



MAKING *Life* BETTER

The Green Organic Dutchman Holdings Ltd.

Unaudited Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

The Green Organic Dutchman Holdings Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(expressed in thousands of Canadian dollars, except common shares outstanding)

	Notes	As at September 30, 2018	As at December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		\$ 207,617	\$ 63,736
Restricted cash		50,000	16,000
Harmonized sales tax receivable		6,626	566
Biological assets	4	586	—
Prepaid expenses		2,147	266
Notes receivable		968	—
Advances to related parties	8	643	714
Other current assets		1,676	184
		<u>\$ 270,263</u>	<u>\$ 81,466</u>
Non-current assets			
Property, plant and equipment	5	65,162	6,965
Intangible assets	7	5,540	5,575
Goodwill		2,007	2,007
Investments in associates	6	11,779	—
Loan receivable	6	1,001	—
Other assets	13	5,075	964
		<u>360,827</u>	<u>96,977</u>
Total assets		<u>\$ 360,827</u>	<u>\$ 96,977</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 15,090	\$ 3,729
Deferred subscription receipts	9	—	16,000
Total liabilities		<u>\$ 15,090</u>	<u>\$ 19,729</u>
Shareholders' equity			
Share capital	9	328,640	72,572
Reserve for warrants	11	51,344	13,883
Reserve for underwriter special warrants	11	610	—
Contributed surplus	9	501	—
Reserve for share-based payments	10	5,345	4,413
Deficit		(40,703)	(13,620)
Total Shareholders' Equity		<u>\$ 345,737</u>	<u>\$ 77,248</u>
Total Liabilities and Shareholders' Equity		<u>\$ 360,827</u>	<u>\$ 96,977</u>
Total number of common shares outstanding		<u>257,337,703</u>	<u>142,594,801</u>
Commitments and contingencies	13		
Subsequent events	18		

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

The Green Organic Dutchman Holdings Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(expressed in thousands of Canadian Dollars, except per share amounts)

	Notes	For the three months ended		For the nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Unrealized gain on changes in fair value of biological assets	4	305	179	305	453
Gross profit		\$ 305	\$ 179	\$ 305	\$ 453
Expenses					
Marketing expenses		\$ 1,417	262	\$ 2,907	559
Research and development expenses		461	571	2,037	725
General and administrative expenses	17	5,684	1,053	14,486	2,409
Share based compensation		2,315	807	6,239	5,159
Depreciation and amortization		231	122	551	338
Total operating expenses		\$ 10,108	\$ 2,815	\$ 26,220	\$ 9,190
Loss from operations		(9,803)	(2,636)	(25,915)	(8,737)
Strategic business initiatives		(791)	—	(791)	—
Share of loss on investments in associates	6	(350)	—	(350)	—
Foreign exchange loss		(1,339)	(60)	(1,759)	(73)
Finance income		1,133	84	1,900	171
Finance costs		(119)	—	(167)	—
Loss before income taxes		(11,269)	(2,612)	(27,082)	(8,639)
Income tax recovery		—	212	—	1,461
Net loss and comprehensive loss		\$ (11,269)	\$ (2,400)	\$ (27,082)	\$ (7,178)
Basic and diluted net loss per share		\$ (0.04)	\$ (0.02)	\$ (0.13)	\$ (0.08)
Weighted average number of outstanding common shares		250,587,837	121,767,912	204,108,510	90,588,050

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

The Green Organic Dutchman Holdings Ltd.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(expressed in thousands of Canadian Dollars, except number of shares)

Three and nine months ended September 30, 2018	Number of shares	Share capital	Reserve for warrants	Reserve for share based compensation	Shares to be issued	Reserve for special warrants and underwriter special warrants	Contributed surplus	Accumulated deficit	Total
	#	\$	\$	\$	\$	\$	\$	\$	\$
Balance at January 1, 2018	142,594,801	72,572	13,883	4,413	—	—	-	(13,620)	77,248
Private placement of units	13,867,066	18,247	4,359	—	—	—	—	—	22,606
Finders' compensation - Units	692,290	934	208	—	—	—	—	—	1,142
Stock based compensation	1,929,500	2,302	12	(1,284)	—	—	—	—	1,030
Exercise of stock options	18,000	16	—	(7)	—	—	—	—	9
Share issue costs	—	(759)	—	—	—	—	—	—	(759)
Net loss and comprehensive loss	—	—	—	—	—	—	—	(7,266)	(7,266)
Balance at March 31, 2018	159,101,657	93,312	18,462	3,122	—	—	—	(20,886)	94,010
Initial public offering	31,510,000	106,504	8,508	—	—	—	—	—	115,012
Initial public offering - over- allotment	4,726,500	15,975	1,277	—	—	—	—	—	17,252
Conversion of subscription receipts	33,333,334	28,227	26,773	—	—	—	—	—	55,000
Exercise of stock options	637,400	682	—	(291)	—	—	—	—	391
Exercise of warrants	4,746,677	13,810	(1,381)	—	1,041	—	—	—	13,470
Issuance of special warrants	—	—	—	—	—	25,024	—	—	25,024
Issuance of underwriter special warrants	—	—	—	—	—	610	—	—	610
Stock based compensation	—	30	6	1,716	—	—	—	—	1,752
Share issue costs	—	(6,180)	(710)	—	—	(2,285)	—	—	(9,175)
Cancellation of shares	(250,000)	—	—	—	—	—	—	—	—
Net loss and comprehensive loss	—	—	—	—	—	—	—	(8,548)	(8,548)
Balance at June 30, 2018	233,805,568	252,360	52,935	4,547	1,041	23,349	—	(29,434)	304,798
Issuance of common shares on Epican acquisition	247,353	1,521	—	—	—	—	—	—	1,521
Exercise of stock options	2,929,268	3,169	—	(1,368)	—	—	—	—	1,801
Exercise of warrants	16,445,514	52,891	(5,046)	—	(1,041)	—	—	—	46,804
Expiry of warrants	—	—	(501)	—	—	—	501	—	—
Conversion of special warrants	3,910,000	20,625	4,399	—	—	(25,024)	—	—	—
Stock based compensation	—	149	—	2,166	—	—	—	—	2,315
Share issue costs	—	(2,075)	(443)	—	—	2,285	—	—	(233)
Net loss and comprehensive loss	—	—	—	—	—	—	—	(11,269)	(11,269)
Balance at September 30, 2018	257,337,703	328,640	51,344	5,345	—	610	501	(40,703)	345,737

