CANNAMERICA BRANDS CORP.

SECOND QUARTER REPORT

For the Three and Six Months Ended September 30, 2018

INTRODUCTION

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of CannAmerica Brands Corp. ("CannAmerica") should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the six months ended September 30, 2018 and 2017 of CannAmerica and the audited financial statements for the year ended March 31, 2018, and accompanying notes thereto for the CannAmerica, CannAmerica Holdings Corp. and DAFF International, LLC. The unaudited condensed interim consolidated financial statements comprise the financial statements of CannAmerica and its legal subsidiaries (collectively referred to as the "Company").

Additional information relating to the Company is available on SEDAR at www.sedar.com.

All financial information in this MD&A for the six months ended September 30, 2018, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. The effective date of this MD&A is November 29, 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future expansion, business goals, anticipated business developments and the timing thereof, regulatory compliance, sufficiency of working capital, business and financing plans, and other forward-looking statements including but not limited to information concerning intentions, plans and future actions of the Company.

In connection with the forward-looking information contained in this MD&A, the Company has made assumptions about the Company's ability to expand operations, acquire assets and/or businesses and new brands, the profitability of its licensed brands, and its ability to operate in the future without any regulation or law imposed which would prevent the Company from operating its business. The Company has also assumed that no significant events occur outside of the Company's normal course of business.

The forward-looking information in this MD&A reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

DESCRIPTION OF BUSINESS AND OVERALL PERFORMANCE

CannAmerica Brands Corp. (formerly Transform Capital Corp.) ("CannAmerica") was incorporated in the province of British Columbia on March 13, 2017, under the Business Corporations Act of British Columbia. CannAmerica's head office is located at 595 Burrard Street, 16th Floor, Three Bentall Centre, Vancouver, British Columbia, V7X 1J1, and its registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

On May 30, 2018, CannAmerica entered into an agreement with the shareholders of CannAmerica Holdings Corp. ("CannAmerica Holdings") whereby 100% of the common shares and warrants of CannAmerica Holdings were exchanged for common shares of CannAmerica (the "CannAmerica Holdings Acquisition"). The CannAmerica Holdings Acquisition is considered a reverse takeover of a non-operating company whereby CannAmerica Holdings, the legal subsidiary, has been determined to have acquired control of CannAmerica and to be the acquirer for accounting purposes. In accordance with the principles of reverse takeover accounting, CannAmerica will report the operations of CannAmerica Holdings and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Changes in Shareholders' Equity, which have been adjusted to reflect the share capital of CannAmerica.

CannAmerica Holdings was incorporated in the Province of British Columbia on December 11, 2017, under the Business Corporations Act of British Columbia and was formed to identify an appropriate business for acquisition or investment.

CannAmerica Holdings completed a business combination on May 18, 2018, and now owns a portfolio of brands in the medical and recreational cannabis space in the United States through its wholly-owned subsidiary DAFF International, LLC ("DAFF"). The Company's principal business is to build on and maximize the value of its brands by promoting, marketing and licensing these brands through various distribution channels, including dispensaries, wholesalers and distributors. The Company currently has three brand licensing agreements with licensees in the states of Colorado, Nevada and Maryland. CannAmerica applied for a public listing (a "Public Listing") on the Canadian Securities Exchange (the "CSE") (see 'Subsequent Events' section).

Brands and Licensees

The Company owns two brands in the cannabis space, CannAmerica and AmeriCanna, which are licensed to manufacturers and wholesale licensees, in the United States. The brands CannAmerica and AmeriCanna (the "Brands") have been in existence since early 2016.

Currently, the Company has three brand licensing agreements with licensees in the states of Colorado, Nevada and Maryland. The Company generates revenue through license agreements whereby licensees are granted rights to utilize the Brands, substrate, packaging and labelling, and related intellectual property. Licensees are responsible for assembling the branded products by infusing the substrate with clear cannabis distillate and packaging for sale to the end consumer. The Company is not involved in the cultivation, extraction, or infusion of any cannabis or cannabis derivatives.

The Company's license agreements require a licensee to pay royalties to the Company based on a fixed price per unit or as a percentage of the licensee sales, and apply to specific geographical territories and distribution channels in which the licensed products may be sold. Other significant terms outlined in the licence agreements typically include the duration of the contract, payment frequency and applicable minimum thresholds for purchase.

The Company intends to expand primarily through additional licenses in new territories, the development and acquisition of new brands, and through partnerships and other arrangements. The Company aims to acquire additional well-known consumer brands in the cannabis space with high potential for growth and strong brand awareness and select licensees who have demonstrated the ability to cultivate, manufacture, produce and sell quality products in their respective licensed categories and territories.

For the year ended March 31, 2018, DAFF revenues were concentrated within a single licensee, TR Scientific, in Colorado. In April 2018, DAFF signed two new brand licensing agreements with Matrix NV and FGM Processing in the states of Nevada and Maryland, respectively. Matrix NV launched CannAmerica products in September 2018. FGM Processing launched CannAmerica products in October 2018. Revenue for the six months ended September 30, 2018, includes fees earned from initial shipments to all three licensees. The Company expects to achieve revenue growth from its existing licensees subsequent to the product launch dates and through obtaining additional license agreements in new territories.

ADJUSTED EBITDA – NON-GAAP MEASURE

"Adjusted EBITDA" is a metric used by management which is income (loss) from operations, as reported, before interest, tax, and adjusted for removing other non-cash items, including the stock-based compensation expense, depreciation, and further adjusted to remove acquisition related costs. Management believes "Adjusted EBITDA" is a useful financial metric to assess its operating performance on a cash basis before the impact of non-cash items and acquisition related activities. The Company also incurred significant expenses for (1) professional fees for legal, accounting and consulting fees in connection with the public listing, reverse takeover and business combination, and (2) salaries and benefits associated with training expenses for new licensees. These expenses were not adjusted for in the Adjusted EBITDA metric.

(All amounts expressed in CAD dollars, unless otherwise stated)

	Six months ended September 30, 2018 **2018**	2017
	$	$
Loss before other items	(1,146,291)	–
Share-based compensation	570,118	–
Interest expense	107,246	–
Depreciation	755	–
Adjusted EBITDA	**468,172**	**–**

HIGHLIGHTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

Reverse Takeover Transaction

On May 30, 2018 (the "Agreement Date"), CannAmerica entered into an agreement with the shareholders of CannAmerica Holdings whereby 100% of the common shares and warrants of CannAmerica Holdings were exchanged for common shares of CannAmerica.

The aggregate consideration for the CannAmerica Holdings Acquisition was comprised of:

(i) 29,166,000 common shares (200,000 shares of CannAmerica in exchange for 1 share of CannAmerica Holdings)
(ii) 2,833,333 common shares contingent on attaining certain earning targets; and
(iii) 3,000,000 warrants with an exercise price of $0.50 per share exercisable for a period 24 months following close of a Public Listing.

The CannAmerica Holdings Acquisition is a reverse takeover of a non-operating company whereby CannAmerica Holdings, the legal subsidiary, has been determined to have acquired control of CannAmerica on the Agreement Date and to be the acquirer for accounting purposes. The transaction does not constitute a business combination as CannAmerica, prior to the Acquisition, did not meet the definition of a business under IFRS. Accordingly, the CannAmerica Holdings Acquisition has been accounted for as an acquisition by CannAmerica Holdings of CannAmerica's net assets. In accordance with the principles of reverse takeover accounting, CannAmerica will report the operations of CannAmerica Holdings and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Changes in Shareholders' Equity, which have been adjusted to reflect the share capital of CannAmerica.

