unrealized gain on short term investment	5	(500,073)
Loss on acquisitions	10	1,000,000
Fair value adjustment on growth of biological assets		(163,894)
Foreign exchange on translation		741,414
Changes in non-cash working capital balances		
Receivables		111,027
Prepaid expenses		(2,701,515)
Security deposits		(544,176)
Other receivables		(795,150)
Inventory		272,793
Biological assets		(267,917)
Accounts payable and accrued liabilities		3,976,455
Income taxes payable		375,618
		(13,139,339)
Cashflow from Investing Activities		
Purchase of property and equipment	9	(1,044,378)
Issuance of loan to Xanthic Biopharma Inc.	4	(32,347,500)
Acquisition of businesses, net of cash acquired	4	1,162,420
Purchase of short term investment	5	(16,945,040)
Proceeds from the sale of Xanthic Beverages USA, LLC	11	50,000
Note receivable to Henderson Organic Remedies LLC	8	(15,485,000)
Advances on acquisitions	10	(4,000,000)
Investment in Xanthic Beverages USA, LLC	11	(300,000)
		(68,909,498)
Cashflow from Financing Activities		
Share capital issued on warrants and options exercised	17,18	23,055,019
Proceeds from GGB convertible debentures	16	60,618,156
Proceed from private placement share capital issued	16	25,578,713
Purchase of GGB convertible debentures	16	(21,004,500)
Proceeds from All J's Greenspace GGB Greenspace Debentures	16	21,004,500
		109,251,889
Effect of exchange rates on cash		(408,079)
Increase in cash and cash equivalents		26,794,973
Cash and cash equivalents, beginning of period		4,688,311
Cash and cash equivalents, end of the period		**$ 31,483,284**

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

1. Nature of operations

Green Growth Brands Inc. (formerly Xanthic Biopharma Inc.) ("Company") is in the business of cultivating, processing and retailing cannabis and CBD-infused consumer products.

The Company was incorporated under the Ontario Business Corporations Act. The Company completed a business combination ("Business Combination") between Xanthic Biopharma Inc. and Green Growth Brands Ltd ("GGB") on November 9, 2018, which constituted a reverse takeover transaction. GGB was identified as the accounting acquirer, as such, these financial statements are considered a continuation of GGB and any comparative information provided prior to the reverse takeover are those of GGB.

Following the close of the Business Combination on November 9, 2018, all the issued and outstanding GGB Shares were acquired by the Company, and as consideration, the Company issued to GGB shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares in exchange for the then issued and outstanding GGB shares, which included shares issued in connection with the conversion of the GGB convertible debentures. In addition, the Company issued 152,777 proportionate voting shares in exchange for the GGB proportionate voting shares. Finally, the Company reorganized its share structure and consolidated all the issued and outstanding shares on the basis of four (4) pre-Consolidation shares for one (1) post-Consolidation share.

The Business Combination constituted a reverse takeover transaction by GGB, and the Company is considered to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to its productive operating potential.

Prior to the Business Combination, on September 4, 2018, Xanthic Biopharma Inc. ("Xanthic"), through GGB Nevada LLC ("GGB Nevada"), a wholly-owned subsidiary of Xanthic, completed the acquisition of Nevada Organic Remedies LLC ("NOR") for aggregate consideration of $56.8 million (see Note 4). NOR is a vertically integrated medical and retail marijuana company based in Las Vegas, Nevada and holds four Nevada marijuana licenses including dispensary, cultivation, production and distribution.

The Company's common shares are listed for trading on the Canadian Securities Exchange ("CSE") under the symbol GGB and on OTCQB venture market under the symbol GGBXF.

2. Basis of presentation and going concern

(a) Statement of compliance

These unaudited interim consolidated financial statements do not include all the information required for full annual financial statements.

These unaudited interim consolidated financial statements were reviewed, approved and authorized by the Company's Board of Directors on February 25, 2019.

(b) Basis of measurement

These unaudited interim consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) Basis of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Subsidiaries	Jurisdiction of incorporation	Ownership interest
Xanthic Biopharma Limited	Ontario, Canada	100%
Xanthic Biopharma US Hold Co.	Nevada , United States	100%
Xanthic Biopharma Nevada LLC	Nevada , United States	100%
Xanthic Colorado LLC	Nevada , United States	100%
Xanthic Biopharma California LLC	California, United States	100%
GGB Nevada Pahrump LLC	Nevada , United States	100%
GGB Nevada LLC	Nevada , United States	100%
GGB New Jersey LLC	New Jersey, United States	100%
GGB Canada Inc	Ontario, Canada	100%
Green Growth Brands LLC	Delaware, United States	100%
GGB Licenses LLC	Delaware, United States	100%
GGB Beauty LLC	Delaware, United States	100%
Green Growth Brands Realty LLC	Delaware, United States	100%
GGB Massachusetts LLC	Delaware, United States	100%
GGB Massachusetts Land LLC	Delaware, United States	100%
GGB Nevada Land LLC	Delaware, United States	100%
GGB Holdco Inc	Delaware, United States	100%
GGB Green Holdings LLC	Delaware, United States	100%
Nevada Organic Remedies LLC	Nevada , United States	95%

(d) Functional and presentation currency

All figures presented in the unaudited interim consolidated financial statements are reflected in United States dollars, unless otherwise noted, which is the reporting currency of the Company. The functional currency of the parent and all of the Company's wholly owned subsidiaries is United States dollars, with the exception of Xanthic Biopharma Limited, which is Canadian dollars. Foreign currency transactions are translated into United States dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Significant estimates include but are not limited to the following:

(I) Inputs used in Black-Scholes valuation model

The estimates used in determining the stock option fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model. Inputs are subject to estimates include volatility, estimated lives and market rates.

(II) Functional and presentation currency

In determining the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which each funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

(III) Biological Assets
The calculation of the fair value of biological assets takes into consideration various assumptions which require a high degree of judgment. Any changes in these assumptions, would have an impact on the discounted cash flow result, resulting in an appreciation or devaluation of these assets (Note 7).