Three and nine months ended September, 2017	Number of shares	Share capital	Reserve for warrants	Reserve for share based compensation	Accumulated deficit	Total
	#	\$	\$	\$	\$	\$
Balance as at January 1, 2017	60,389,400	10,415	—	—	(161)	10,254
Private placement of common shares	21,194,172	10,607	—	—	—	10,607
Issuance of agent compensation shares	1,404,288	702	—	—	—	702
Private placement of units	19,083,903	16,984	4,962	—	—	21,946
Issuance of agent compensation units	780,663	578	320	—	—	898
Share based compensation	—	—	—	1,204	—	1,204
Share issue costs	—	(331)	—	—	—	(331)
Net loss and comprehensive loss	—	—	—	—	(2,391)	(2,391)
Balance at March 31, 2017	102,852,426	38,955	5,282	1,204	(2,552)	42,889
Private placements - Units	5,563,268	4,951	1,447	—	—	6,398
Broker compensation - Units	442,829	328	181	—	—	509
Settlement for services - common shares	11,860,400	980	—	—	—	980
Finders compensation - common shares	669,372	335	—	—	—	335
Share based compensation	—	—	—	(113)	—	(113)
Share issue costs	—	(137)	—	—	—	(137)
Deferred tax	—	112	—	—	—	112
Net loss and comprehensive loss	—	—	—	—	(2,386)	(2,386)
Balance at June 30, 2017	121,388,295	45,524	6,910	1,091	(4,938)	48,587
Private placements - Units	508,927	459	127	—	—	586
Cancellation of settlement for services - common shares	(500,000)	—	—	—	—	—
Share based compensation	—	—	—	510	—	510
Deferred tax	—	(18)	—	—	—	(18)
Net loss and comprehensive loss	—	—	—	—	(2,400)	(2,400)
Balance at September 30, 2017	121,397,222	45,965	7,037	1,601	(7,338)	47,265

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

The Green Organic Dutchman Holdings Ltd.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of Canadian dollars)

		For the three months ended		For the nine months ended	
	Notes	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
OPERATING ACTIVITIES					
Net loss after income taxes		\$ (11,269)	\$ (2,400)	\$ (27,082)	\$ (7,178)
Items not affecting cash:					
Share based compensation - shares and options	10	2,315	807	5,097	2,704
Share based compensation - finders' units	10	—	—	1,142	2,455
Depreciation of property, plant and equipment	5	149	46	316	116
Amortization of intangible assets	7	82	76	235	221
Unrealized gain on change in fair value of biological assets		(305)	(56)	(305)	(453)
Non-cash write-down in biological assets	4	—	122	—	122
Non-cash write-down in inventory	4	—	364	—	364
Share of loss from investments in associates	6	350	—	350	—
Income tax recovery		—	(213)	—	(1,461)
Changes in non-cash operating working capital items	12	(5,222)	27	(4,550)	53
Net cash used in operating activities		\$ (13,900)	\$ (1,227)	\$ (24,797)	\$ (3,057)
INVESTING ACTIVITIES					
Change in non-cash working capital related to property, plant and equipment		220	—	(8,678)	—
Additions to property, plant and equipment		(33,310)	(1,025)	(49,835)	(3,527)
Net cash outflow on investment in associate	6	(8,437)	—	(10,608)	—
Additions to intangible assets		—	—	(200)	—
Net cash used in investing activities		\$ (41,527)	\$ (1,025)	\$ (69,321)	\$ (3,527)
FINANCING ACTIVITIES					
Interest received		836	—	1,405	—
Proceeds from issuance of shares, net of share issue costs		(233)	287	201,916	38,935
Proceeds from issuance of special warrants, net of share issue costs		—	—	23,349	—
Proceeds from the exercise of stock options		1,801	—	2,200	—
Proceeds from the exercise of warrants		46,804	—	60,346	—
Transfer to restricted cash		(50,000)	—	(50,000)	—
Loan receivable		—	—	(1,001)	—
Notes receivable		(968)	—	(968)	—
Advances to related parties	8	(4,382)	(178)	(7,127)	(440)
Repayment on related party loans		6,973	—	7,166	(250)
Net cash provided by financing activities		\$ 831	\$ 109	\$ 237,286	\$ 38,245
Net cash inflow (outflow)		\$ (54,596)	\$ (2,143)	\$ 143,168	\$ 31,661
Net foreign exchange difference		397	(54)	713	2
Cash, beginning of period		261,816	36,669	63,736	2,809
Cash and cash equivalents, end of period		\$ 207,617	\$ 34,472	\$ 207,617	\$ 34,472

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

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

1. DESCRIPTION OF BUSINESS

The Green Organic Dutchman Holdings Ltd. (“TGODH” or the “Company”) was incorporated on November 16, 2016, under the *Canada Business Corporations Act* (“CBCA”). The Company is a reporting issuer domiciled in Canada whose shares and certain warrants are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “TGOD” and on the OTCQX under the symbol “TGODF”. The Company’s registered office is located at Brookfield Place, Suite 4400, 181 Bay Street, Toronto, Ontario M5J 2T3 and its head office is located at 6205 Airport Road, Building A – Suite 301, Mississauga, ON, L4V 1E3. These unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017 (“Interim Consolidated Financial Statements”) include the financial statements of The Green Organic Dutchman Holdings Ltd. and its wholly-owned subsidiaries from the date the Company gained control.

The Green Organic Dutchman Limited (“TGOD”), a subsidiary of TGODH, is an organic licensed producer of medical cannabis with a global presence. The principal activities of TGOD include growing and possessing medical cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). The Company uses its existing facility for production and for a research and development centre consisting of, among other things, an analytical and microbiology laboratory and a research and development kitchen for product development. TGOD obtained a wholesale license to sell cannabis from Health Canada on August 10, 2017. The License was amended on April 20, 2018 to include the production of cannabis oil. The license was further amended on October 12, 2018 (see subsequent events). The Company also formed a wholly owned subsidiary, Medican, under the Statuts de constitution of Quebec to invest in and develop a property in Valleyfield, Quebec and build a facility (“The Quebec Facility”). 9371-8633 Quebec Inc. (“QuebecCo”), in which the Company has a 49.99% interest, was incorporated under the *Quebec Business Corporations Act* (“QBCA”) on January 10, 2018 for the purpose of investing in the Valleyfield land for the Quebec Facility. The Company incorporated The Green Organic Hemp Ltd (“TGOH”) under the CBCA for the purpose of exploring opportunities related to industrial hemp cultivation and associated products. During the current period, the Company expanded its international footprint by investing in a company in Jamaica, Epican Medicinals Ltd (“Epican”) which holds various licences issued under by the Cannabis Licensing Authority (“CLA”) of Jamaica.

2. BASIS OF PRESENTATION

These Interim Consolidated Financial Statements have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The same accounting policies and methods of computation were followed in the preparation of these Interim Consolidated Financial Statements as those disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2017 and 2016, except for the newly issued standards and amendments, and changes to policies as discussed below.

These Interim Consolidated Financial Statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2017 which are made available on SEDAR at www.sedar.com.

These Interim Consolidated Financial Statements were approved by the Board of Directors and authorized for issue by the Board of Directors of the Company on November 12, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of these Interim Consolidated Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in the notes to the annual consolidated financial statements for the year ended December 31, 2017 with the exception of biological assets and investments in associates.

[a] New standards, interpretations and amendments adopted by the Company

IFRS 9 Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement, which introduces a new concept for classification and measurement of financial assets as well as a new impairment

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

model.

Summary of the new requirements

The classification of debt financial assets in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The assessment of the contractual cash flow characteristics addresses the contractual cash flows of a financial asset to test whether they consist of solely payments of both principal and interest on the principal outstanding, often referred to as “SPPI test”.

Based on the business model and the SPPI test results, debt financial assets are measured at:

- Amortized cost,
- Fair value through other comprehensive income or
- Fair value through profit or loss.

In order to be measured at amortized cost, a debt financial asset has to:

- a) be held in a hold to collect business model; and
- b) pass the SPPI test.

In order to be measured at fair value through other comprehensive income, a financial asset has to:

- a) be held in a hold to collect and sell business model; and
- b) pass the SPPI test.