The acquisition consideration deemed to have been transferred by CannAmerica Holdings, the legal subsidiary, is in the form of equity instruments previously issued by CannAmerica, the legal parent company which comprises the outstanding equity instrument of CannAmerica immediately prior to the reverse takeover. The acquisition date fair value of the deemed consideration was estimated to be $0.20 per share using the share price as of the latest private placement completed by CannAmerica. The difference between the consideration paid to acquire CannAmerica and the net asset value of CannAmerica is recorded as a listing expense to net loss as follows:

(All amounts expressed in CAD dollars, unless otherwise stated)

	As at May 30, 2018 $
Consideration paid	
Common shares (7,360,001 common shares at $0.20 per common share)	1,472,000
Fair value of net assets acquired	
Cash	980,563
Accounts receivable	2,500,000
Prepaid expenses	35,000
	3,515,563
Accounts payable	77,758
Share subscriptions received	2,192,000
Identifiable net assets acquired	1,245,805
Listing expense	226,195

Business Combination and Goodwill

On May 18, 2018 (the "DAFF Agreement Date"), CannAmerica Holdings entered into an agreement with the shareholders of DAFF to acquire 100% of the common shares of DAFF (the "DAFF Acquisition").

The aggregate consideration for the DAFF Acquisition was comprised of:

(i) $2,255,000 (US$1,750,000) payable to the creditors of DAFF as a partial settlement of DAFF's debts;
(ii) $322,000 (US$250,000) to DAFF for working capital purposes;
(iii) 35.83 common shares of CannAmerica Holdings;
(iv) 15 warrants of CannAmerica Holdings;
(v) 14.17 shares of CannAmerica Holdings issuable conditional upon attaining certain targets; and
(vi) $3,544,000 (US$2,750,000) payable to the creditors of DAFF for the remaining settlement of DAFF's debts (the "Note Payable") as follows:

a. Within 150 days of the DAFF Agreement Date if CannAmerica Holdings does not complete a merger with a publicly listed company ("Merged Company");
b. If CannAmerica Holdings has completed a merger with a publicly listed company, the due date is extended to 13 months from the date of a public listing of the Merged Company;
c. If the publicly listed company has completed a financing post public listing of more than US$5,000,000, the entire balance is due; and
d. If a publicly listed company has completed its public listing, 50% of any financing post public listing if less than US$5,000,000 will pay down the outstanding Note Payable.

The Company has determined that the DAFF Acquisition is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the measurement date of May 18, 2018.

(All amounts expressed in CAD dollars, unless otherwise stated)

The allocation of the purchase price in the DAFF Acquisition to the total fair value of net assets acquired is as follows:

	$
Fair value of net assets acquired	
Cash	28,526
Accounts receivable	142,593
Inventory	153,525
Investment	54,015
Equipment	8,136
Intangible assets	5,645,241
	6,032,036
Accounts payable and accrued liabilities	456,835
Notes payable	5,673,800
Identifiable net assets acquired	(98,599)
Goodwill	1,719,589
	1,620,989

	$
Consideration paid	
Fair value of 35.83 common shares of the CannAmerica Holdings	1,433,200
Fair value of 15 common share purchase warrants of CannAmerica Holdings	187,789
	1,620,989

The warrants have an estimated fair value of $187,789, calculated using the Black-Scholes option pricing model assuming the warrants will expire 24 months following the date the warrants were granted, an average risk-free interest rate of 1.88%, an expected dividend rate of 0%, and an average expected annual volatility of 100%. Warrants issued pursuant to the DAFF Acquisition were exchanged for 3,000,000 warrants of CannAmerica as part of the CannAmerica Holdings Acquisition.

The accounting for the DAFF Acquisition business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

RESULTS OF OPERATIONS

Pursuant to the reverse takeover transaction described above, CannAmerica will report the operations of CannAmerica Holdings and its related historical comparatives as its continuing business. CannAmerica Holdings was incorporated on December 11, 2017, and accordingly there are no historical comparatives for the three and six months ended September 30, 2018.

For the three months ended September 30, 2018

For the three months ended September 30, 2018, the Company had a net loss of $286,825.

The key highlights for the period include:

- License revenue of $405,983 from the three licensees located in Colorado, Nevada and Maryland.
- License operations gross margin of 69%.

- Professional fees of $189,808, which include legal, accounting and consulting fees incurred in connection with the public listing, reverse takeover and business combination.
- Salaries and benefits of $191,636 paid to the CEO, COO, and CFO, and operational staff.
- Interest expense of $82,999 accrued on the outstanding promissory Note Payable.
- Advertising and promotion of $88,260 associated with the Brands and licensing thereof.

For the six months ended September 30, 2018

For the six months ended September 30, 2018, the Company had a net loss of $1,390,938.

The key highlights for the period include:

- License revenue of $637,258 from the three licensees located in Colorado, Nevada and Marylandf or the period from May 18, 2018 (the DAFF Acquisition) to September 30, 2018.
- License operations gross margin of 63%.
- Listing expense of $226,195, which is a one-time expense arising as a result of the reverse takeover transaction of CannAmerica by CannAmerica Holdings.
- Professional fees of $478,545, which include legal, accounting and consulting fees incurred in connection with the public listing, reverse takeover and business combination.
- Salaries and benefits of $263,898 paid to the CEO, COO, and CFO, and operational staff.
- Share-based compensation of $570,118 representing the fair value of options issued to certain directors, officers, employees and consultants of the Company.
- Interest expense of $107,246 accrued on the outstanding promissory Note Payable.
- Advertising and promotion of $110,708 associated with the Brands and licensing thereof.

CASH USED IN OPERATING ACTIVITIES

For the six months ended September 30, 2018, cash flows used in operating activities amounted to $489,275. Cash flows resulted from a net loss of $1,390,938 which were partially offset by non-cash items and changes in non-cash working capital balances of $901,663.

CASH PROVIDED BY INVESTING ACTIVITIES

For the six months ended September 30, 2018, cash flows provided by investing activities amounted to $952,839. Cash flows resulted primarily from the DAFF business combination and the reverse takeover of CannAmerica by CannAmerica Holdings.

CASH PROVIDED BY FINANCING ACTIVITIES

For the six months ended September 30, 2018, cash flows provided by financing activities amounted to $1,755,660. Cash inflows primarily resulted from the receipt of share subscription proceeds.

(All amounts expressed in CAD dollars, unless otherwise stated)

SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

CannAmerica Holdings was incorporated on December 11, 2017.

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	$	$	$	$
Total revenue	$405,983	$231,275	–	–
Net loss	($286,825)	($1,104,113)	–	–
Basic and diluted income per share	(0.01)	(0.04)	–	–

RELATED PARTY TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

For the six months ended September 30, 2018, the Company was charged $73,510 in salaries (2017: nil) by the CEO of the Company.

For the six months ended September 30, 2018, the Company was charged $73,510 in salaries (2017: nil) by the COO of the Company.

For the six months ended September 30, 2018, the Company was charged $20,000 in management fees (2017: nil) by the CFO of the Company.

His Way Herbs, LLC is controlled by the CEO of the Company and is a related party. The acquisition of intangible assets described in Note 9 is a related party transaction.

Key management personnel compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation charges during the six months ended September 30, 2018 and 2017:

	2018	2017
	$	$
Salaries, bonuses, fees and benefits	**167,020**	–
Share based compensation	**486,686**	–
	653,706	–

OUTSTANDING SHARE DATA

The Company has an unlimited number of common shares without par value authorized for issuance.

As at November 29, 2018, the Company had 49,864,865 common shares issued and outstanding.

As at November 29, 2018, the Company had a total of 4,100,000 options and 3,000,000 warrants are outstanding.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Under IFRS 9, financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Subsequently, all assets within scope of IFRS 9 are measured at:

(i) Amortized cost;
(ii) Fair value through other comprehensive income ("FVOCI"); or
(iii) Fair value through profit or loss ("FVTPL").

The classification is based on whether the contractual cash flows give rise to payments on specified dates that are solely payments of principal and interest (the "SPPI test"), and the objective of the Company's business model is to hold assets only to collect cash flows, or to collect cash flows and to sell (the "Business Model test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The impairment requirements under IFRS 9 are based on an expected credit loss model, replacing the IAS 39 incurred loss model. The expected credit loss model applies to debt instruments recorded at amortized cost or at FVOCI, such as loans debt securities and trade receivables, lease receivables and most loan commitments and financial guarantee contracts.