The main assumptions used by Management to calculate the fair value of the biological assets and the correlation between changes in such premises and the fair value of the biological assets, are described as follows:

Assumptions used	**Impact on fair value of the biological assets**
Average annual growth cycle	Increase of premise, increase of fair value
Net average sale price	Increase of premise, increase of fair value
Plant mortality rate	Decrease of premise, increase of fair value
Average yield per plant	Increase of premise, increase of fair value
Discount rate	Increase of premise, increase of fair value

The assumption regarding the “net average sale price” of biological assets (measured in $/gram of dry bud) is supported only in market prices research, in order to maximize the usage of external and independent data to measure the fair value of the biological assets.

(IV) Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering a customer’s financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All receivables are expected to be collected within one year of the statement of financial position date.

(f) Going Concern

These unaudited interim consolidated financial statements have been prepared using accounting principles applicable to a going concern. The going concern basis assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As at December 31, 2018, the Company had working capital of $26,873,304 and during the three and six months ended, it incurred a net loss attributable to owners of the parent of $13,191,991 and $17,373,220, respectively. The Company doesn’t currently have sufficient working capital to meet its ongoing commitments over the next 12 months and is dependent on the Company's ability to raise additional finances to fund its operations. Therefore, this casts significant doubt upon the Company's ability to continue as a going concern and the ultimate appropriateness of using accounting principles applicable to a going concern. These unaudited interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. If the Company is not able to continue as a going concern, the Company may be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited interim consolidated financial statements. These differences could be material.

3. Significant accounting policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying unaudited interim consolidated financial statements are set out below:

Short term investment

Short term investment is comprised of a liquid investment and is recognized initially at fair value and subsequently adjusted to fair value through profit and loss ("FVTPL").

Accounts Receivable and Expected Credit Loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of trade receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

Inventories

Inventory purchased from third parties is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provisions for obsolete, slow moving or defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory.

Additionally, the Company makes estimates for inventory shrinkage using historical trends from actual physical inventories, which are performed periodically.

Biological assets

The Company's biological assets consist of cannabis plants which are not yet harvested. These biological assets are measured at fair value less costs to sell. The Company capitalizes all related direct and indirect costs of production to the biological assets to fair value less costs to sell at each reporting date. At the point of harvest, the biological assets are transferred to inventory at their fair value less costs to sell.

Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

Capital assets

Capital assets are carried at cost less any residual value, accumulated depreciation and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When capital assets include significant components with different useful lives, they are recorded and amortized separately. Depreciation is computed using the straight-line method based on the estimated useful life of the assets.

Amortization is calculated using the following terms and methods:

Asset Type	Amortization method	Amortization term
Furniture and equipment	Depreciated over the estimated useful life of the asset	5 years
Computer hardware	Depreciated over the estimated useful life of the asset	3 years
Computer software	Depreciated over the estimated useful life of the asset	3 years
Manufacturing equipment	Depreciated over the estimated useful life of the asset	3 years
Vehicles	Depreciated over the estimated useful life of the asset	3 years
Leasehold Improvements	Amortized over the life of lease or estimated useful life, whichever is less	5-10 years

The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of capital assets have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Intangible assets

Intangible assets are stated at cost, net of accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated using the following methods and terms:

Asset Type	Amortization method	Amortization term
Customer relationships	Straight-line	15 years
Developed technology	Straight-line	4 years
Market related intangible assets	Straight-line	4 years
License, permits & applications	na	Indefinite

The estimated success of applications, useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Following initial recognition, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized in accordance with IFRS 15 Revenue from Contracts with Customers which specifies how and when to recognize revenue, based on a five-step model as follows:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when or as the Company satisfies performance obligations.

Revenue from the sale of cannabis and CBD-infused products are generally recognized at a point in time when control over the goods have been transferred to the customer. Payment is typically due prior to shipment and is recognized into revenue upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

The Company also maintains loyalty programs, which primarily provides customers with the opportunity to earn points toward future discount rewards with qualifying purchases. The Company accounts for expected future reward redemptions by recognizing an unearned revenue liability as customers accumulate points, which remains until revenue is recognized at redemption.

The Company also recognizes revenue under wholesale arrangements, which is generally recognized upon shipment, when control passes to the wholesale partner.

Amounts disclosed as revenue are net of allowances, discounts and rebates.

New Accounting Standards Adopted

The following new standards were adopted during the three and six months ended December 31, 2018:

a) Revenue
The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") commencing the be beginning of the period. On adoption of IFRS 15, the Company adopted and implemented the following accounting policy:

The Company's revenue is derived from one performance obligation which is to deliver the Company's product to its customers, either directly through its own dispensary or being each individual dispensary of the Company's product (the "Customer"). Revenue is recognized when control of the Company's product is transferred to the Customer and when the Customer obtains control of the Company's product. The Company considers control to have passed at the point of shipment as all risk of loss or damage to the Company's product passes to the Customer at this point.

In each period, the Company recognizes revenue, net of any variable consideration, including the right of return. The estimate of expected returns reflects the amount that the Company expects to repay or credit its Customers, using the expected value method. Revenue includes amounts subject to returns only if it is highly probable that there will be no significant reversal of cumulative revenue if the estimate of expected returns changes.

The Company records an adjustment to cost of sales and inventories representing the Company's right to receive goods back from the Customers. The adjustment to inventories is initially measured at the carrying amount of the products at the time of sale, less any expected costs to recover the product and any expected reduction in value. In subsequent periods, the Company updates its expected level of returns, adjusting the measurement of the return's liability and inventories.

As the Company previously had no revenue there was no retrospective adjustments to the comparative periods.

b) Financial Instruments
The Company has adopted IFRS 9 Financial Instruments ("IFRS 9") on July 1, 2018. On adoption of IFRS 9, the Company adopted and implemented the following accounting policy:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading including all equity derivative instruments are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election on an instrument by instrument basis to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the classification under IFRS 9:

Financial Instrument	Classification	Measurement
Financial assets		
Cash and cash equivalents	FVTPL	FV
Short term investment	FVTPL	FV
Trade and other receivables	Loans and receivables	Amortized cost
Notes receivable	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other Liabilities	Amortized cost
Note payable	Other Liabilities	Amortized cost

Measurement

Financial assets and liabilities at amortized cost:

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For trade receivables only, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the Interim Consolidated Statements of Loss and Comprehensive Loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Interim Consolidated Statements of Loss and Comprehensive Loss.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these unaudited interim consolidated financial statements, as set out below:

- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied. The Company has yet to assess the impact of this standard.