In all other situations, including when an entity chooses to irrevocably designate to eliminate an accounting mismatch, a debt financial asset is measured at fair value through profit or loss.

Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss and amortized cost. Financial liabilities held-for-trading are measured at fair value through profit or loss, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

The treatment of embedded derivatives under the new standard is consistent with IAS 39 but it only applies to financial liabilities and non-derivative host contracts not within the scope of the standard.

All debt financial assets measured at either amortized cost or fair value through other comprehensive income fall under the new expected credit loss model introduced by IFRS 9.

The standard is effective for annual periods beginning on January 1, 2018.

Impact on the Company’s financial statements on initial adoption

Based on the new classification and measurement requirements for debt financial assets, the Company’s financial assets previously classified as loans and receivables (cash and cash equivalents, restricted cash, harmonized sales tax receivable, note receivable, and advances to related party) are classified as amortized cost financial assets. There was no change in the measurement basis of these financial assets.

The impact resulting from the new expected credit loss model was determined to be immaterial.

Based on the Company’s assessment, financial liabilities previously classified as financial liabilities at amortized cost (accounts payable and accrued liabilities and deferred subscription receipts), continue to be measured at amortized cost.

The Company retrospectively adopted the standard on January 1, 2018 and, in line with the transitional provisions of the standard, chose not to restate comparative financial information. The adoption of IFRS 9 did not require any material adjustments to the consolidated financial statements, hence no adjustment to opening retained earnings was recorded.

IFRS 15 Revenue from Contracts with Customers (“IFRS 15”)

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 became effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively on January 1, 2018. To

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

date, the Company has not yet recognized any revenue and therefore the adoption of IFRS 15 did not require any adjustments to the annual consolidated financial statements.

[b] New and revised IFRS in issue but not yet effective

IFRS 16 Leases (“IFRS 16”)

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has completed a high-level scoping analysis to determine which agreements contain leases and to determine the expected conversion differences for leases currently accounted for as operating leases under the existing standard. The next assessment phase will involve a detailed analysis and solution development to ensure the Company is ready for the implementation of the standard effective January 1, 2019. The Company is currently assessing the potential impact of IFRS 16.

[c] Change in accounting policy

Biological assets

During the three months ended September 30, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as period costs. The new accounting policy is as follows:

While the Company’s biological assets are within the scope of *IAS 41 Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in *IAS 2 Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item ‘production costs’ on the statement of loss and comprehensive loss in the period that the related product is sold. Unrealized gain on changes in fair value of biological assets are recorded in a separate line on the face of the statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the statement of financial position.

The new accounting policy provides more reliable and relevant information to users as the gross profit before fair value adjustments only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold.

The Company has assessed the retrospective impact of this change in accounting policy. There is no impact of this policy change on gross profit, net loss, the statement of financial position, or the statement of changes in equity on the current or any prior period and any changes to any other individual line items were deemed to be immaterial.

[d] New accounting policy with significant estimates

Investments in associates

Accounting Policy

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost, excluding financial assets that are not in-substance common shares and inclusive of transaction costs. These interim condensed consolidated financial statements include the Company’s share of the income and expenses and equity movement of equity accounted investees. In accordance with IFRS, the investee’s most recent available financial statements are used in the application of the equity method. Where the investee’s reporting period differs from the Company’s, the investee prepares financial information as of the same period end as the Company, unless it is impracticable to do so. Otherwise, the Company will adjust for its share of income and expenses and equity movement based on the investee’s most recently completed financial statements, adjusted for the effects of significant transactions. The Company does not recognize losses exceeding the carrying value of its interest in the associate.

Significant Judgments

The Company uses judgement in its assessment of whether the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, including but not limited to, the ability to exercise

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

significant influence through board representation, material transactions with the investee, provision of technical information, and the interchange of managerial personnel. Whether an investment is classified as an investment in associate can have a significant impact on the entries made on and after acquisition.

[e] Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

4. BIOLOGICAL ASSETS

As at September 30, 2018, the Company's biological assets consisted of seeds and cannabis plants. The continuity of biological assets is as follows:

	Capitalized cost	Biological asset fair value adjustment	Amount
Balance as at January 1, 2017	\$ 33		\$ 33
Unrealized gain on changes in fair value of biological assets		452	452
Transfer to inventory upon harvest	(33)	(331)	(364)
Write-down of biological assets		(121)	(121)
Balance as at, December 31, 2017	\$ —	\$ —	\$ —
Purchases of seeds	44	—	44
Unrealized gain on changes in fair value of biological assets	—	305	305
Production costs capitalized	237	—	237
Balance as at September 30, 2018	\$ 281	\$ 305	\$ 586

The Company measures its biological assets at their fair values less costs to sell. This is determined using a model which estimates the expected harvest yields in grams for plants currently being cultivated, and then adjusts that amount for the expected selling price per gram and also for any additional costs to be incurred, such as post-harvest costs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy, were used by management as part of this model:

- Selling price – calculated as the expected approximate future per gram selling prices of the Company's cannabis products. With no prior history of sales, the Company evaluated industry data which is expected to closely approximate the Company's expected selling prices.
- Stage of growth – represents the weighted average number of weeks out of the 12 to 16 estimated week growing cycle that biological assets have reached as of the measurement date based on historical experience. The Company accretes fair value on a straight-line basis according to the stage of growth and estimated costs to complete cultivation.
- Yield by plant – represents the expected number of grams of finished cannabis inventory which are expected to be obtained from each harvested cannabis plant based on historical experience.
- Post-harvest costs – calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants to post harvest, consisting of the cost of direct and indirect materials and labour related to labelling and packaging.
- Costs to complete – calculated as the average production costs up to the point of harvest over the total production period.

The following table quantifies each significant unobservable input, and also provides the impact of a 10% increase or decrease in each input would have on the fair value of biological assets:

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

	September 30, 2018	December 31, 2017 (1)	Impact of 10% change as at September 30, 2018	Impact of 10% change as at December 31, 2017 (1)
Estimated selling price per gram	\$ 13.75	Nil	\$ 71	Nil
Estimated stage of growth	6.64 weeks	Nil	\$ 90	Nil
Estimated yield by plant	40 grams	Nil	\$ 71	Nil
Estimated post-harvest costs per gram	\$ 1.25	Nil	\$ 6	Nil
Estimated costs to complete	\$13.44 per week per plant	Nil	\$ 8	Nil

⁽¹⁾ During the third quarter of the year ended December 31, 2017, the Company decided that the biological assets and inventory on-hand would be used for research and development activities. As such, the carrying value of biological assets and inventory were reduced to nil, with a corresponding charge to net loss and comprehensive loss of \$121.

Also included in the biological asset model were clones purchased from Aurora Cannabis Enterprises, a related party, for approximately \$13 during the three and nine months ended September 30, 2018. The purchase of these clones was estimated to approximate a transaction at fair value.