The Company's financial instruments include cash (FVTPL), accounts receivable (amortized cost), accounts payable and accrued liabilities (other financial liabilities), and notes payable (other financial liabilities). The carrying value of the financial instruments approximates their fair values due to their short-term and on demand nature.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash is Level 1. 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

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, currency and interest rate risk.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company seeks to limit its exposure to this risk by holding its cash in reputable financial institutions. The Company does not have significant credit risk with respect to customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis, raising capital through equity or debt financing, when required. As at September 30, 2018, the Company had working capital of $2,641,819. The Company generates income from its licensees. This, together with the Company's current cash balance of $2,239,119, is sufficient to cover the business objectives and day-to-day operational needs.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The functional currency of DAFF is the US Dollar and the majority of transactions are transacted in the US Dollar. In addition, all DAFF financial liabilities are denominated in the US Dollar. The Company does not undertake currency hedging activities to mitigate its foreign currency risk. The impact on the Company's profit or loss resulting from a 10% fluctuation in foreign exchange rates would be approximately $400,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has debt instruments however the interest rate is fixed and therefore the related interest rate risk is minimal.

Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, enter into debt facilities, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its shareholders' equity as capital.

COMMITMENTS

As at September 30, 2018, the Company has notes payable totaling $3,837,120. These notes are due 13 months after the date the Company becomes a reporting issuer. The Company expects to raise funds and generate enough operating cash flow to repay the notes payable. The Company does not have any commitments for capital expenditures as at September 30, 2018.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accounting policies as described in Note 2 of the audited financial statements for the year ended March 31, 2018, and accompanying notes thereto for CannAmerica, CannAmerica Holdings, and DAFF, with the exception of the new accounting standards adopted in the current year, as described in Note 2 of the Company's unaudited condensed interim consolidated financial statements for the three and six months ended September 30, 2018 and 2017.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of unaudited condensed interim consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements. The critical accounting estimates and judgments used by the Company are described in Note 2 of the audited financial statements for the year ended March 31, 2018, and accompanying notes thereto for CannAmerica, CannAmerica Holdings, and DAFF.

New accounting standards adopted in the current year

On April 1, 2018, the Company adopted amendments to IFRS 2, "Share-based Payment". The amendments provide clarification on how to account for certain types of share-based transactions. The adoption of this amendment did not have any impact on the Company's unaudited condensed interim consolidated financial statements.

On April 1, 2018, the Company adopted IFRS 9, "Financial Instruments". IFRS 9 introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected credit loss impairment model and a substantially reformed approach to hedge accounting. The Company adopted a retrospective approach and as IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities there was no significant impact on the carrying amounts of the Company's financial instruments at the transition date. The introduction of the new expected credit loss impairment model did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

On April 1, 2018, the Company adopted IFRS 15, "Revenue from Contracts with Customers". The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. The Company elected to apply IFRS 15 using a full retrospective approach. Under IFRS 15, revenue from licensees would be recognized in the form of fixed fees per unit shipped and is charged at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon shipment and acceptance by the licensee, which is consistent with the Company's former revenue recognition policy under IAS 18. Therefore, the adoption of IFRS 15 did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

New accounting standards issued but not yet effective

New standard IFRS 16, "Leases" is not yet effective for the period ended September 30, 2018 and has not been applied in preparing these unaudited condensed interim consolidated financial statements. The Company has not early adopted this new standard.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

SUBSEQUENT EVENTS

On October 15, 2018, the Company listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "CANA".

On November 20, 2018, the Company announced that it had entered into an agreement with Canaccord Genuity Corp. and Gravitas Securities Inc. as co-lead agents (the "Agents"), to sell, by way of a private placement on a commercially reasonable best efforts basis, up to 13,333,333 units of the Company (the "Units") at a price of $0.75 per Unit (the "Offering Price") for gross proceeds of up to $10,000,000. In addition, the Company has granted the Agents an option to sell up to an additional 13,333,333 Units at the Offering Price (collectively, the "Offering"), exercisable in whole or in part at any time prior to the closing of the Offering.

Each Unit will consist of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one common share of the Company (a "Common Share") for a period of 24 months from the closing date of the Offering ("Closing Date") at an exercise price of $1.00, subject to subject to the ability of the Company to accelerate the expiry date at any time after a period of four months, if, during the term of the Warrants, the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than $1.75 per share for ten (10) consecutive trading days.

The Agents will be paid a cash commission equal to 8% of the gross proceeds of the Offering and will also receive warrants to purchase such number of Units as is equal to 8% of the Units sold under the Offering (the "Compensation Options"). The Compensation Options will be exercisable for a period of 24 months following closing of the Offering at an exercise price equal to the Offering Price.

The Company intends to use the net proceeds of the Offering for capital expenditures for the launch of a major brand acquisition strategy to expand the Company's portfolio of brands as well as working capital and general corporate purposes.

The Offering may be completed in multiple closings, with the final closing expected to occur as mutually agreed upon by the Company and Agents, subject to the receipt of all necessary regulatory approvals, including the approval of the Canadian Securities Exchange. All securities issued pursuant to the Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws.

RISKS AND UNCERTAINTIES

Some of the Company's planned business activities, while believed to be compliant with certain applicable U.S. state and local laws, are illegal under United States federal law.

Cannabis is illegal under federal U.S. law. Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of Medical Cannabis under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, marijuana is largely regulated at the state level. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the U.S. Controlled Substances Act. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law must be applied. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations.

The Company's investments and operations in the United States may be subject to heightened scrutiny.

For the reasons set forth above, the Company's existing investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction. It has also been reported by certain publications (the "Publications") in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. On February 8, 2018, CDS signed the CDS Memorandum of Understanding (the "CDS MOU") with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, the "Exchanges"). The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the United States. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of Medical or Recreational Cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or Recreational Cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

There is uncertainty surrounding the Trump Administration and its influence and policies in opposition to the cannabis industry as a whole.

There continues to be uncertainty as to the position the United States and the Trump Administration will take with respect to cannabis and the federal government's enforcement of federal law in relation to cannabis. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

On January 4, 2018 the Cole Memorandum was rescinded by Former Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the Department of Justice's guidance to U.S. attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

Former Attorney General Jeff Sessions also issued a one-page memorandum known as the "Sessions Memorandum." This confirmed the rescission of the Cole Memorandum and explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance as set forth in the U.S. Attorney's Manual. The U.S. Attorney's Manual enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community." The Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and states the statutory view that it is a "dangerous drug and that marijuana activity is a serious crime."

The approach to the enforcement of cannabis laws in the U.S. may be subject to change or may not proceed as previously outlined.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018 the Cole Memorandum was revoked by Former Attorney General Jeff Sessions. Given this revocation, the Department of Justice under the Trump Administration or an aggressive U.S. federal prosecutor could allege that the Company, its board of directors, and officers, "aided and abetted" or otherwise involved themselves in violations of federal law. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

With regards to the foregoing, U.S. federal law does not deal separately with CBD and THC and so there is a degree of uncertainty with respect to the legality of CBD-only products derived from industrial hemp grown in the United States.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in various states in the United States. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the Department of Justice ("DOJ"), the Financial Industry Regulatory Advisory or other federal, Washington State or other applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the cannabis industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate.

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis- related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States, and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company's and its Licensees' contracts may not be legally enforceable in the United States.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company and the Licensees may face difficulties in enforcing their contracts in U.S. federal and certain state courts.

It may be difficult, if not impossible, for U.S. holders of the Company's securities to resell them over the CSE.

It has recently come to management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related to securities of Canadian public companies involved in the medical marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire securities of the Company may find it difficult – if not impossible – to resell such securities over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any securities of the Company that they may acquire in open market transactions.

Canadian Investors in the Company's Securities and the Company's directors, officers and employees may be subject to travel and entry bans into the United States.