- IFRIC 23, Uncertainty over Income Tax Treatments, was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company has yet to assess the impact of this Interpretation.

4. GGB Reverse Take Over ("GGB RTO")

<u>*GGB Reverse Take Over*</u>

On November 9, 2018, the Company completed a Business Combination with GGB, after receiving shareholder approval on November 2, 2018, at its annual and special meeting.

Following the close of the Business Combination on November 9, 2018, all the issued and outstanding GGB Shares were acquired by the Company, and as consideration, the Company issued to the GGB shareholders, on a 3.43522878-for-one basis, 598,613,452 common shares in exchange for the then issued and outstanding GGB shares, which included shares issued in connection with the conversion of the GGB convertible debentures. In addition, the Company issued 152,777 proportionate voting shares in exchange for the GGB proportionate voting shares. Finally, the Company reorganized its share structure and consolidated all the issued and outstanding shares on the basis of four (4) pre-Consolidation shares for one (1) post-Consolidation share.

Following the completion of the Business Combination, previous GGB shareholders held approximately 134,382,404 shares, representing approximately 81% of the Company's shares issued and outstanding on a non-diluted basis. A deemed value of CAD$1.44 per share was placed on the Company's shares issued in connection with the Business Combination, post-Consolidation.

The Business Combination constituted a reverse takeover transaction by GGB, and the Company is considered to have met the definition of a business, as defined in IFRS 3 – *Business Combinations* due to its productive operating potential. The consideration paid was determined based on the fair value of CAD$1.44 per common share based on the price of the GGB convertible debentures conversion ratio at the time of the Business Combination. Therefore, fair value ascribed to Xanthic was $4,582,299 based on what GGB would have paid to acquire 100% of the Company from Xanthic.

Prior to the Business Combination, on September 4, 2018, Xanthic acquired 95% of the outstanding membership interest of NOR (the "NOR Agreement") through GGB Nevada LLC, a wholly-owned subsidiary of the Company.

The agreed purchase price of $56,750,000 reflects 100% of the membership interest in NOR, which terms provided that the Company acquired 95% on the acquisition date, and that the remaining 5% interest transfer to the Company upon settlement of the promissory note included in the purchase consideration. The aggregate purchase consideration is comprised of $53,912,500 payable in cash in the amount of $32,347,500 and a promissory note in the amount of $21,565,000 with the balance of 5% or $2,837,500 payable in common shares.

On July 17, 2018, GGB Nevada made a payment of $2,000,000 to NOR as a deposit on the NOR Agreement. On closing, GGB Nevada made a payment of $30,347,500 and provided to the NOR Members a secured promissory note in the principal amount of $21,565,000. The acquisition has been accounted for as a business acquisition and includes the operating results of NOR from September 4, 2018 to December 31, 2018.

The following represents the allocation of the purchase price by GGB of the Company and the step purchase on the NOR acquisition and subsequent GGB RTO:

	NOR	Xanthic	Total
Cash	$ 877,027	$ 285,393	$ 1,162,420
Accounts receivable	276,449	-	276,449
Other receivables	58,777	67,781	126,558
Inventory	1,624,095	177,665	1,801,760
Property, plant and equipment	347,704	122,153	469,857
Equity Investment	-	838,688	838,688
Investment in NOR	-	56,750,000	56,750,000
Intangible assets	32,235,000	-	32,235,000
Goodwill	22,144,742	3,937,893	26,082,635
Accounts payable and accrued liabilities	(813,794)	(547,274)	(1,361,068)
other financial liabilities	-	(3,137,500)	(3,137,500)
Interest bearing Loans	-	(53,912,500)	(53,912,500)
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**

Fair value of consideration paid:			
Cash	$ 32,347,500	$ -	$ 32,347,500
Promissory note	21,565,000	-	21,565,000
Common Shares	2,837,500	4,582,299	7,419,799
	$ 56,750,000	**$ 4,582,299**	**$ 61,332,299**

The Company recorded a listing fee of $459,715 and $699,190 for the three and six months ended December 31, 2018 in the consolidated financial statements of net loss in connection with the GGB RTO.

5. Short term investment

The Company holds common shares of Aphria Inc. At December 31, 2018, the Company measured its short-term investment at FVTPL recognizing an unrealized gain of $500,073.

	# shares	Amount
Opening short term investment at July 1, 2018	**-**	**$ -**
Initial investment	3,000,000	16,945,040
Foreign exchange depreciation		(185,049)
Unrealized gain		500,073
Closing balance at December 31, 2018	**3,000,000**	**$ 17,260,064**

6. Inventories

As at December 31, 2018 and June 30, 2018, inventories are comprised of:

	December 31, 2018	June 30, 2018
Cannabis harvested	$ 255,455	$ -
Cannabis oil	220,256	-
Retail inventory	963,256	-
	$ 1,438,967	**$ -**

7. Biological assets

As at December 31, 2018, Biological assets are comprised of:

Balance at June 30, 2018	$	-
Production costs capitalized		676,722
Changes in fair value less costs to sell due to biological transformation		(163,894)
Transferred to inventory		(81,017)
Balance at December 31, 2018	**$**	**431,811**

The Company values its biological assets at the end of each reporting period at fair value less costs to sell and complete. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to changes that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The average number of weeks in the growing cycle is 13 weeks from propagation to harvest;
- The average harvest yield of whole flower is 153 grams per plant;
- The average selling price of whole flower is $5.74 per gram;
- Processing costs include drying and curing, testing and packaging, and post-harvest overhead allocation, estimated to be $2.33 per gram: and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $0.29 per gram.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram - a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by $20,000 and inventory decreasing by $20,000;
- Harvest yield per plant - a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by $23,000.

As of December 31, 2018, it is expected that the Company's biological assets are expected to ultimately yield approximately 230 kg of cannabis.

8. Notes receivable

As at December 31, 2018, notes receivable consist of:

		Amount
Note receivable, Henderson Organic Remedies LLC	$	20,918,594
Note receivable, Xanthic Beverages USA LLC.		250,000
		21,168,594
Current portion		47,083
	$	**21,121,511**

The note receivable from Henderson Organic Remedies LLC ("HOR") represents $15,485,000 in cash advanced to one of the HOR members, who is a related party to the Company by virtue of his employment post the NOR acquisition. The balance of note receivable represents, $5,433,594 relating to the fair value of the 7,609,746 warrants issued to the HOR members (Note 17).