The Company's estimates are, by their nature, subject to change. Changes in the significant assumptions described will be reflected in future changes in the gain or loss on biological assets. There were no changes between fair value hierarchy levels.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

5. PROPERTY, PLANT AND EQUIPMENT

Cost:	Land	Buildings	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in Progress	Total
Balance, January 1, 2018	\$ 2,621	\$ 620	\$ 6	\$ 363	\$ 471	\$ 108	\$ 66	\$ 2,960	\$ 7,215
Additions	62	—	154	280	40	100	35	3,653	4,324
Balance, March 31, 2018	\$ 2,683	\$ 620	\$ 160	\$ 643	\$ 511	\$ 208	\$ 101	\$ 6,613	\$ 11,539
Additions	—	—	—	96	—	105	164	20,734	21,099
Transfers	—	971	—	—	—	—	—	(971)	—
Balance, June 30, 2018	\$ 2,683	\$ 1,591	\$ 160	\$ 739	\$ 511	\$ 313	\$ 265	\$ 26,376	\$ 32,638
Additions	—	—	—	57	21	93	—	32,919	33,090
Balance, September 30, 2018	\$ 2,683	\$ 1,591	\$ 160	\$ 796	\$ 532	\$ 406	\$ 265	\$ 59,295	\$ 65,728
Accumulated depreciation:	Land	Buildings	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in Progress	Total
Balance, January 1, 2018	\$ —	\$ 23	\$ 2	\$ 52	\$ 145	\$ 16	\$ 12	\$ —	\$ 250
Depreciation	—	5	1	22	20	12	5	—	65
Balance, March 31, 2018	\$ —	\$ 28	\$ 3	\$ 74	\$ 165	\$ 28	\$ 17	\$ —	\$ 315
Depreciation	—	9	8	35	21	21	8	—	102
Balance, June 30, 2018	\$ —	\$ 37	\$ 11	\$ 109	\$ 186	\$ 49	\$ 25	\$ —	\$ 417
Depreciation	—	36	8	36	22	29	18	—	149
Balance, September 30, 2018	\$ —	\$ 73	\$ 19	\$ 145	\$ 208	\$ 78	\$ 43	\$ —	\$ 566
Net book value, September 30, 2018	\$ 2,683	\$ 1,518	\$ 141	\$ 651	\$ 324	\$ 328	\$ 222	\$ 59,295	\$ 65,162

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

Cost:	Land	Buildings	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in Progress	Total
Balance, January 1, 2017	\$ 790	\$ -	\$ 5	\$ 29	\$ 404	\$ 3	\$ -	\$ -	\$ 1,231
Additions	2,502	270	8	383	69	58	66	422	3,778
Balance, September 30, 2017	\$ 3,292	\$ 270	\$ 13	\$ 412	\$ 473	\$ 61	\$ 66	\$ 422	\$ 5,009
Accumulated depreciation:									
	Land	Furniture and fixtures	Growing equipment	Building improvements	Computer equipment	Automobiles	Construction in Progress	Total	
Balance, January 1, 2017	\$ -	\$ -	\$ 1	\$ 5	\$ 101	\$ 3	\$ -	\$ -	\$ 110
Depreciation	-	16	1	49	34	8	8	-	116
Balance, September 30, 2017	\$ -	\$ 16	\$ 2	\$ 54	\$ 135	\$ 11	\$ 8	\$ -	\$ 226
Net book value, September 30, 2017	\$ 3,292	\$ 254	\$ 11	\$ 358	\$ 338	\$ 50	\$ 58	\$ 422	\$ 4,783

The Company recognized an impairment charge of \$80 in research and development expense for the year-ended December 31, 2017 which related to obsolete lighting equipment that was replaced by newer equipment.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

6. INVESTMENTS IN ASSOCIATES

9371-8633 Quebec Inc.

On January 12, 2018 the Company completed the purchase of 2,001,134 Class A shares of 9371-8633 Quebec Inc. (“QuebecCo”) representing a 49.99% interest in the company. The purchase price was \$2,001 paid in cash. QuebecCo holds a property located in the City of Salaberry-de-Valleyfield, Quebec. Concurrent with the purchase, the Company:

(i) entered into a shareholders’ agreement with the other shareholders of QuebecCo whereby the Company obtained the option to purchase the remaining shares of QuebecCo, being 1,000,569 Class A shares and 1,000,569 Class B shares, the whole agreement subject to obtaining an approval from the *Commission de protection du territoire agricole du Québec* (“CPTAQ”). The Company also granted an option to the other shareholders of QuebecCo to sell their shares of QuebecCo to the Company upon the same occurrence of the event. Under each option the purchase price is equal to \$1 per share plus any dividend cumulated or declared but remaining unpaid. The Class B shares bear dividends at a cumulative and preferential rate of 9% of the fair market value of the consideration received by QuebecCo at the time of the issuance of such Class B shares while the dividends on Class A shares are left at the discretion of the directors of QuebecCo.

(ii) granted a loan in the amount of \$1,001 (the “Loan”) to the vendor of the Class A shares (“Vendor”). The Loan bears no interest and is secured by the Vendor’s shares in QuebecCo. Upon the exercise of either the Company’s or the Vendor’s option under the shareholders’ agreement, the Loan will be set-off against the purchase price of the 1,000,569 Class A shares still held by the Vendor in QuebecCo. The loan has been classified as a long-term loan on the Company’s statement of financial position. It is considered a financial asset under IFRS 9 and does not pass the SPPI test. Therefore, it is measured at fair value through profit and loss. See financial instruments (note 15).

(iii) granted the Vendor 30,000 stock options to purchase common shares of the Company exercisable at \$1.65 per common share for a period over three years.

(iv) entered into a long-term lease agreement through a wholly owned subsidiary, Medican, with two shareholders of 9371-8633 Quebec Inc., for annual rent of \$25 with an option to buy 100% of the property should the CPTAQ grant the exemption to the Company.

The Company is accounting for its investment in QuebecCo using the equity method. As at September 30, 2018, the net assets of QuebecCo were \$4,002. The Company paid \$2,001 for 49.99% and capitalized the transaction costs of \$170 in accordance with IAS 28 Investment in Associates.

Epican Medicinals Ltd.

Epican is a licensed producer in Jamaica which holds a cultivator’s licence, processing licence and a retail (herb house) licence issued by the CLA of Jamaica.

On July 5, 2018, the Company purchased 5,759,788 shares of Epican in exchange for total cash consideration of \$8,348 and 247,353 shares of the Company which represented a fair value of approximately \$1,521. As a result of this transaction, the Company obtained a 49.18% ownership interest of Epican and the right to appoint two persons as board members of the board of directors of Epican’s six member board. As the Company does not control Epican, but does have significant influence over Epican, the Company is accounting for its investment in Epican using the equity method of accounting. The carrying value of the investment is included in investments in associates. The share of the loss from Epican’s operations for the three and nine months ended September 30, 2018 was \$350.