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply barred entry one time. The U.S. Department of State and the Department of Homeland Security has indicated that the United States has not changed admission requirements in response to the pending legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the United States may be increasing enforcement of its federal laws regarding marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana.

Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry, including in in States where it is deemed legal, according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing, working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce our ability to manage our business effectively in the United States.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank

Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks. In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state.

States only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. There is no guarantee that the Company's products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

Lack of Access to United States Bankruptcy Protections.

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company or one of its Licensees were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company or its Licensee, which would have a material adverse effect.

The failure of the Licensees to fulfill their financial obligations with respect to royalty payments under their license agreements or to otherwise adequately produce, market and sell products bearing the Company's brand names in their respective license categories could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's revenues are almost entirely dependent on royalty payments made to the Company pursuant to license agreements entered into with licensees of the Company's brands. The failure of the Licensees to satisfy their financial obligations under these agreements, or their inability to operate successfully or at all, could result in a breach of an agreement, early termination of an agreement or non- renewal of an agreement. A decrease or elimination of revenue could have a material adverse effect on the Company's financial condition, results of operation and cash flows.

During the term of a license agreement, the Company's revenues and the value of the Company's brands substantially depend upon the Licensee's ability to maintain the quality and marketability and market acceptance of the branded products licensed to such licensee and their failure to do so could negatively affect consumer perception of the Company's brands and harm the Company's future growth and prospects. Further, the failure of the Licensees to meet their production, manufacturing and distribution requirements, or a weak economy or softness in the cannabis space could cause the Licensees to default on their obligations. In addition, the Licensees' inability to maintain market acceptance of the Company's brands or the Company's failure to monitor the Licensees' compliance with their license agreements or take appropriate corrective action when necessary may subject the Company's intellectual property assets to cancellation, loss of rights or devaluation and any devaluation of the Company's intellectual property could cause a material impairment in the carrying value of such intellectual property, potentially resulting in a charge as an expense to the Company's results of operations. If such developments occur or the Licensees are otherwise not successful, the value and recognition of the Company's brands, as well as the Company's business, financial condition and results of operations, could be materially adversely affected.

The Company's business depends on continued market acceptance of the Company's brands and the products bearing these brands.

The cannabis space is highly susceptible to changes in consumer preferences and continued market acceptance of the Company's brands and the Licensees' products, as well as market acceptance of any future products bearing the Company's brands and is subject to a high degree of uncertainty. In order to generate revenues and profits, the Licensees must continually develop product offerings that appeal to consumers. Generally, the Company does not retain the rights to monitor the products that the Licensee's design and produce with the exception of the brands licensed by the Company and can provide no assurance that licensees will develop, market and sell other products and brands that appeal to consumers. Any significant changes in consumer preferences or any inability on the Licensees' part to anticipate or react to such changes could reduce demand for the Company's branded products and erode the competitiveness of such products, which would negatively affect the Company's financial condition, results of operations and cash flows.

The continued success of the Company's brands and branded products and market acceptance of new products and product categories are also dependent on the Company's ability to continually improve the effectiveness of the Company's marketing efforts. The Company devotes significant resources and expenditures to promoting the Company's brands and new product launches, but there can be no assurance as to the Company's continued ability to effectively execute the Company's marketing programs. To the extent the Licensees misjudge the market for the Company's brands and branded products, or the Company's marketing efforts are unsuccessful, the Company's business, results of operations and prospects will be adversely affected.

The Company has incurred a substantial amount of indebtedness in connection with the Company's acquisition, which could adversely affect the Company's financial condition and results of operations.

The financial statements for the Company disclose notes payable. These notes are due 13 months after the date the Company becomes a reporting issuer. There is no assurance that the business will generate sufficient operating cash flow to repay the debt or that the Company will be successful in obtaining future financing.

The Company's high level of indebtedness increases the possibility that the Company may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of such indebtedness. In addition, the Company may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents that govern the Company's indebtedness. If the Company incurs additional debt, the risks associated with the Company's leverage, including the Company's ability to service debt, would increase.

The Company's increased level of indebtedness could have other important consequences, which include, but are not limited to, the following:

- a substantial portion of the Company's cash flow from operations could be required to pay principal and interest on the Company's debt;
- the Company's leverage could increase the Company's vulnerability to general economic downturns and adverse competitive and industry conditions, placing the Company at a disadvantage compared to those of the Company's competitors that are less leveraged;
- the Company's debt service obligations could limit the Company's flexibility in planning for, or reacting to, changes in the Company's business and in the brand licensing industry;
- the Company's failure to comply with the restrictive covenants in the documents governing the Company's indebtedness could result in an event of default that, if not cured or waived, results in foreclosure on substantially all of the Company's assets; and
- the Company's level of debt may restrict the Company from raising additional financing on satisfactory terms to fund strategic acquisitions, investments, joint ventures and other general corporate requirements.

The Company cannot be certain that its earnings will be sufficient to allow the Company to pay principal and interest on its debt and meet its other obligations. If the Company does not have sufficient earnings, it may be required to seek to refinance all or part of the Company's then existing debt, sell assets, make additional borrowings or sell more securities, none of which the Company can guarantee that it will be able to do.

The Company may require additional capital to finance the acquisition of additional brands, and the Company's inability to raise such capital on beneficial terms or at all could limit the Company's growth.

The Company may, in the future, require additional capital to help fund all or part of potential acquisitions. If, at the time required, the Company does not have sufficient cash to finance those additional capital needs, the Company will need to raise additional funds through equity and/or debt financing. The Company cannot guarantee that, if and when needed, additional financing will be available to the Company on acceptable terms or at all. If additional capital is needed and is either unavailable or cost prohibitive, the Company's growth may be limited as the Company may need to change the Company's business strategy to slow the rate of, or eliminate, the Company's expansion plans. In addition, any additional financing the Company undertakes could impose additional covenants upon the Company that restrict the Company's operating flexibility, and, if the Company issues equity securities to raise capital, the Company's existing stockholders may experience dilution or the new securities may have rights senior to those of the Company's common stock.

The Company or the Licensees may not be able to continue to compete successfully because of intense competition within the Licensees' markets, the strength of some of their competitors or other factors.

The Company's licenses are for products primarily in the cannabis markets, in which the Licensees face intense competition. Competitive factors in these markets include quality, price, name recognition, service and advertising. Changing customer preferences and the limited availability of shelf space in dispensaries could materially and adversely affect the competitive position of the Licensees' products. Many of the Licensees' competitors have greater financial, distribution, marketing and other resources than the Licensees and have achieved significant name recognition for their brands. The Licensees may be unable to successfully compete in the markets for their products, which would adversely affect the Company's revenues and cash flows, and the Company may not be able to continue to compete successfully with respect to the Company's licensing arrangements.

The Company may not be able to adequately protect the Company's intellectual property rights, which could compromise its competitive position and decrease the value of the Company's brands.

The loss of or inability to enforce the Company's proprietary rights of its intellectual property could materially and adversely affect the Company's business and financial condition. For instance, if any third party independently develops similar products to those marketed and distributed by the Licensees or manufactures knock-offs of such products, it may harm the reputation of the Company's brands, decrease their value or cause a decline in the Licensees' sales and thus the Company's revenues.

The Company may need to bring legal claims to enforce or protect the Company's intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources and negatively impact the Company's business operations. In addition, notwithstanding the rights the Company have secured in the Company's intellectual property, third parties may bring claims against the Company or the Licensees alleging that the Company or the Licensees have infringed on their intellectual property rights or that the Company or the Licensees' intellectual property rights are not valid. Any claims against the Company or the Licensees, with or without merit, could be time consuming and costly to defend or litigate and therefore could adversely affect the Company's business. In addition, to the extent that any of the Company's intellectual property assets is deemed to violate the proprietary rights of third parties in any litigation or proceeding or as a result of any claim, then the Company or the Licensees may be prevented from using it, which could cause a breach or termination of license agreements. If the Licensees are prevented from using the intellectual property that the Company has licensed to them, the revenues of the Licensees will be reduced with respect to those intellectual property assets, and the related royalty payments the Company receives could be reduced. Litigation with respect to the Company's intellectual property or breaches of the Company's license agreements could result in a judgment or monetary damages.