The cash portion of the note receivable with HOR is forgivable on the closing of the HOR transaction and transfer of 46.3% ownership interest to the Company. Further on closing of the HOR acquisition the warrants will be exercised in exchange for common shares in the Company and in lieu of cash the HOR members will deliver the remaining 53.70% interest of HOR. The note receivable is secured by 78% of the value of the note payable to NOR (Note 15) and 100% of the HOR membership interest. The Company has determined the expected credit loss to be nominal.

On December 21, 2018, the Company divested of its investment in Xanthic Beverages USA, LLC (formerly Avitas CBD Water, LLC) ("Xanthic Beverages"). Xanthic Beverages was based in Portland, Oregon, and produced and distributed CBD-infused water. The Company sold back its 45% ownership it previously held to the existing Xanthic Beverages members for $300,000. Xanthic Beverages members provided on closing cash of $50,000 and a note receivable of $250,000, accruing interest at 3% per annum for a period of 5 years. The current portion of the note receivable is $47,083.

9. Property and equipment, net

As at December 31, 2018 and June 30, 2018, property and equipment, net consisted of:

		December 31, 2018		June 30, 2018
Furniture and fixtures	$	301,098	$	-
Computer hardware		345,613		-
Software		217,540		-
Manufacturing equipment		512,158		-
Vehicles		26,688		-
Leasehold Improvements		304,890		-
Total property, plant and equipment		1,707,987		-
Less: Accumulated depreciation and amortization		321,061		-
	$	**1,386,926**	**$**	**-**

Depreciation expense for the three and six months ended December 31, 2018 was $89,743 (2017 – nil).

10. Deposits and other assets

Deposits and other assets represent deposits on acquisitions that have yet to close at December 31, 2018. The following represents advances or deposits made by the Company as at December 31, 2018:

		Amount
Wellness Orchards of Nevada LLC, escrow deposit		1,000,000
ZLJT LLC, escrow deposit (Desert Rose Dispensary, Arizona)		2,000,000
	$	**3,000,000**

On December 12, 2018, the Company entered into a definitive agreement to acquire a Pahrump, Nevada cultivation facility operated by Wellness Orchards of Nevada LLC for an agreed purchase price of $13,372,162. The Company advanced $1,000,000 on signing the agreement being held in escrow pending the close of the agreement which the Company expects the transaction to close in early 2019.

On December 27, 2018, the Company advanced $2,000,000 into escrow pending the close of the acquisition of ZLJT LLC & Arizona Natural Pain Solutions Inc., collectively referred to as Desert Rose. Desert Rose holds a license for a vertically-integrated operation in Arizona, including retail, cultivation and infusion. The closing is expected to occur in early 2019. The aggregate purchase price due on closing is $12,350,000, of which $2,000,000 was deposited in an escrow account as at December 31, 2018.

Further, included in the results for the three and six months ended December 31, 2018, is a loss of $1,000,000 as a breakup fee on the cancellation of a potential acquisition which is included in loss on acquisition in the unaudited interim statement of loss and comprehensive loss.

11. Equity investment in Xanthic Beverages USA, LLC (formerly Avitas CBD Water, LLC)

On December 21, 2018, the Company divested of its investment in Xanthic Beverages USA, LLC (formerly Avitas CBD Water, LLC) ("Xanthic Beverages"). Xanthic Beverages is based in Portland, Oregon, and produces and distributes CBD-infused water. Under the terms of the Agreement, the Company sold back its 45% ownership it previously held to the existing Xanthic Beverages members for $300,000. Xanthic Beverages members provided on closing cash of $50,000 and a note receivable of $250,000, accruing interest at 3% per annum for a period of 5 years (Note 8).

		Amount
Opening Investment in Xanthic Beverages USA, LLC, June 30, 2018	**$**	-
Initial investment		900,000
Xanthic share of operating loss prior to RTO		(61,312)
Balance of investment in Xanthic Beverages USA, LLC on RTO		838,688
Proceeds on disposition of investment		(300,000)
Loss on disposition of investment		(488,688)
Xanthic share of operating loss since RTO		(50,000)
Closing balance in Xanthic Beverages USA, LLC at December 31, 2018	**$**	-

The Company portion of the loss of Xanthic Beverages for the three and six months ended December 31, 2018, which was $50,000, respectively (2017- $nil).

In connection, with the divestment of its investment in Xanthic Beverages the Company divested of its subsidiary Xanthic Biopharma Oregon, LLC for NIL proceeds and recognized a further loss of $132,891 related to the write-off of certain assets.

12. Intangible assets

As at December 31, 2018 and June 30, 2018, intangible assets consisted of:

		December 31, 2018		June 30, 2018
Customer relationships	$	10,680,000	$	-
Developed technology		60,000		-
Market related intangible assets		380,000		-
License, permits & applications		21,255,000		-
		32,375,000		-
Less: Accumulated depreciation and amortization		(264,867)		
	$	**32,110,133**	**$**	**-**

13. Goodwill

Goodwill is comprised of (Note 4):

		December 31, 2018		June 30, 2018
NOR acquisition	$	22,313,742	$	-
GGB Business Combination		3,937,893		-
	$	**26,251,635**	**$**	**-**

14. Accounts payable and accrued liabilities

		December 31, 2018		June 30, 2018
Trade payables	$	2,918,070	$	-
Accrued liabilities		2,638,827		316,768
	$	**5,556,897**	**$**	**316,768**

Included in accrued liabilities as of December 31, 2018, is unearned revenue liabilities of $169,000 related to customer loyalty programs.

15. Note payable

		December 31, 2018		June 30, 2018
Promissory note to NOR members	$	21,565,000	$	-
	$	**21,565,000**	**$**	**-**

The promissory note is in connection with the purchase of NOR. As a condition of closing on the NOR business acquisition the Company issued a secured promissory note in favor of the members of NOR for $21,565,000. This promissory note bears interest at 6% per annum. The promissory note is due and payable on March 4, 2019. However, if the acquisition of Henderson Organic Remedies LLC does not close prior to March 4, 2019, up to $15,485,000, plus unpaid accrued interest, shall be extended to May 4, 2019. Interest accrued or paid from November 9 to December 31, 2018, in connection with NOR promissory note, was $187,881.