The Company also capitalized approximately \$89 in transaction costs in accordance with IAS 28 Investment in Associates. Management continues to work on refining the estimate of the Company’s share of the fair value of identifiable net assets acquired. As such, the allocation of the purchase price to the various assets acquired is subject to change.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

7. INTANGIBLE ASSETS

A continuity of the intangible assets is as follows:

Cost:	Health Canada License	Technology License	Total
Balance, January 1, 2018	\$ 5,870	\$ —	\$ 5,870
Additions	—	—	—
Balance, March 31, 2018	\$ 5,870	\$ —	\$ 5,870
Additions	—	200	200
Balance, June 30, 2018	\$ 5,870	\$ 200	\$ 6,070
Additions	—	—	—
Balance, September 30, 2018	\$ 5,870	\$ 200	\$ 6,070

Accumulated amortization:	Health Canada License	Technology License	Total
Balance, January 1, 2018	\$ (295)	\$ —	\$ (295)
Amortization	(74)	—	(74)
Balance, March 31, 2018	\$ (369)	\$ —	\$ (369)
Amortization	(74)	(5)	(79)
Balance, June 30, 2018	\$ (443)	\$ (5)	\$ (448)
Amortization	(73)	(9)	(82)
Balance, September 30, 2018	\$ (516)	\$ (14)	\$ (530)

Net book value, September 30, 2018	\$ 5,354	\$ 186	\$ 5,540
-------------------------------------------	-----------------	---------------	-----------------

Cost:	Health Canada License
Balance, January 1, 2017	\$ 5,870
Additions	—
Balance, March 31, 2017	\$ 5,870
Additions	—
Balance, June 30, 2017	\$ 5,870
Additions	—
Balance, September 30, 2017	\$ 5,870

Accumulated amortization:	Health Canada License
Balance, January 1, 2017	\$ —
Amortization	(71)
Balance, March 31, 2017	\$ (71)
Amortization	(74)
Balance, June 30, 2017	\$ (145)
Amortization	(76)
Balance, September 30, 2017	\$ (221)

Net book value, September 30, 2017	\$ 5,649
-------------------------------------------	-----------------

During the nine-months ended September 30, 2018, the Company entered into a licensing agreement with a licensor (the “Licensor”), which allows the Company to use the Licensor’s proprietary cannabis oil extraction process and proprietary formulae and manufacturing processes for inhalable, topical and solid-state edible products incorporating compounds extracted from cannabis. The license is depreciated on a straight-line basis over a period of six years. The purchase price for the license was \$200 (US\$150,000).

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

8. ADVANCES TO RELATED PARTIES

Epican Medicinals Ltd.

On December 22, 2017, the Company advanced \$267 (US\$200,000) to Epican in the form of a convertible note (the “First Note”) which was expected to mature on June 22, 2018. The First Note was unsecured and bore an annual interest of 10%. The note converted to shares of Epican as part of the closing of the transaction.

On April 4, 2018, Epican incorporated a wholly-owned Canadian subsidiary (“Epican Canada”). Two TGOD officers were appointed to a five-member board of directors of Epican Canada making the Company and Epican Canada related parties. On May 7, 2018, the Company advanced a further \$329 (US\$250,000) to Epican in the form of a convertible note (the “Second Note”) which was expected to mature on June 27, 2018.

On June 11, 2018, the Company entered into a strategic partnership agreement (the “Epican Agreement”) with Epican whereby it signed a definitive agreement with Epican to acquire approximately 49% of Epican’s shares. Also, on June 11, 2018, the Company agreed to advance a further \$1,975 (US\$1,500,000) (the “Third Note”) to Epican. In addition to the Epican Agreement, the Company entered into an additional agreement with Epican which extended the maturity dates of the First Note and the Second Note to July 18, 2018, removed the conversion feature on the Second Note and waived all interest. The amounts for the Second Note and the Third Note were applied towards the final cash consideration amount payable at the closing of the Epican arrangement.

During the three and nine months ended September 30, 2018, the Company further advanced funds for goods and services to Epican to be reimbursed in the amount of \$549 which remained outstanding as at September 30, 2018.

Advances to TGOF Corp.

The Company advanced the following amounts to a related party entity, TGOF Corp., of which one director and two former directors of the Company are shareholders:

- a. \$125 on March 31, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of June 30, 2017. This note payable was settled on June 30, 2017 with a replacement note payable in the same amount and interest rate with a maturity date of June 30, 2018. The note was repaid in full on July 27, 2018.
- b. \$132 (US \$100,000) on June 26, 2017 in exchange for a note payable for the same amount at an interest rate of 0% and a maturity date of September 26, 2017. This advance was replaced by a note payable dated September 26, 2017 for the same amount, at an interest rate of 0% and a maturity date of September 26, 2018. \$80 was repaid on September 12, 2018, while the remaining \$49 is receivable as at September 30, 2018.

Advance to QuebecCo

The Company advanced \$23 to QuebecCo during the three months ended September 30, 2018 (\$45 for the nine-months ended September 30, 2018). The entire balance remained outstanding as at September 30, 2018.

9. SHARE CAPITAL

Authorized

An unlimited number of common shares.

Deferred Subscription Receipts

As at December 31, 2017, cash received for units that were not issued amounted to \$16,000 and was recorded as restricted cash and deferred subscription receipts as it was payable to the subscribers until the shares are issued. All deferred subscription receipts were converted to units during the nine months ended September 30, 2018.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

Key Transactions

- a) During the three months ended September 30, 2018, a total of 16,445,514 of the Company's issued and outstanding warrants were exercised at a weighted average exercise price of \$2.91 per warrant, for aggregate gross proceeds of \$46,804.
- b) On July 6, 2018, unexercised warrants issued in conjunction with the March 2017 private placement (see Note 9 (q)) expired. The corresponding reserve for warrants was reclassified to contributed surplus.
- c) On July 5, 2018, the Company invested in Epican, whereby it issued 247,353 common shares at a fair value of \$6.15 per share, for total share consideration of \$1,521. See Note 6.
- d) On June 26, 2018, the Company completed a bought deal financing of 3,910,000 special warrants of the Company (the "Special Warrants") at \$6.40 per Special Warrant for aggregate gross proceeds of \$25,040. Each Special Warrant entitles the holder to receive, upon voluntary exercise prior to or deemed exercise on the Automatic Exercise Date, and without payment of additional consideration, 1 (one) unit (each a "Special Warrant Unit") of the Company. The Automatic Exercise Date is the earlier of: (i) October 27, 2018 and (ii) the third business day after the date on which a receipt for a final short form prospectus qualifying the Units underlying the Special Warrants is issued by the Ontario Securities Commission. Each Special Warrant Unit is comprised of 1 (one) common share and $\frac{1}{2}$ (one half) of a common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase 1 (one) common share at an exercise price of \$9.50 for a period of 36 months from the date they are received. In connection with this offering, the company also issued 234,600 underwriter special warrants. The fair value of the underwriter special warrants was determined using a Black-Scholes model. The assumptions in the determination of fair value include a risk-free rate of 1.87%, expected life of 3 years, annualized volatility of 86.87% and no dividend yield.
- e) On June 5, 2018, the Company announced that it had elected to accelerate the expiry of certain warrants (the "accelerated warrants") of the Company issued under the Warrant Indenture dated March 24, 2017 and originally scheduled to expire March 24, 2019 pursuant to the private placement that closed in March 2017. The accelerated date of expiry was Friday, July 6, 2018. Each accelerated warrant entitles the holder to purchase one common share of the Company at a price of \$2.15 per share. As at September 30, 2018, the Company had received \$1,041 in cash related to the accelerated warrants whereas the shares had not yet been issued and therefore recorded these amounts under equity as shares to be issued.
- f) On May 9, 2018, the Company issued 4,726,500 Over-Allotment Units at \$3.65 per over-allotment unit raising aggregate gross proceeds of \$17,252. Each unit entitled the holder to one common share and one half of a common share purchase warrant consistent with the terms of the Company's IPO. See Note 9 (h).
- g) On May 4, 2018, the Company's remaining deferred subscription receipts were converted into 33,333,334 common shares and 16,666,666 warrants. Each Warrant entitles the holder to purchase 1 (one) common share at an exercise price of \$3.00 and expire on February 28, 2021.
- h) On May 2, 2018, the Company completed an initial public offering of 31,510,000 units ("IPO unit") of the Company at a price of \$3.65 per Unit for total gross proceeds of \$115,012. Each Unit consists of 1 (one) common share and $\frac{1}{2}$ (one half) of a common share purchase warrant of the Company (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase 1 (one) common share at an exercise price of \$7.00 for a period of two years from May 2, 2018, subject to an acceleration right whereby the Company may provide written notice to the registered holders of the Warrants (a "Warrant Acceleration Notice") that the expiry time of the Warrants shall be accelerated to a date which is 30 days after the date of such Warrant Acceleration Notice, if, at any time, the volume-weighted average trading price the common shares is equal to or greater than \$9.00 for any ten (10) consecutive trading day period.
- i) On January 16, 2018, the Company completed a brokered and non-brokered private placement financing pursuant to which it issued an Offering Memorandum on November 3, 2017 (the "November Offering"). The offering was completed on January 16, 2018 whereby the Company issued 34,660,695 units at \$1.65 per unit for total gross proceeds of \$57,190. Each unit consists of 1 (one) common share and $\frac{1}{2}$ (one half) of a common share purchase warrant of the Company. The Company issued 21,043,827 units at \$34,722 pursuant to the November 3, 2017 Offering Memorandum, during the year-ended December 31, 2017. Pursuant to the Offering, the Company also issued 631,484 broker warrants ("compensation options"), 83,770 finders' units and 70,000 commission units during the year-ended December 31, 2017 which were included in general and administrative expense. The finder's units and the commission units have the same terms as the units issued under the Offering. For the nine months ended September 30, 2018, the Company issued the remaining units from the Offering and additional 692,290 finders' units included in general and administration expense.