The Company depends upon the services of the Company's key executives, including the Company's Chief Executive Officer, Mr. Dan Anglin. If the Company loses the services of Mr. Anglin or other key executives, the Company may not be able to fully implement the Company's business plan and future growth strategy, which would harm the Company's business and prospects.

The Company's success is largely dependent upon the expertise and knowledge of the Company's Chief Executive Officer, Mr. Dan Anglin, and other key members of the executive team, whom the Company relies upon to formulate the Company's business strategies. The Company's key executives leadership and experience in the cannabis industry are essential to the successful implementation of the Company's business and marketing strategy. The Company does not carry key person life insurance covering the Company's key executives. The loss of the services of the Company's key executives could have a material adverse effect on the Company's business prospects, financial condition, results of operations and cash flows.

The Company's results of operations may fluctuate significantly, which makes it difficult to predict the Company's performance and could result in volatility in the Company's stock price.

The Company may experience variations in its revenue and results of operations from quarter to quarter. This variability is affected by numerous factors, including:

- the timing of the introduction of new licensed products by the Licensees;
- the level of consumer acceptance of the Company's brands and licensed products;
- general economic and industry conditions in the cannabis space;
- the availability of viable licensees that meet the Company's brand criteria; and
- the timing and amount of marketing and other expenditures.

Because of these fluctuations in the Company's revenues, operating expenses and cash flows, it could be difficult to make period-to-period comparisons of the Company's result of operations and liquidity and it may be difficult for securities analysts and investors to predict the Company's performance. As a result, the Company's results of operations in any particular quarter may be below the expectations of securities analysts or investors. Fluctuations in the Company's performance and the failure to meet analyst expectations could cause declines or volatility in the Company's stock price.

The Company does not foresee paying dividends in the foreseeable future.

The Company has not paid dividends and does not anticipate paying dividends in the foreseeable future. Instead, the Company plans to retain any earnings to maintain and expand existing licensing operations, further develop the Company's brands and finance the acquisition of additional assets and search for new opportunities.

The Company has a significant amount of intangible assets, including the Company's trademarks, recorded on the Company's balance sheet.

If there are changes in market conditions and declines in the estimated fair value of these assets, the Company may have to write-down intangible assets and may be required to record impairments of the Company's intangible assets in the future which could adversely affect the Company's results of operations.

The Company's business, financial condition and results of operations could suffer in the event of security breaches, cyber-attacks or unauthorized disclosures of personal information.

In conducting their businesses, including their e-commerce businesses, the Licensees and retail partners obtain and transmit confidential information about their customers, including credit card and other personal information, through their websites and their information technology systems. To the best of the Company's knowledge, the Licensees have not experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a security breach or cyber-attack. If the Licensees experience such a security breach or cyber-attack, it could adversely affect their business and operations, including damaging their reputation and their relationships with their customers, exposing them to risks of litigation and liability. There can be no assurance that the Licensees will not experience any future security breaches, cyber-attacks or unauthorized disclosures. The Licensees may incur significant costs to comply with laws regarding the protection and unauthorized disclosure of personal information, which could also negatively affect their ability to generate sales and make royalty payments to the Company, resulting in a material adverse effect on its business, financial condition and results of operations.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

CannAmerica Brands Corp.
(formerly Transform Capital Corp.)

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended September 30, 2018 and 2017

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102 "Continuous Disclosure Obligations", Part 4, Subsection 4.3(3a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of CannAmerica Brands Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

"Russell Henderson"	"Dan Anglin"
Russell Henderson, Director	Dan Anglin, CEO

November 29, 2018

CannAmerica Brands Corp.
(formerly Transform Capital Corp.)
Condensed interim consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	**September 30, 2018 $**	March 31, 2018 $
		(unaudited)	
Assets			
Current			
Cash		**2,239,119**	–
Accounts receivable	5	**639,694**	–
Deposits		–	110,001
Prepaid expenses		**35,000**	–
Inventory	6	**64,748**	–
		2,978,561	110,001
Investment in licensee	7	**70,626**	–
Equipment	8	**14,294**	–
Intangible assets	9	**5,729,133**	–
Goodwill	4	**1,719,589**	–
Total assets		**10,512,203**	110,001
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	10	**336,742**	–
		336,742	–
Notes payable	11	**3,837,120**	–
Total liabilities		**4,173,862**	–
Shareholders' equity			
Share capital	13	**6,962,861**	110,001
Contributed surplus		**757,907**	–
Deficit		**(1,390,938)**	–
Accumulated other comprehensive income		**8,511**	–
Total shareholders' equity		**6,338,341**	110,001
Total liabilities and shareholders' equity		**10,512,203**	110,001

Nature of operations (Note 1)
Subsequent event (Note 17)

Approved by the Board of Directors:

“Russell Henderson”	“Dan Anglin”
Russell Henderson, Director	Dan Anglin, CEO

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

CannAmerica Brands Corp.
(formerly Transform Capital Corp.)
Condensed interim consolidated statements of operations and comprehensive loss
(Unaudited – expressed in Canadian dollars)

		Three months ended September 30,		Six months ended September 30,	
		2018	2017	**2018**	2017
	Notes	**$**	$	**$**	$
Revenue		**405,983**	–	**637,258**	–
Cost of sales		**126,221**	–	**234,356**	–
Gross margin		**279,762**	–	**402,902**	–
Expenses					
Advertising and promotion		**88,260**	–	**110,708**	–
Bank charges		**5,691**	–	**7,245**	–
Depreciation	8	**380**	–	**755**	–
Interest expense	11	**82,999**	–	**107,246**	–
Office and administration		**6,664**	–	**10,678**	–
Professional fees		**189,808**	–	**478,545**	–
Salaries and benefits	12	**191,636**	–	**263,898**	–
Share-based compensation	12,13	**–**	–	**570,118**	–
Loss before other items		**(285,676)**	–	**(1,146,291)**	–
Listing expense	3	**–**	–	**226,195**	–
Foreign exchange loss		**1,149**	–	**18,452**	–
Net loss for the period		**(286,825)**	–	**(1,390,938)**	–
Foreign currency translation gain (loss)		**44,563**	–	**(8,511)**	–
Comprehensive loss for the period		**(331,388)**	–	**(1,382,427)**	–
Loss per common share – basic and diluted		**(0.01)**	–	**(0.05)**	–
Weighted average number of common shares outstanding		**40,404,024**	–	**29,072,362**	–

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

CannAmerica Brands Corp.
(formerly Transform Capital Corp.)
Condensed interim consolidated statements of changes in shareholders' equity
(Unaudited – expressed in Canadian dollars)

	Number of shares	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Deficit $	Total $
Balance, March 31, 2018	**111**	**110,001**	**–**	**–**	**–**	**110,001**
Cancellation of shares	(1)	–	–	–	–	–
Acquisition of DAFF (Note 4)	35.83	1,433,200	187,789	–	–	1,620,989
Reverse takeover of CannAmerica (Note 3):						
• Acquisition of CannAmerica	29,166,000	1,472,000	–	–	–	1,472,000
• Outstanding CannAmerica shares	7,360,001	1,413,500	–	–	–	1,413,500
• Elimination of CannAmerica Holdings common shares	(145.83)	–	–	–	–	–
• Elimination of CannAmerica share capital	–	(1,413,500)	–	–	–	(1,413,500)
Shares issued for cash (Note 13)	13,158,864	3,947,660	–	–	–	3,947,660
Share-based compensation (Note 13)	–	–	570,118	–	–	570,118
Net loss	–	–	–	–	(1,390,938)	(1,390,938)
Foreign currency translation adjustment	–	–	–	8,511	–	8,511
Balance, September 30, 2018	**49,684,865**	**6,962,861**	**757,907**	**8,511**	**(1,390,938)**	**6,338,641**
Balance, March 31, 2017	**–**	**–**	**–**	**–**	**–**	**–**
Balance, September 30, 2017	**–**	**–**	**–**	**–**	**–**	**–**