In connection with the NOR purchase, the Company retained certain key management who are also NOR members, and therefore are related parties to the Company at December 31, 2018. The portion of the promissory note payable to this related party was $8,302,525 plus accrued interest of $41,513.

16. Shareholder Capital

Authorized share capital

Common Shares – voting – unlimited
Proportionate voting shares – voting – unlimited.

Each proportionate voting share entitles the holders to 500 common shares one for each proportionate voting share.

All historical references to share transactions or balances prior to this date have been recast on a four for one basis unless otherwise stated.

Outstanding share capital

	Common Shares		Proportionate voting		Total	
	Number	Amount	Number	Amount	Number	Amount
Outstanding at June 30, 2018	**79,010,263**	**$ 7,016,421**	**-**	**$ -**	**79,010,263**	**$ 7,016,421**
Issuance of shares for services	7,527,445	673,328	-	-	7,527,445	673,328
Issuance on private placement for cash	16,988,654	25,747,713	-	-	16,988,654	25,747,713
GGB Debentures converted to common shares	46,127,001	35,005,762	38,194	21,004,500	46,165,195	56,010,262
Issuance costs	-	(10,201,885)	-	-	-	(10,201,885)
Issuance of shares to Xanthic	14,436,637	4,582,299	-	-	14,436,637	4,582,299
Issuance of shares in NOR acquisition	1,870,620	2,837,500	-	-	1,870,620	2,837,500
Issuance in connection with Nevada license award	426,992	1,000,000	-	-	426,992	1,000,000
Common Shares issued on exercise of options for cash	327,000	119,846	-	-	327,000	119,846
Shares issued on warrant exercise	15,553,359	26,707,419	-	-	15,553,359	26,707,419
Outstanding at December 31, 2018	**182,267,971**	**$ 93,488,403**	**38,194**	**$ 21,004,500**	**182,306,165**	**$ 114,492,903**

On July 16, 2018, GGB issued 6,340,000 GGB Common Shares at a price of CAD$0.10 per GGB Common Share for aggregate consideration of $487,039. GGB also issued 2,425,000 GGB Common Shares pursuant to restricted stock grants at a price of CAD$0.10 per GGB Common Share for aggregate consideration of $186,289 for a total shares issued for services of $673,328.

On August 30, 2018, GGB raised gross proceeds of $49,192,000 through a brokered and non-brokered private placement offering of unsecured 12% convertible debentures (the "Debentures") at a price of CAD$1,000 per Debenture. Each Debenture unit entitles the holder to 1 common share and ½ warrant with an exercise price of CAD $1.80 per share (post share consolidation) for a period of two years from the closing date. Each Debenture would automatically convert on the closing of the Business Combination in exchange for common shares of the Company.

On September 20, 2018, GGB closed the second tranche of the Debenture Private Placement for gross proceeds of $17,100,000 on same conditions as the earlier first tranche of the Debenture Private Placement that closed August 30, 2018. The fair value of the warrants attached to the Debenture Private Placement issued on November 9, 2018 was $14,809,779 (Note 17).

On October 12, 2018, GGB raised gross proceeds of $23,126,464 pursuant to a private placement of GGB Common Shares at a price of approximately $1.52 per GGB Common Share. On November 2, 2018, GGB raised a further $2,621,249 at a price of approximately $1.52 per GGB Common share. The total shares issued in connection with private placement therefore was $25,747,713.

On November 2, 2018, GGB purchased from All Js Greenspace LLC a portion of its outstanding GGB Convertible Debentures. GGB then issued to All Js Greenspace LLC $21,004,500 (CAD$27,500,000) aggregate principal amount of 12.00% unsecured convertible debentures of GGB (the "GGB Greenspace Debentures"). The GGB Greenspace Debentures were issued in denominations of CAD$1,000 and integral multiples thereof and were exchangeable on the November 9, 2018 for 38,194 of units of GGB (the "GGB Greenspace Units"). The 38,194 GGB Greenspace Units are a result from the division of the principal amount of the GGB Greenspace Debentures by CAD$0.36, as further divided by the exchange ratio of 3.4352, as further divided by 500. Each GGB Greenspace Unit was comprised of one (1) GGB Proportionate Share and one-half (1/2) of one GGB Proportionate Share purchase warrant (the "GGB Proportionate Warrants"). Each GGB Proportionate Shares are exchangeable into 500 common shares.

On November 9, 2018, all of the then outstanding Debentures were converted into 46,127,001 common shares based on the exchange ratio of 3.4352 and post 4 for 1 share consolidation (Note 4).

The Company incurred issuance costs in connection with the financings completed prior to the close of the Business Combination of $10,201,885. These costs included $946,802 in legal, $5,887,078 in advisory fees and $3,368,005 in commissions.

On November 9, 2018, post Business Combination and after the 4:1 share consolidation, existing Xanthic shareholders held 14,436,637 common shares and as previously disclosed a value of $4,582,299 (Note 4).

Further, on November 9, 2018, in connection with the NOR acquisition, the Company issued 1,870,620 common shares at $1.52 per common share for total $2,837,500.

On December 10, 2018, in connection with the successful award of seven additional licenses in the state of Nevada, the Company issued a further 426,992 common shares at $2.34 per common share for a total of $1,000,000 as a term of an employment agreement with a NOR member.

17. Warrants

The following table reflects the continuity of warrants for the periods presented:

	Number of Warrants		Weighted Average Exercise Price	Number of Proportionate voting Warrants		Weighted Average Exercise Price
			(CAD$)			(CAD$)
Balance outstanding, July 1, 2018	-	$	-	-	$	-
Assumed on the Business Combination	142,750		3.000	-		-
Issued	42,902,253		2.100	19,097		900.00
Exercised	(15,553,359)		1.960	-		-
Expired	-		-	-		-
Balance outstanding, December 31, 2018	**27,491,644**	**$**	**2.180**	**19,097**		**900.00**

		December 13, 2018		November 9, 2018		November 9, 2018		April 19, 2018
Average exercise price (CAD$)	$	3.16	$	900.00	$	1.87	$	3.00
Fair value of the award	$	5,433,594	$	3,593,308	$	11,216,471	$	147,478
Risk free interest rate		2.19%		1.75%		1.75%		1.88%
Expected dividend yield		0.00%		0.00%		0.00%		0.00%
Expected volatility		74%		74%		74%		150%
Expected life of the warrants		1 years		2 years		2 years		2 years

On April 19, 2018 GGB assumed on the Business Combination 142,750 warrants with an exercise price of CAD$$3.00 per common share, exercisable until April 18, 2020.