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

- j) On January 8, 2018, the Board of Directors approved the issuance of 162,000 shares to an employee.
- k) On January 4, 2018, the Company entered into a subscription agreement (the “Subscription Agreement”) with Aurora Cannabis Inc. (“Aurora”), pursuant to which Aurora has acquired subscription receipts totaling 33,333,334 units at \$1.65 per unit, for gross proceeds of \$55,000. The subscription receipts automatically converted into units upon the Company completing an initial public offering of its common shares and when the common shares are listed on a national Canadian stock exchange (the “Listing Date”). Each unit consisted of 1 (one) common share and ½ (one half) of a common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase 1 (one) common share at the exercise of price \$3.00. Pursuant to the Subscription Agreement, the Company also entered into:
- (i) a cannabis supply agreement with Aurora’s wholly-owned subsidiary Aurora Cannabis Enterprises Inc. providing Aurora with the right to purchase up to 20% of the Company’s annual production of organic cannabis;
 - (ii) a consulting and maintenance services agreement with Aurora’s wholly-owned subsidiary Aurora Larssen Projects Inc. (“ALPI”) to provide services to the Company on the completion and commissioning of the Company’s facilities in Ancaster, Ontario and Valleyfield, Quebec. ALPI completed \$950 worth design and consulting services in the nine months ended September 30, 2018.
 - (iii) an investor rights agreement with Aurora (the “Investor Rights Agreement”) whereby Aurora has the option to incrementally increase its ownership in the Company to 51% upon TGOHD achieving certain operational milestones. The Investor Rights Agreement also provides Aurora with the right to participate in any new equity offerings of TGOHD to maintain its pro rata ownership.
- l) On January 2, 2018, the Company authorized 267,500 bonus units issued to a director, an advisor and an officer to be vested over 2.75 years. Each unit consists of one common share and one half of a common share purchase warrant. Each warrant is exercisable into one common share at \$3.00 per share. On February 16, 2018, the shares and warrants were issued in trust and are outstanding. A corresponding reserve for shares held in trust charged in the interim condensed consolidated statements of financial position for the value of the units that will be released according the approved vesting schedule.
- m) Also on January 2, 2018, the Board of Directors approved bonus shares of 1,500,000 to an officer. The conditions to earn these bonus shares had been satisfied as at December 31, 2017 and \$2,025 has been recognized in the reserve for share based compensation and general and administrative expenses as at December 31, 2017. On February 14, 2018, when the shares were officially issued to the officer, the reserve for share based compensation was charged with a corresponding increase in share capital.
- n) On August 18, 2017, the Company issued 508,927 units for debt settlement, with each unit consisting of one common share and one full warrant at a price of \$1.15 per unit. Each warrant is exercisable to acquire one common share at a price of \$2.15 per share for a period expiring August 18, 2019.
- o) In May 2017, the Company issued 10,400 common shares as compensation for financial services in connection with raising capital
- p) On April 5, 2017, the Company issued 11,500,000 common shares to Technical Administration Overseas S.A. (“TAO”) pursuant to a financing services agreement with TAO as compensation for performance of certain financial and advisory services in connection with obtaining financing. Of the 11,500,000 shares, 500,000 shares were issued in error and were cancelled during the year-ended December 31, 2017.
- q) On March 24 and April 4, 2017, the Company completed a private placement financing and issued 25,087,496 units, consisting of 23,934,671 private placement units and 1,152,825 finder’s units, at \$1.15 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of \$2.15 per share for a period of 2 years expiring March 24, 2019 and April 4, 2019. The warrants expiring on March 24, 2019 were accelerated per terms of the indenture to July 6, 2018.

10. STOCK BASED COMPENSATION

The Company initiated an Employee Stock Option Plan (the “Original Plan”) on February 2, 2017 that is administered by the Board of Directors of the Company which establishes exercise prices, at not less than the market price at the date of grant, and expiry dates, which have been set at three years from issuance. Options under the Original Plan remain exercisable in increments with one third being exercisable on each of the first, second and third anniversaries from the date of the grant, except as otherwise approved by the Board of Directors.

On January 31, 2018, the Company adopted a new stock options plan which superseded the Original Plan. There were 8,770,800

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

options issued and outstanding pursuant to the Original Plan, which will remain exercisable until their expiry or cancellation and in accordance with their vesting schedules. Under the New Option Plan, options may be granted for up to 10% of the common shares outstanding at the time of the grant for a term not exceeding five years. The exercise price of the options under the New Option Plan is fixed by the Board of Directors of the Company at the time of the grant at the market price of the common shares, subject to all applicable regulatory requirements. As at September 30, 2018, total options outstanding were 11,934,532. For the three and nine months ended September 30, 2018, the Company recorded \$2,315 and \$5,097 in non-cash share-based compensation expense, respectively, pursuant to the grant of stock options and shares (three and nine months ended September 30, 2017 - \$807 and \$2,704, respectively). In addition, the Company recognized stock-based compensation expense of \$1,142 for the nine months ended September 30, 2018 in the form of finders' units (three and nine months ended September 30, 2017 - \$nil and \$2,455, respectively).