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

CannAmerica Brands Corp.
(formerly Transform Capital Corp.)
Condensed interim consolidated statements of cash flows
(Unaudited – expressed in Canadian dollars)

		Six months ended September 30,	
		2018	2017
	Notes	**$**	$
Operating activities			
Net loss		**(1,390,938)**	–
Items not affecting cash			
Listing expense		**226,195**	–
Depreciation		**755**	–
Stock-based compensation		**570,118**	–
Interest expense		**107,246**	–
Changes in non-cash working capital balances			
Decrease in accounts receivable		**106,424**	–
Decrease in inventory		**88,777**	–
Decrease in accounts payable and accrued liabilities		**(197,852)**	–
Net cash used in operating activities		**(489,275)**	–
Investing activities			
Purchase of equipment		**(6,913)**	–
Purchase of intangible assets		**(33,333)**	–
Purchase of investment		**(16,004)**	–
Acquisition of DAFF		**28,526**	–
Acquisition of CHC		**980,563**	–
Net cash provided by investing activities		**952,839**	–
Financing activities			
Proceeds from subscriptions (Note 13)		**1,755,660**	–
Net cash provided by financing activities		**1,755,660**	–
Effect of foreign currency translation on cash		**19,895**	
Increase in cash		**2,239,119**	–
Cash, beginning		**–**	–
Cash, end		**2,239,119**	–

Supplemental cash flow information (Note 16)

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

1. NATURE OF OPERATIONS

CannAmerica Brands Corp. (formerly Transform Capital Corp.) ("CannAmerica") was incorporated in the province of British Columbia on March 13, 2017, under the Business Corporations Act of British Columbia. CannAmerica's head office is located at 595 Burrard Street, 16th Floor, Three Bentall Centre, Vancouver, British Columbia, V7X 1J1, and its registered and records office is located at 10th Floor, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

These unaudited condensed interim consolidated financial statements comprise the financial statements of CannAmerica and its legal subsidiaries (collectively referred to as the "Company"). On May 30, 2018, CannAmerica entered into an agreement with the shareholders of CannAmerica Holdings Corp. ("CannAmerica Holdings") whereby 100% of the common shares and warrants of CannAmerica Holdings were exchanged for common shares of CannAmerica (the "CannAmerica Holdings Acquisition") (Note 3). The CannAmerica Holdings Acquisition is considered a reverse takeover of a non-operating company whereby CannAmerica Holdings, the legal subsidiary, has been determined to have acquired control of CannAmerica and to be the acquirer for accounting purposes. In accordance with the principles of reverse takeover accounting, CannAmerica will report the operations of CannAmerica Holdings and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Changes in Shareholders' Equity and in Note 13, which have been adjusted to reflect the share capital of CannAmerica.

CannAmerica Holdings was incorporated in the Province of British Columbia on December 11, 2017, under the Business Corporations Act of British Columbia and was formed to identify an appropriate business for acquisition or investment. CannAmerica Holdings completed a business combination (Note 4) on May 18, 2018, and now owns a portfolio of brands in the medical and recreational cannabis space in the United States through its wholly-owned subsidiary DAFF International, LLC ("DAFF"). The Company's principal business is to build on and maximize the value of its brands by promoting, marketing and licensing these brands through various distribution channels, including dispensaries, wholesalers and distributors. The Company currently has three brand licensing agreements with licensees in the states of Colorado, Nevada and Maryland. CannAmerica applied for a public listing (a "Public Listing") on the Canadian Securities Exchange (the "CSE").

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern. The proposed business of the Company involves a high degree of risk. Additional funds may be required to enable the Company to pursue its initiatives and the Company may be unable to obtain such financing on satisfactory terms. Furthermore, there is no assurance that the business will be profitable. These factors indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. In preparation of these unaudited condensed interim consolidated financial statements, the Company has consistently applied the same accounting policies disclosed in the Company's audited annual financial statements for the year ended March 31, 2018, with the exception of the accounting standards adopted in the current year, as described below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2018.

Basis of presentation and measurement

These unaudited condensed interim consolidated financial statements are a continuation of the consolidated financial statements of CannAmerica Holdings.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended March 31, 2018, for CannAmerica, CannAmerica Holdings and DAFF.

Basis of consolidation

These unaudited condensed interim consolidated financial statements comprise the financial statements of CannAmerica and its legal subsidiaries. Subsidiaries are those entities which CannAmerica controls by having the power to govern the financial and operational policies of the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All intercompany transactions and balances have been eliminated.

	Percentage ownership interest	
	September 30, 2018	March 31, 2018
CannAmerica Holdings Corp.	**100%**	–
DAFF International, LLC	**100%**	–

CannAmerica Holdings is a legal subsidiary of CannAmerica. Note 3 describes a reverse takeover transaction which occurred on May 30, 2018, whereby CannAmerica Holdings is considered the acquirer from an accounting perspective. The transaction resulted in CannAmerica reporting the operations of CannAmerica Holdings and its related historical comparatives as its continuing business, except for the legal capital as shown in the Consolidated Statements of Changes in Shareholders' Equity and in Note 13, which have been adjusted to reflect the share capital of the CannAmerica.

Functional and presentation currency

The functional currency of CannAmerica and CannAmerica Holdings is the Canadian dollar. The functional currency of the foreign operation, DAFF, is the US dollar. These unaudited condensed interim consolidated financial statements are presented in Canadian dollars.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting policies

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market-based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

New accounting standards adopted in the current year

On April 1, 2018, the Company adopted amendments to IFRS 2, “Share-based Payment”. The amendments provide clarification on how to account for certain types of share-based transactions. The adoption of this amendment did not have any impact on the Company's unaudited condensed interim consolidated financial statements.

On April 1, 2018, the Company adopted IFRS 9, “Financial Instruments”. IFRS 9 introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected credit loss impairment model and a substantially reformed approach to hedge accounting. The Company adopted a retrospective approach and as IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities there was no significant impact on the carrying amounts of the Company's financial instruments at the transition date. The introduction of the new expected credit loss impairment model did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

On April 1, 2018, the Company adopted IFRS 15, “Revenue from Contracts with Customers”. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. The Company elected to apply IFRS 15 using a full retrospective approach. Under IFRS 15, revenue from licensees would be recognized in the form of fixed fees per unit shipped and is charged at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon shipment and acceptance by the licensee, which is consistent with the Company's former revenue recognition policy under IAS 18. Therefore, the adoption of IFRS 15 did not have a material impact on the Company's unaudited condensed interim consolidated financial statements.

New accounting standards issued but not yet effective

New standard IFRS 16, "Leases" is not yet effective for the period ended September 30, 2018 and has not been applied in preparing these unaudited condensed interim consolidated financial statements. The Company has not early adopted this new standard.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's unaudited condensed interim consolidated financial statements.

(Unaudited – expressed in Canadian dollars)

3. REVERSE TAKEOVER TRANSACTION

On May 30, 2018 (the "Agreement Date"), CannAmerica entered into an agreement with the shareholders of CannAmerica Holdings whereby 100% of the common shares and warrants of CannAmerica Holdings were exchanged for common shares of CannAmerica.

The aggregate consideration for the CannAmerica Holdings Acquisition was comprised of:

(i) 29,166,000 common shares (200,000 shares of CannAmerica in exchange for 1 share of CannAmerica Holdings)
(ii) 2,833,333 common shares contingent on attaining certain earning targets; and
(iii) 3,000,000 warrants with an exercise price of $0.50 per share exercisable for a period 24 months following close of a Public Listing.