On November 9, 2018, in connection with the business combination, the Company issued warrants to GGB shareholders whose convertible debentures converted to common shares of the Company. The Company issued 35,292,507 warrants with a weighted average exercise price of CAD$1.87 per common share, exercisable until November 9, 2020.

On December 13, 2018, the Company issued warrants in connection with the execution of the definitive agreement with the members of Henderson Organic Remedies LLC. The Company issued 7,609,746 warrants at an exercise price of CAD$3.16 per common share and a fair value of $5,433,594, exercisable until December 31, 2019. On closing the acquisition of Henderson Organic Remedies LLC, the warrants will be exercised and in lieu of cash on the exercise the HOR members will deliver to the Company the remaining 53.70% membership interest in HOR.

During the six months ended December 31, 2018, 15,553,359 warrants have been exercised at an average price of $1.47 (CAD$1.96) for gross proceeds of $22,935,174 (CAD$30,477,538).

18. Stock based compensation

Equity Incentive Plan

The shareholders of the Company have approved an executive incentive plan (the "Plan") pursuant to which the Company may issue up to 10% of the common shares of the Company to employees, directors and officers. The exercise price of each equity incentive issued pursuant to the terms of the Plan shall be established at the grant date by the Board of Directors of the Company and in all cases shall not be less than the closing price of the common shares of the Company on the trading day immediately preceding the grant date. The equity incentive plans granted can be exercised for up to 5 years and vest as determined by the Board of Directors.

GGB assumed on the Business Combination 877,000 stock option awards at an average exercise price$0.756 per option. The fair value of the options granted was estimated at the grant date using an option pricing model.

A summary of the status of the stock option component of the Company's Plan as at and for the period ended December 31, 2018, is as follows:

	Stock Options		Weighted Average Exercise Price (CAD$)
Options outstanding, July 1, 2018	-	$	-
Assumed on the Business Combination	877,000		0.756
Options granted	150,000		3.050
Exercised	(552,000)		0.437
Forfeited	-		-
Options outstanding, December 31, 2018	**475,000**	**$**	**1.727**
Exercisable options	362,500	$	1.317

Option price (CAD$)	Options Outstanding		Weighted Average Exercise Price (CAD$)	Weighted Ang Remaining Contractual Life (Yrs.)	Options Exercisable
At $0.50	150,000	$	0.500	4.16	150,000
At $0.64	75,000	$	0.640	0.40	75,000
At $2.40	100,000	$	2.400	4.30	100,000
At $3.05	150,000	$	3.050	4.87	37,500

During the three and six months ended December 31, 2018, the Company recognized stock-based compensation expense of $182,335 and $187,640 respectively in respect of outstanding stock options.

The fair value of the options granted or assumed by GGB was estimated at the grant date using an option pricing model with the following assumptions:

		November 13, 2018		May 28, 2018	April 19, 2018		February 28, 2018
Number of options granted		150,000		250,000	225,000		577,000
Exercise price (CAD$)	$	3.050	$	0.640	$1.60 to $2.40	$	0.500
Risk free interest rate		2.41%		1.88%	2.12%		2.01%
Expected dividend yield		0.00%		0.00%	0.00%		0.00%
Expected volatility		150%		150%	150%		150%
Expected life of the options		5 year		1 year	1 to 5 years		3 to 5 years

A summary of the vesting schedule of stock options are as follows:

Vesting Schedule	
Immediate	362,500
1 year	112,500
2 years	-

19. Related parties

Related parties include the Board of Directors and key management, close family members and entities that are controlled by these individuals, as well as certain persons performing similar functions. This note includes disclosure of transactions with related parties not otherwise disclosed elsewhere in these consolidated financial statements. At December 31, 2018, there were receivables due from related parties of $105,233, which was indebtedness from related parties of the Company.

Further, there was $202,537 due to a company jointly controlled by a major shareholder of the Company under a shared services arrangement. During the period, the Company was billed fees of $281,721 in fees to this jointly controlled company for legal, IT and rental services.

The Company had revenue with a jointly controlled companies of $64,763 during the period for a product test program.

NOR, through its cultivation and production operations sells cannabis products to dispensaries owned by members of NOR at normal commercial terms. During the three and six months ended December 31, 2018, NOR sold $185,126 to those related parties. In addition, NOR made payments of $55,328 to those related parties to settle shared expenses for supplies and services at normal commercial terms.

The Company paid an advisory fee of CAD$1,575,000 to a major shareholder in connection with the Debenture financing completed by the Company in September 2018. The fee was settled with common shares of the Company. The advisory fee is included in share issuance costs.

Management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, President, and Chief Financial Officer and equivalent, and Directors. For the three and six months ended December 31, 2018, the Company's expenses included $166,666 and $380,655, respectively, for salary or consulting fees paid to key management personnel, included in consulting fees. In addition, for the three and six months ended December 31, 2018, included in stock-based compensation expense is $4,105 in connection with stock awards to management and Directors.

In addition, in connection with the successful award of 7 additional dispensary licenses in the state of Nevada and as a condition of NOR Agreement, the Company paid $1,000,000 in a bonus which was settled with the issuance of 426,992 shares of the Company at the then market price per share of CAD$3.13 per share.

20. Income taxes

	Three months 2018	Six Months 2018
Loss before income taxes	$ 12,828,815	$ 17,010,044
Statutory rate	26.5%	26.5%
Expected income tax recovery at combined basic federal and provincial tax rates	3,399,636	4,507,662
Effect on income taxes of:		
Non-deductible expenses	504,540	504,540
Deductible share issuance costs	2,703,499	2,703,499
Changes in tax benefits not recognized	(6,232,057)	(7,340,083)
Income tax expense	**$ 375,618**	**$ 375,618**

21. Earnings per share

The calculation of earnings per share for the three and six months ended December 31, 2018, was based on the net loss attributable to owners of the parent of $13,191,991 and $17,373,220, respectively. The weighted average number of common shares outstanding for the three and six months ended December 31, 2918, of 164,090,148 and 114,258,347, respectively, is calculated as follows:

	Three months 2018	Six Months 2018
Basic earnings per share:		
Net loss for the period	(13,191,991)	(17,373,220)
Average number of common shares outstanding during the period	164,090,148	114,258,347
Earnings per share - basic	$ (0.08)	$ (0.15)
Effect of dilutive securities on weighted average number of shares outstanding during the period	n/a	n/a
	$ (0.08)	$ (0.15)

22. Capital management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to achieve this objective, the Company prepares budgets and capital requirements to manage its capital structure. The Company defines capital as equity and borrowings, comprised of issued share capital, share-based payments, accumulated deficit, as well as due to related parties.