The following is a summary of the changes in the Company's ESOP options:

	September 30, 2018		September 30, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	9,436,000	0.82	—	\$ —
Granted	6,916,000	3.86	7,435,000	0.63
Exercised	(3,584,668)	0.61	—	—
Cancelled/Expired	(832,800)	2.17	(190,000)	0.50
Outstanding, end of period	11,934,532	2.50	7,245,000	\$ 0.63
Exercisable, end of period	794,932	0.80	1,200,000	\$ 0.50

Grant date	Options Outstanding #	Options Exercisable #	Exercise Price \$	Weighted Average remaining contractual life of outstanding options in years	Expiry Date
February 7, 2017	2,635,332	477,732	0.50	1.36	February 7, 2020
June 1, 2017	967,000	66,000	1.15	1.67	June 1, 2020
October 2, 2017	1,779,000	187,200	1.15	2.01	October 2, 2020
January 8, 2018	400,000	64,000	1.65	2.28	January 8, 2021
January 12, 2018	25,200	—	1.65	2.29	January 12, 2021
March 28, 2018	4,813,000	—	3.65	2.49	March 28, 2021
May 28, 2018	250,000	—	4.12	4.66	May 28, 2023
June 25, 2018	80,000	—	6.91	4.74	June 25, 2023
June 26, 2018	200,000	—	6.83	4.74	June 26, 2023
August 2, 2018	210,000	—	5.50	4.84	August 2, 2023
August 13, 2018	550,000	—	5.25	4.87	August 13, 2023
September 7, 2018	25,000	—	6.20	4.94	September 7, 2023
Balance, September 30, 2018	11,934,532	794,932		2.35	

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value as at the grant date of options granted during the three and nine months ended September 30, 2018 by applying the following assumptions:

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

	January 8, 2018	January 12, 2018	March 28, 2018	May 28, 2018	June 25, 2018	June 26, 2018	August 2, 2018	August 13, 2018	September 7, 2018
Risk-free interest rate	1.83%	1.80%	1.92%	2.14%	1.95%	1.97%	2.25%	2.22%	2.21%
Expected life of options (years)	3	3	3	5	5	5	5	5	5
Expected annualized volatility	88%	89%	87%	103.35%	102.77%	102.77%	108.13%	108.08%	108.86%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Black-Scholes value of each option	\$ 0.70	\$ 0.71	\$ 1.68	\$ 3.14	\$ 5.19	\$ 4.94	\$ 4.32	\$ 4.12	\$ 4.89

Volatility was estimated by using the historical volatility of the Company and other companies that the Company considers comparable that have trading and volatility history. The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the expected life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based upon the Canada government bonds with a remaining term equal to the expected life of the options.

11. RESERVE FOR WARRANTS

The following table reflects the continuity of warrants:

For the three and nine months ended September 30, 2018	Number of warrants	Weighted Average Exercise Price	Amount
	#	\$	\$
Balance, January 1, 2018	37,609,842	2.40	13,883
Units held in trust	133,750	3.00	72
Issuance of finders' units	346,145	3.00	208
Private placement units	6,808,908	3.00	4,359
Balance, March 31, 2018	44,898,645	2.50	18,522
Initial public offering units	18,118,250	7.00	9,075
Issuance on conversion of subscription receipts	16,666,667	3.00	26,773
Warrants exercised in the period	(4,746,677)	2.63	(1,435)
Balance, June 30, 2018	74,936,885	3.64	52,935
Issuance on conversion of special warrants	1,955,000	9.50	3,956
Warrants exercised in the period	(16,445,514)	2.91	(5,046)
Expiry of warrants in the period	(1,925,583)	2.15	(501)
Balance, September 30, 2018	58,520,788	4.16	51,344
For the three and nine months ended September 30, 2017			
Balance, January 1, 2017	—	—	—
Private placement units	19,083,903	2.15	4,961
Finder's units	780,663	2.15	320
Balance, March 31, 2017	19,864,566	2.15	5,281
Private placement units	5,563,268	2.15	1,446
Finder's units	442,829	2.15	182
Balance, June 30, 2017	25,870,663	2.15	6,909
Finder's units	508,927	2.15	128
Balance, September 30, 2017	26,379,590	2.15	7,037

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

As at September 30, 2018, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
	\$	#
April 4, 2019	2.15	5,980,490
August 18, 2019	2.15	508,927
October 2, 2020	3.00	133,190
May 2, 2020	7.00	15,108,463
February 28, 2021	3.00	34,834,718
June 26, 2021	9.50	1,955,000
	\$ 4.16	58,520,788

The estimated fair values of the warrants granted during the three and nine months ended September 30, 2018 were determined using the Black-Scholes option pricing model with the following assumptions:

	Granted under private placement closed January 16, 2018, Expiring on February 28, 2021	Granted January 2, 2018, Expiring on October 2, 2020	Granted January 4, 2018, Expiring on February 28, 2021	Granted May 2, 2018, Expiring on May 2, 2020	Granted August 15, 2018, Expiring on June 26, 2021
Risk-free interest rate	1.49%	1.96%	2.02%	1.94%	1.87%
Expected life of warrants (years)	3.30	2.75	2.82	2.00	3.00
Expected annualized volatility	93.22%	88.06%	88.53%	95.97%	86.87%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Black-Scholes value of each warrant	\$ 0.61	\$ 0.56	\$ 1.61	\$ 0.54	\$ 2.25

12. SUPPLEMENTARY CASH FLOW INFORMATION

The changes in non-cash working capital items are as follows:

	For the three months ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Prepaid expenses	\$ (1,185)	\$ 3	\$ (1,881)	\$ (38)
Harmonized sales tax receivable	(2,496)	(107)	(6,060)	(206)
Capitalized cost of biological assets	(254)	—	(281)	—
Other current assets	(2,028)	—	(2,897)	—
Other assets	(19)	—	(4,111)	—
Accounts payable and accrued liabilities	760	131	10,680	297
Total	\$ (5,222)	\$ 27	\$ (4,550)	\$ 53

13. COMMITMENTS AND CONTINGENCIES

Construction agreements

The Company has entered into contracts to facilitate the construction of its facilities in Hamilton, Ontario and Salaberry-de-Valleyfield Quebec with various vendors. Pursuant to some of these agreements, the Company has issued letters of credit in the amount of \$5,003 which may be drawn upon in the event of material breaches of the respective agreements. These letters of credit bear conventional rates of interest partially offset by the interest earned on guaranteed investment certificates (“GIC”) securing the letters as collateral. The Company has pledged \$5,000 of GICs as collateral, which has been recorded in other assets due to the long-term nature of the particular project. As at September 30, 2018, there have been no breaches and no amounts have been drawn on the letters of credit.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

Lease commitments

The Company has entered into lease commitments at multiple locations. The total future minimum annual lease payments are as follows:

	\$
Within one year	226
After one year but not more than five years	593
More than five years	602
Total	1,421

The lease for the office spaces of the Company's headquarters required the issuance of a letter of credit in the amount \$350, which may be drawn upon by the landlord in the event of a material breach of the agreement. As at September 30, 2018, there have been no breaches and no amounts have been drawn upon this letter of credit.