The CannAmerica Holdings Acquisition is a reverse takeover of a non-operating company whereby CannAmerica Holdings, the legal subsidiary, has been determined to have acquired control of CannAmerica on the Agreement Date and to be the acquirer for accounting purposes. The transaction does not constitute a business combination as CannAmerica, prior to the Acquisition, did not meet the definition of a business under IFRS. Accordingly, the CannAmerica Holdings Acquisition has been accounted for as an acquisition by CannAmerica Holdings of CannAmerica's net assets. In accordance with the principles of reverse takeover accounting, CannAmerica will report the operations of CannAmerica Holdings and its related historical comparatives as its continuing business, except for the legal capital shown in the Consolidated Statements of Changes in Shareholders' Equity and in Note 13, which have been adjusted to reflect the share capital of CannAmerica.

The acquisition consideration deemed to have been transferred by CannAmerica Holdings, the legal subsidiary, is in the form of equity instruments previously issued by CannAmerica, the legal parent company which comprises the outstanding equity instrument of CannAmerica immediately prior to the reverse takeover. The acquisition date fair value of the deemed consideration was estimated to be $0.20 per share using the share price as of the latest private placement completed by CannAmerica. The difference between the consideration paid to acquire CannAmerica and the net asset value of CannAmerica is recorded as a listing expense to net loss as follows:

	As at May 30, 2018 $
Consideration paid	
Common shares (7,360,001 common shares at $0.20 per common share)	1,472,000
Fair value of net assets acquired	
Cash	980,563
Accounts receivable	2,500,000
Prepaid expenses	35,000
	3,515,563
Accounts payable	77,758
Share subscriptions received	2,192,000
Identifiable net assets acquired	1,245,805
Listing expense	226,195

(Unaudited – expressed in Canadian dollars)

4. BUSINESS COMBINATION AND GOODWILL

On May 18, 2018 (the "DAFF Agreement Date"), CannAmerica Holdings entered into an agreement with the shareholders of DAFF to acquire 100% of the common shares of DAFF (the "DAFF Acquisition").

The aggregate consideration for the DAFF Acquisition was comprised of:

(i) $2,255,000 (US$1,750,000) payable to the creditors of DAFF as a partial settlement of DAFF's debts;
(ii) $322,000 (US$250,000) to DAFF for working capital purposes;
(iii) 35.83 common shares of CannAmerica Holdings;
(iv) 15 warrants of CannAmerica Holdings;
(v) 14.17 shares of CannAmerica Holdings issuable conditional upon attaining certain targets; and
(vi) $3,544,000 (US$2,750,000) payable to the creditors of DAFF for the remaining settlement of DAFF's debts (the "Note Payable") as follows:
   a. Within 150 days of the DAFF Agreement Date if CannAmerica Holdings does not complete a merger with a publicly listed company ("Merged Company");
   b. If CannAmerica Holdings has completed a merger with a publicly listed company, the due date is extended to 13 months from the date of a public listing of the Merged Company;
   c. If the publicly listed company has completed a financing post public listing of more than US$5,000,000, the entire balance is due; and
   d. If a publicly listed company has completed its public listing, 50% of any financing post public listing if less than US$5,000,000 will pay down the outstanding Note Payable.

The Company has determined that the DAFF Acquisition is a business combination as the assets acquired and liabilities assumed constitute a business. The transaction was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed were recorded at their estimated fair value at the measurement date of May 18, 2018.

The allocation of the purchase price in the DAFF Acquisition to the total fair value of net assets acquired is as follows:

	$
Fair value of net assets acquired	
Cash	28,526
Accounts receivable	142,593
Inventory	153,525
Investment	54,015
Equipment	8,136
Intangible assets	5,645,241
	6,032,036
Accounts payable and accrued liabilities	456,835
Notes payable	5,673,800
Identifiable net assets acquired	(98,599)
Goodwill	1,719,589
	1,620,989

(Unaudited – expressed in Canadian dollars)

4. BUSINESS COMBINATION AND GOODWILL (cont'd)

	$
Consideration paid	
Fair value of 35.83 common shares of the CannAmerica Holdings	1,433,200
Fair value of 15 common share purchase warrants of CannAmerica Holdings	187,789
	1,620,989

The warrants have an estimated fair value of $187,789, calculated using the Black-Scholes option pricing model assuming the warrants will expire 24 months following the date the warrants were granted, an average risk-free interest rate of 1.88%, an expected dividend rate of 0%, and an average expected annual volatility of 100%. Warrants issued pursuant to the DAFF Acquisition were exchanged for 3,000,000 warrants of CannAmerica as part of the CannAmerica Holdings Acquisition.

The accounting for the DAFF Acquisition business combination has not yet been finalized and the Company is reporting provisional amounts for the items for which the accounting is not complete. These provisional amounts may be adjusted during the measurement period, or additional assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

5. ACCOUNTS RECEIVABLE

	September 30, 2018	March 31, 2018
	$	$
Trade accounts receivable	**604,729**	–
GST and taxes recoverable	**34,965**	–
	639,694	–

6. INVENTORY

	September 30, 2018	March 31, 2018
	$	$
Substrate	**64,748**	–

For the six months ended September 30, 2018, the amount of inventory recognized in cost of sales was $203,374.

7. INVESTMENT IN LICENSEE

The Company owns a 10% equity investment in a licensee. No cash consideration was paid for the initial investment; however, the Company will provide equipment, intellectual property, labour and technical assistance to establish operations necessary for the licensee to obtain a license. The investment was recorded at the fair value of the equipment purchase obligation on the statement of financial position. The Company has the option to purchase an additional 30% equity investment for US$2,500,000.

(Unaudited – expressed in Canadian dollars)

8. EQUIPMENT

	Total **$**
Cost	
Balance, March 31, 2018	–
Additions	15,309
Foreign currency translation adjustment	(260)
Balance, September 30, 2018	15,049
Balance, March 31, 2018	–
Depreciation	755
Balance, September 30, 2018	755
Balance, March 31, 2018	–
Balance, September 30, 2018	**14,294**

9. INTANGIBLE ASSETS

On May 18, 2018, the Company entered into an agreement with the shareholders of DAFF to acquire 100% of the common shares of DAFF. As part of the DAFF Acquisition, the Company acquired a portfolio of medical and recreational cannabis brands, which was previously acquired from His Way Herbs, LLC, a related party.

	Total $
Balance, March 31, 2018	–
Additions	5,653,159
Foreign currency translation adjustment	75,974
Balance, September 30, 2018	**5,729,133**

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018 **$**	March 31, 2018 $
Trade accounts payable	229,892	-
Accrued liabilities	54,038	-
Payroll liabilities	52,812	-
	336,742	-

(Unaudited – expressed in Canadian dollars)

11. NOTES PAYABLE

As part of the DAFF Acquisition (Note 4), the Company assumed multiple promissory notes, including a promissory note due to His Way Herbs, LLC in the amount of US$3,650,000. The note bears interest at 9% per annum, with interest beginning to accrue on June 1, 2018 and is due 13 months after the date on which any affiliate that directly or indirectly holds the interest in the Company becomes a reporting public company under applicable Canadian Law. During the period, the Company repaid US$1,200,000 of the balance owing and recorded interest expense of $107,246. As of September 30, 2018, the balance of the principal and accrued interest is $3,448,770 (US$2,664,172).

The Company also assumed US$650,000 in notes payable as part of the DAFF acquisition. During the period ended September 30, 2018, the Company repaid US$350,000. The notes payable are non-interest bearing and due 13 months after the date on which any affiliate that directly or indirectly holds the interest in the Company and becomes a reporting public company under applicable Canadian Law. As of September 30, 2018, the balance of the principal is $388,350 (US$300,000).

12. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

For the six months ended September 30, 2018, the Company was charged $73,510 in salaries (2017: nil) by the CEO of the Company.

For the six months ended September 30, 2018, the Company was charged $73,510 in salaries (2017: nil) by the COO of the Company.

For the six months ended September 30, 2018, the Company was charged $20,000 in management fees (2017: nil) by the CFO of the Company.

For the six months ended September 30, 2018, the Company was charged $5,000 in Director fees (2017: nil) by a Director of the Company.