Since inception, the Company has primarily financed its liquidity needs through issuance of shares.

The Company is not subject to externally imposed capital requirements.

23. Financial instruments and risk management

Financial instruments

The Company has classified its cash and short term investment as fair value through profit and loss ("FVTPL"), and receivables, notes receivable, and other receivables as current assets, accounts payable and accrued liabilities, taxes payable, due to related parties, and note payable as current liabilities.

The carrying values of cash, short term investment, accounts receivable, notes receivable, other receivables, accounts payable and accrued liabilities, taxes payable, due to related parties, and note payable approximate their fair values due to their short periods to maturity.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

	Carrying value as at December 31, 2018	Fair value as at December 31, 2018 — Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets				
Cash	$ 31,483,284	$ 31,483,284	$ -	$ -
Short term investment	17,260,064	17,260,064	-	-

Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, short term investment, receivables and other receivables. The Company's cash is held at a major Canadian bank. The Company's short-term investment are held at a major Canadian investment bank however the investments could be subject to significant volatility. A 5% swing in the value of the shares of the marketable security would impact the Company consolidated statement of loss and comprehensive loss plus or minus $800,000. The Company's other receivables predominantly is with Revenue Canada in connection with input tax credits. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss.

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. The loss allowance 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.

	Current	Aged 1-30 days past due	Aged 31-60 days past due	Aged 60 days past due
Expected loss rate	1%	10%	15%	50%
Gross carrying amount				
Accounts receivables	167,076	-	-	-
Other receivables	939,977	-	-	-
Loss allowance provision, end of the period	**1,654**	**-**	**-**	**-**

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due as discussed in Note 2 above. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All the Company's financial liabilities are due within one year.

(c) Currency rate risk

As at December 31, 2018, a portion of the Company's financial assets and liabilities are held in Canadian dollars (CAD) consisting of cash and cash equivalents, short term investment, and other receivables. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in United States dollars. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not sufficient at this point in time.

The Company is exposed to unrealized foreign exchange risk through its cash and cash equivalents and short-term investment. A 1% change in the CAD foreign exchange rate would result in an unrealized gain or loss of approximately $300,000.

(d) Interest rate risk

The Company is not subject to any significant interest rate risk from its liabilities other than noted in connection with the note payable (Note 15), which are all non-interest-bearing instruments.

24. Segmented information

The Company operates in two identifiable operating segments, Cannabis, which includes cannabis cultivating, processing and retailing operations, and CBD, which includes retail operations of CBD-infused consumer products.

Segmented statement of operations for the six months ended December 31, 2018 and December 31, 2017 (unaudited)
(Expressed in United States dollars)

	Note	Cannabis	CBD	Head office	Total 2018
Sales					
Revenue		$ 3,077,857	$ 64,763	$ -	$ 3,142,620
Cost of goods sold		1,846,179	116,584	-	1,962,763
Gross profit before fair value adjustments		1,231,678	(51,821)	-	1,179,857
Fair value adjustment on sale of inventory		593,670	-	-	593,670
Fair value adjustment on biological assets		(757,564)	-	-	(757,564)
Gross profit		1,395,572	(51,821)	-	1,343,751
Operating Expenses					
General and administration		1,295,923	2,009,276	3,914,382	7,219,581
Legal and professional fees		-	959,717	4,091,561	5,051,278
Sales and marketing		822,161	364,369	6,001	1,192,531
Stock based compensation	18	-	-	187,640	187,640
Depreciation and amortization	9,12	158,954	17,679	26,428	203,061
		2,277,038	3,351,041	8,226,012	13,854,091
		(881,466)	(3,402,862)	(8,226,012)	(12,510,340)
Non-operating expenses					
Loss on equity investment in Xanthic Beverages USA, LLC	11	-	-	671,578	671,578
Interest expense		(8,236)	23,727	1,872,104	1,887,595
Foreign exchange loss (income)		-	-	741,414	741,414
Unrealized gain on marketable securities	5	-	-	(500,073)	(500,073)
Loss on investments	10	-	-	1,000,000	1,000,000
Net income (loss) before listing fees and income taxes		**(873,230)**	**(3,426,589)**	**(12,011,035)**	**(16,310,854)**
Listing fees		-	-	699,190	699,190
Net income (loss) after listing fees		**(873,230)**	**(3,426,589)**	**(12,710,225)**	**(17,010,044)**
Income taxes	20	375,618	-	-	375,618
Net loss after income taxes		**$ (1,248,848)**	**$ (3,426,589)**	**$ (12,710,225)**	**$ (17,385,662)**
Net loss and comprehensive loss attributable to:					
Owners of the parent		(1,236,406)	(3,426,589)	(12,710,225)	(17,373,220)
Non-controlling interest		(12,442)	-	-	(12,442)
		(1,248,848)	(3,426,589)	(12,710,225)	(17,385,662)

Notes to the unaudited Interim Consolidated Financial Statements

For the three and six months ended December 31, 2018

Segmented statement of operations for the three months ended December 31, 2018 and December 31, 2017 (unaudited)

(Expressed in United States dollars)