Revolver loan

On September 1, 2017, the Company executed a revolving credit agreement with a Canadian credit union entitling the Company to borrow to a maximum limit of \$5,000, subject to certain reporting requirements. The credit facility is secured by a GIC and bears a conventional rate of interest. As at September 30, 2018, the Company has not drawn under the revolver loan and is in compliance with the reporting requirements.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Fair values

Set out below is a comparison by type of the carrying amounts and fair values of the Company's recognized financial instruments that are recorded in the interim condensed consolidated statements of financial position:

	September 30, 2018		December 31, 2017	
	Carrying Amount (\$)	Fair Value (\$)	Carrying Amount (\$)	Fair Value (\$)
Financial Assets				
<i>Amortized Cost</i>				
Cash and cash equivalents	207,617	207,617	63,736	63,736
Restricted cash	50,000	50,000	16,000	16,000
Harmonized sales tax receivable	6,626	6,626	566	566
Advances to related parties	643	643	714	714
	<u>264,886</u>	<u>264,886</u>	81,016	81,016
<i>Fair value through profit and loss</i>				
Notes receivable	968	968	—	—
Loan receivable	1,001	1,001	—	—
	<u>266,855</u>	<u>266,855</u>	<u>81,016</u>	<u>81,016</u>
Financial Liabilities				
<i>Amortized Cost</i>				
Accounts payable and accrued liabilities	15,090	15,090	3,729	3,729
Deferred subscription receipts	—	—	16,000	16,000
	<u>15,090</u>	<u>15,090</u>	<u>19,729</u>	<u>19,729</u>

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption for the instruments recorded at amortized costs that the instruments fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments. The fair value of the loan receivable recorded at fair value through profit and loss is level 3 and is based on the

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

established underlying fair values of the assets during the recent transaction involving the investment in QuebecCo whereby it was reasonably concluded to continue to approximate the same fair value as at September 30, 2018 as compared to the initial recognition date.

[b] Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2018, cash and cash equivalents and restricted cash were measured at Level 1 on the hierarchy. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the three and nine months ended September 30, 2018, there were no transfers of amounts between levels.

[c] Management of risks arising from financial instruments

[i] Market risk

Foreign currency risk

Foreign currency risk arises due to fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates. As at September 30, 2018, the Company had no financial assets and liabilities for which cash flows were denominated in foreign currencies other than cash, note receivable and advances to related parties. The Company does have some suppliers that prefer to contract in foreign currencies. The Company was holding \$25,107 (US\$ 19,451,000) of cash denominated in U.S. dollars as at September 30, 2018 (December 31, 2017 - \$361) and \$49 (US\$ 38,000) in advances to related parties (December 31, 2017 - \$589). The Company purchased US\$16,525,000 on September 26, 2018 in preparation of the acquisition of HemPoland which closed on October 1, 2018, see subsequent events. The Company has limited currency risk.

Interest rate risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at September 30, 2018, the Company had term deposits of \$25,000, \$5,148, \$5,000, \$5,000 and \$150 bearing interest at 1.50%, 1.95%, 2.00%, 2.00% and 1.50%, respectively. The Company also has \$50,000 in restricted cash held in trust and earning a blended interest rate of 1.76% related to the Valleyfield construction project.

[ii] Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, prepaid expenses, Harmonized Sales Tax receivable and advance to related party represents the maximum exposure to credit risk and at September 30, 2018. Since the inception of the Company, no losses have been suffered in relation to any of the above-mentioned assets.

At September 30, 2018, the Harmonized sales tax receivable, note receivable and loan receivable accounted for 100% of the amounts receivable and are the only assets subject to credit risk. Given the nature of the parties from which these funds are due, the Company is subject to limited to no credit risk.

The Green Organic Dutchman Holdings Ltd.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(Unaudited)
(expressed in thousands of Canadian Dollars except as otherwise indicated)

[iii] Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements in relation to its current cash balances, maturity schedules and internal budgets.

The Company's total contractual maturities are represented by its accounts payable and accrued liabilities balances which totaled \$15,090 as at September 30, 2018 all due to be paid within one year. The Company has sufficient cash and cash equivalents to meet this obligation.

15. SEGMENTED INFORMATION

The Company operated in one segment, the production of medical cannabis in Canada. All property, plant and equipment and intangible assets are located in Canada. No revenues were generated during the three and nine months ended September 30, 2018 (three and nine months ended September 30, 2017 - \$nil).

16. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base to maintain investor, creditor and supplier confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders.

As at September 30, 2018, total managed capital was comprised of share capital of \$328,640 (December 31, 2017 - \$72,572), contributed surplus of \$501 (December 31, 2017 - \$nil), reserve for warrants of \$51,344 (December 31, 2017 - \$13,883), reserve for underwriters' special warrants of \$610 (December 31, 2017 - \$nil), and reserve for share-based payments of \$5,345 (December 31, 2017 - \$4,413).

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 2018.

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses included the following items:

	For the three months ended		For the nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	\$	\$	\$	\$
Personnel costs	1,387	429	4,013	1,161
Consulting fees	236	10	1,963	249
Professional and legal fees	1,287	154	2,768	193
Travel and promotion expenses	491	132	803	197
Occupancy costs	111	109	363	239
Other administrative expenses	2,172	219	4,576	370
Total	5,684	1,053	14,486	2,409

Included within personnel costs for the nine months ended September 30, 2018 is \$700 of compensation to the Company's former Chief Executive Officer in connection with the achievement of a performance milestone.

The Green Organic Dutchman Holdings Ltd.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(Unaudited)

(expressed in thousands of Canadian Dollars except as otherwise indicated)

18. SUBSEQUENT EVENTS

- a) On October 1, 2018, the Company closed its acquisition of HemPoland. In connection with the transaction, the Company paid US\$7,750,000 and issued 1,968,323 restricted shares that will be escrowed for a term of three years from closing. Additionally, there is a contingent consideration of up to 3,047,722 deferred shares based on HemPoland achieving a certain financial target in the 2021 fiscal year. The Company has invested a further US\$10,300,000 in HemPoland to fund innovative product development and rapid European expansion.
- b) On October 11, 2018, the Company entered into a strategic joint venture with LLACA Grupo Empresarial (“LLACA”) to create an equally joint owned company to enter the medicinal cannabis market in Mexico. LLACA intends to facilitate the importation, registration and strategic distribution of TGOD-branded organic cannabis and hemp-derived medical products into the Mexican market.
- c) On October 12, 2018, the first milestone option under the Investor Rights Agreement between the Company and Aurora expired. The Milestone Option entitled Aurora to acquire an additional 8% of the common shares of the Company from treasury for cash at a 10% discount to the ten-day volume weighted average price. Pursuant to the terms of the Agreement, all remaining Milestone Options to acquire additional interests in the Company have expired.
- d) Also, on October 12, 2018, the license for the Company’s wholly owned subsidiary, TGOD, received an amendment to its Health Canada License to include the sale of dried marijuana to its medical clients for its Hamilton Facility.
- e) On October 16, 2018, the Company filed a short-form prospectus with the Ontario Securities Commission in connection with the bought deal financing of an aggregate of 10,950,000 units at a price of \$6.85 per Unit for aggregate gross proceeds of \$75,008. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each Warrant was exercisable to acquire one common share for a period of 30 months following the closing of the offering at an exercise price of \$9.00 per share. The Company has granted the Underwriters an over-allotment option to purchase up to an additional 1,642,500 Units at a price of \$6.85 per Unit, exercisable at any time, for a period of 30 days after and include the closing date. The transaction closed on October 19, 2018. Also, on October 19, 2018, the Underwriters exercised their option to purchase 1,642,500 warrants for gross proceeds of \$1,215.
- f) On October 30, 2018, the Company acquired Blitzstart Holding AG, a Company domiciled in Germany with negligible net assets for 28,000 Euros to establish a permanent establishment presence in Germany.
- g) On November 8, 2018, the Company’s wholly owned subsidiary, Medican, received its updated cultivation license from Health Canada under the Cannabis Act.