His Way Herbs, LLC is controlled by the CEO of the Company and is a related party. The acquisition of intangible assets described in Note 9 is a related party transaction.

Key management personnel compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation charges during the six months ended September 30, 2018 and 2017:

	2018	2017
	$	$
Salaries, bonuses, fees and benefits	**167,020**	–
Share based compensation	**486,686**	–
	653,706	–

(Unaudited – expressed in Canadian dollars)

13. SHARE CAPITAL

The Company has an unlimited number of common shares without par value authorized for issuance As at September 30, 2018, the Company had 49,864,865 common shares issued and outstanding (March 31, 2018: 111).

On August 31, 2018, the Company issued 5,852,200 common shares at a price of $0.30 per share for proceeds of $1,755,660.

On September 6, 2018, the Company issued 7,306,664 common shares at a price of $0.30 per share for proceeds of $2,192,000.

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants	Weighted average exercise price $
Outstanding, March 31, 2018	–	–
Granted	3,000,000	0.50
Outstanding, September 30, 2018	3,000,000	0.50

The following summarizes information about the outstanding share purchase warrants exercisable to acquire common shares of the Company as at September 30, 2018:

Number of warrants outstanding	Exercise price $	Expiry date
3,000,000	0.50	May 30, 2020

Stock option plan

The Company has adopted a rolling incentive stock option plan (the “Option Plan”) which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange’s requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On May 30, 2018, the Company granted 4,100,000 stock options to certain directors, officers, employees and consultants of the Company. The stock options are exercisable for a period of five years at an exercise price of $0.30 per share and vest immediately. The fair value of the stock options granted was calculated to be $570,118 using the Black Scholes option pricing model with an estimated volatility of 100% and a risk-free rate of 2.11%.

(Unaudited – expressed in Canadian dollars)

13. SHARE CAPITAL (cont'd)

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price $
Outstanding, March 31, 2018	–	–
Granted	4,100,000	0.30
Outstanding, September 30, 2018	4,100,000	0.30

The following summarizes information about the outstanding stock options exercisable to acquire common shares of the Company as at September 30, 2018:

Number of options outstanding	Exercise price $	Expiry date
4,100,000	0.30	May 30, 2023

14. COMMITMENTS

As at September 30, 2018, the Company has notes payable totaling $3,837,120. These notes are due 13 months after the date the Company becomes a reporting issuer. The Company expects to raise funds and generate enough operating cash flow to repay the notes payable. The Company does not have any commitments for capital expenditures as at September 30, 2018.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Under IFRS 9, financial instruments are initially measured at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. Subsequently, all assets within scope of IFRS 9 are measured at:

(i) Amortized cost;
(ii) Fair value through other comprehensive income ("FVOCI"); or
(iii) Fair value through profit or loss ("FVTPL").

The classification is based on whether the contractual cash flows give rise to payments on specified dates that are solely
payments of principal and interest (the "SPPI test"), and the objective of the Company's business model is to hold assets only to collect cash flows, or to collect cash flows and to sell (the "Business Model test"). Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The impairment requirements under IFRS 9 are based on an expected credit loss model, replacing the IAS 39 incurred loss model. The expected credit loss model applies to debt instruments recorded at amortized cost or at FVOCI, such as loans debt securities and trade receivables, lease receivables and most loan commitments and financial guarantee contracts.

The Company's financial instruments include cash (FVTPL), accounts receivable (amortized cost), accounts payable and accrued liabilities (other financial liabilities), and notes payable (other financial liabilities). The carrying value of the financial instruments approximates their fair values due to their short-term and on demand nature.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash is Level 1. 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

The Company's financial instruments are exposed to certain financial risks, including credit, liquidity, currency and interest rate risk.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on outstanding accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company seeks to limit its exposure to this risk by holding its cash in reputable financial institutions. The Company does not have significant credit risk with respect to customers.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis, raising capital through equity or debt financing, when required. As at September 30, 2018, the Company had working capital of $2,641,819. The Company generates income from its licensees. This, together with the Company's current cash balance of $2,239,119, is sufficient to cover the business objectives and day-to-day operational needs.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The functional currency of DAFF is the US Dollar and the majority of transactions are transacted in the US Dollar. In addition, all DAFF financial liabilities are denominated in the US Dollar. The Company does not undertake currency hedging activities to mitigate its foreign currency risk. The impact on the Company's profit or loss resulting from a 10% fluctuation in foreign exchange rates would be approximately $400,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has debt instruments however the interest rate is fixed and therefore the related interest rate risk is minimal.

Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, enter into debt facilities, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

(Unaudited – expressed in Canadian dollars)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the period. The Company considers its shareholders' equity as capital.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended September 30, 2018	2017
	$	$
Non-cash transactions		
Fair value of net assets from acquisitions (Note 3 and 4)		
Fair value of accounts receivable	**2,642,593**	–
Fair value of inventory	**153,525**	–
Fair value of prepaid expenses	**35,000**	–
Fair value of investment in licensee	**54,015**	–
Fair value of equipment	**8,136**	–
Fair value of intangible assets	**5,645,241**	–
Fair value of accounts payable and accrued liabilities	**(534,594)**	–
Fair value of notes payable	**(5,673,800)**	–
Fair value of subscription proceeds	**(2,192,000)**	–
Shares issued for DAFF acquisition	**(2,905,200)**	–
Warrants issued for DAFF acquisition	**(187,789)**	–

The non-cash transactions noted above represent the fair value of the net assets of DAFF and CannAmerica resulting from the business combination and reverse takeover transactions, as described in Notes 3 and 4. The amounts did not result in an exchange or receipt of cash.

17. SUBSEQUENT EVENTS

On October 15, 2018, the Company listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "CANA".

On November 20, 2018, the Company announced that it had entered into an agreement with Canaccord Genuity Corp. and Gravitas Securities Inc. as co-lead agents (the "Agents"), to sell, by way of a private placement on a commercially reasonable best efforts basis, up to 13,333,333 units of the Company (the "Units") at a price of $0.75 per Unit (the "Offering Price") for gross proceeds of up to $10,000,000. In addition, the Company has granted the Agents an option to sell up to an additional 13,333,333 Units at the Offering Price (collectively, the "Offering"), exercisable in whole or in part at any time prior to the closing of the Offering.

Each Unit will consist of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable to acquire one common share of the Company (a "Common Share") for a period of 24 months from the closing date of the Offering ("Closing Date") at an exercise price of $1.00, subject to subject to the ability of the Company to accelerate the expiry date at any time after a period of four months, if, during the term of the Warrants, the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange is greater than $1.75 per share for ten (10) consecutive trading days.

The Agents will be paid a cash commission equal to 8% of the gross proceeds of the Offering and will also receive warrants to purchase such number of Units as is equal to 8% of the Units sold under the Offering (the "Compensation Options"). The Compensation Options will be exercisable for a period of 24 months following closing of the Offering at an exercise price equal to the Offering Price.

The Company intends to use the net proceeds of the Offering for capital expenditures for the launch of a major brand acquisition strategy to expand the Company's portfolio of brands as well as working capital and general corporate purposes.

The Offering may be completed in multiple closings, with the final closing expected to occur as mutually agreed upon by the Company and Agents, subject to the receipt of all necessary regulatory approvals, including the approval of the Canadian Securities Exchange. All securities issued pursuant to the Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws.

CANNAMERICA BRANDS CORP.
CORPORATE DIRECTORY

OFFICERS
Dan Anglin
  President
  Chief Executive Officer
Nitin Kaushal
  Chairman of the Board
Frank Falconer
  Chief Operating Officer
Dylan Easterbrook
  Chief Financial Officer
  Corporate Secretary

DIRECTORS
Dan Anglin
Frank Falconer
Nitin Kaushal
  Audit Committee
Russell Henderson
  Audit Committee
Jordon Crockett
  Audit Committee

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SHARE LISTING
Canadian Securities Exchange ("CSE")
Symbol: CANA
CUSIP No: 13766C