	Note	Cannabis	CBD	Head office	Total 2018
Sales					
Revenue		$ 3,077,857	$ 64,763	$ -	$ 3,142,620
Cost of goods sold		1,846,179	116,584	-	1,962,763
Gross profit before fair value adjustments		1,231,678	(51,821)	-	1,179,857
Fair value adjustment on sale of inventory		593,670	-	-	593,670
Fair value adjustment on biological assets		(757,564)	-	-	(757,564)
Gross profit		1,395,572	(51,821)	-	1,343,751
Operating Expenses					
General and administration		1,295,923	1,746,052	2,603,479	5,645,454
Legal and professional fees		-	217,224	2,627,834	2,845,058
Sales and marketing		822,161	354,892	15,478	1,192,531
Stock based compensation	18	-	-	182,335	182,335
Depreciation and amortization	9,12	158,954	17,179	26,928	203,061
		2,277,038	2,335,347	5,456,054	10,068,439
		(881,466)	(2,387,168)	(5,456,054)	(8,724,688)
Non-operating expenses					
Loss on equity investment in Xanthic Beverages USA, LLC	11	-	-	671,578	671,578
Interest expense		(8,236)	10	1,895,604	1,887,378
Foreign exchange loss (income)		-	-	585,529	585,529
Unrealized gain on marketable securities	5	-	-	(500,073)	(500,073)
Loss on investments	10	-	-	1,000,000	1,000,000
Net income (loss) before listing fees and income taxes		**(873,230)**	**(2,387,178)**	**(9,108,692)**	**(12,369,100)**
Listing fees		-	-	459,715	459,715
Net income (loss) after listing fees		**(873,230)**	**(2,387,178)**	**(9,568,407)**	**(12,828,815)**
Income taxes	20	375,618	-	-	375,618
Net loss after income taxes		**$ (1,248,848)**	**$ (2,387,178)**	**$ (9,568,407)**	**$ (13,204,433)**
Net loss and comprehensive loss attributable to:					
Owners of the parent		(1,236,406)	(2,387,178)	(9,568,407)	(13,191,991)
Non-controlling interest		(12,442)	-	-	(12,442)
		(1,248,848)	(2,387,178)	(9,568,407)	(13,204,433)

25. Commitments

The Company has the following minimum lease commitments for retail, office and warehouse space:

	Years ending June 30,
2019	$ 1,136,668
2020-21	2,291,452
2022-23	1,805,596
Thereafter	2,141,123
	$ 7,374,839

Included in such lease commitments is a lease commitment for office rental with a related party with annual rent of $191,480 at market rates. This three-year lease expires April 30, 2021.

Further at December 31, 2018, the Company had committed purchase orders outstanding of $2,322,000 for certain product supplies and materials which will be satisfied before June 2019.

26. Subsequent events

1. On January 23, 2019, the Company formally launched its take-over bid of Aphria Inc ("Aphira"). The Offer provides Aphria shareholders with 1.5714 common shares of Company for each Aphria Share (the "Offer Consideration"), including Aphria Shares that may become issued and outstanding after the date hereof but prior to May 9, 2019 (the "Expiry Time"), upon the exercise, conversion or exchange of any securities of Aphria that are exercisable for, convertible into or exchangeable for Aphria Shares.

   The Company also announced that it has entered into a commitment letter (the "Commitment Letter") with All Js Greenspace LLC (the "Investor"); the Company's major shareholder and a related party; pursuant to which the Investor has agreed, subject to the terms and conditions set forth in the Commitment Letter, to subscribe for and purchase up to $150 million of Green Growth shares (the "Commitment") as a backstop to the Company's previously announced intention to complete a $300 million equity financing in connection with the completion of the Offer. To induce the Investor to provide the Commitment, the Company has agreed to pay the Investor a commitment fee equal to CAD$7.5 million, payable by issuing 2,504 Green Growth proportionate voting shares to the Investor, and to indemnify and reimburse the Investor for certain liabilities, costs and expenses.

2. On January 30, 2019, the Company executed an arm's length definitive agreement to acquire control of ZLJT LLC & Arizona Natural Pain Solutions Inc, collectively referred to as "Desert Rose". Desert Rose holds a license for a vertically integrated operation in Arizona, including retail, cultivation & infusion (kitchen). As consideration for the membership interests, the Company will pay an aggregate purchase price of $12,350,000 in cash on closing which is expected to be in early 2019.

3. In addition, on January 30, 2019, the Company completed the previously announced acquisition of Just Healthy LLC ("Just Healthy"). Just Healthy holds provisional certificates of registration for a registered medical cannabis dispensary, cultivation, and processing site in Northampton, Massachusetts. Pursuant to the terms of the Just Healthy membership interest purchase agreement, the Company issued 1,741,244 common shares of the Company at a price of CAD$2.88 per Common Share (representing a 15% discount to the closing market price of the common shares on the Canadian Securities Exchange on December 11, 2018 (being the date immediately preceding the date of the news release announcing this transaction)). The Company has also assumed and satisfied $455,000 of Just Healthy corporate debt.

4. On February 7, 2019, GGB Beauty LLC, a subsidiary of Green Growth Brands Inc. announced it had executed a licensing agreement with Authentic Brands Group ("ABG") and the Greg Norman brand. The agreement is to develop a line of CBD infused personal care products designed for active adult men and women. ABG is a brand development, marketing company. The agreement is for a 5-year term with certain guaranteed annual minimum royalties. The Company has discretion to terminate the Agreement at any time subject to the payment of a termination fee.

5. On February 11, 2019, GGB announced that it had entered into an agreement through which the Company will gain access to 108 prime shop locations in U.S. malls owned and operated by the Simon Property Group, Inc. ("Simon"). Pursuant to the arrangement, GGB will further expand its chain of CBD-infused personal care product shops under the Seventh Sense Botanical Therapy ("Seventh Sense") brand and other GGB brands. In conjunction with the Simon transaction, the Company, through its wholly owned subsidiary GGB Kiosks LLC, has entered into a consulting agreement for services rendered with Simon Canada Management Ltd. ("Simon Canada"). In exchange for the services rendered under the this consulting agreement, which relate to GGB's shop expansion strategy, the Company has issued to Simon Canada $2,232,824 (CAD$2,925,000) in GGB common shares and 1,000,000 common share purchase warrants of GGB with an exercise price of $4.47 (CAD$5.85), with both the common shares and the common share purchase warrants reflecting the GGB share price as of close of trading on February 7, 2019. The common shares are subject to a lock up agreement for a period of 12 months from the effective date. GGB also announces that it has entered into an Advisory Services Agreement (the "Advisory Agreement") with J. Salter Ltd., d.b.a. Authentic Retail Concepts, Ltd. ("ARC"), for a variety of consulting services that leverage a network of strategic relationships, including Simon Property Group. As compensation for the services under the Advisory Agreement, GGB has issued to ARC $2,232,824 (CAD$2,925,000) in GGB common shares reflecting the GGB share price of $4.47 (CAD$5.85) as of the close of trading on February 7, 2019. The shares are subject to a lock up agreement for a period of 12 months from the effective date.