

Trusted Brand 2016 Inc.
(A Capital Pool Corporation)
Financial Statements

For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of Trusted Brand 2016 Inc.:

Opinion

We have audited the financial statements of Trusted Brand 2016 Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and December 31, 2017, and the statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sid Rieger.

Calgary, Alberta
April 16, 2019

MNP LLP
Chartered Professional Accountants

Trusted Brand 2016 Inc.
Statements of Financial Position
As at December 31,

	2018	2017
Assets		
Current		
Cash	\$ 344,837	\$ 365,923
Other receivables	\$ -	\$ 25,000
	\$ 344,837	\$ 390,923
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 21,608	\$ 17,926
Shareholders' Equity		
Share capital (Note 5)	\$ 557,986	\$ 557,986
Contributed surplus (Note 5)	\$ 118,557	\$ 118,557
Deficit	\$ (353,314)	\$ (303,546)
	\$ 323,229	\$ 372,997
	\$ 344,837	\$ 390,923

Nature of operations (Note 1)

Subsequent events (Note 10)

Letter of intent (Note 11)

Approved on behalf of the Board

“signed”

 Director

“signed”

 Director

The accompanying notes are an integral part of these financial statements

Trusted Brand 2016 Inc.
Statements of Loss and Comprehensive Loss
For the years ended December 31,

	2018	2017
Termination fee (note 11)	\$ -	\$ 25,000
Expenses		
Professional fees	\$ 64,478	\$ 71,149
Finance costs	\$ 128	\$ 23
General and administrative expenses	\$ 82	\$ 14,724
Regulatory and filing fees (note 11)	\$ (14,920)	\$ 40,647
Total expenses	\$ (49,768)	\$ 126,543
Loss and comprehensive loss	\$ (49,768)	\$ (101,543)
Basic and diluted loss per share	\$ (0.02)	\$ (0.03)
Weighted average common shares outstanding – basic and diluted (Note 5)	2,143,700	2,143,700

The accompanying notes are an integral part of these financial statements

Trusted Brand 2016 Inc.
Statements of Changes in Shareholders' Equity
For the years ended December 31, 2018 and 2017

	Common Shares (#)	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Shareholders' Equity (\$)
As at January 1, 2017	3,962,900	557,986	118,557	(202,003)	474,540
Net loss and comprehensive loss	-	-	-	(101,543)	(101,543)
As at December 31, 2017	3,962,900	557,986	118,557	(303,546)	372,997
Net loss and comprehensive loss	-	-	-	(49,768)	(49,768)
As at December 31, 2018	3,962,900	557,986	118,557	(353,314)	323,229

The accompanying notes are an integral part of these financial statements

Trusted Brand 2016 Inc.
Statements of Cash Flows
For the years ended December 31,

	2018	2017
Cash used in the following activities:		
Operating activities		
Net loss and comprehensive loss	\$ (49,768)	\$ (101,543)
Net change in non-cash operating activities:		
Other receivables	\$ 25,000	\$ (25,000)
Accounts payable and accrued liabilities	\$ 3,682	\$ (21,824)
Cash used in operating activities	\$ (21,086)	\$ (148,367)
Change in cash resources	\$ (21,086)	\$ (148,367)
Cash resources, beginning of year	\$ 365,923	\$ 514,290
Cash resources, end of year	\$ 344,837	\$ 365,923

The accompanying notes are an integral part of these financial statements

1. Nature of operations:

Trusted Brand 2016 Inc. (the "Corporation") was incorporated under the laws of Alberta on March 4, 2016. The Corporation is classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange"). The principal business of the Corporation is to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a Qualifying Transaction under the Exchange policies.

The audited financial statements of the Corporation for the years ended December 31, 2018 and 2017 were authorized for issue in accordance with a resolution of the directors on April 15, 2019.

Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon the ability of the Corporation to obtain additional financing.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the Exchange, at which time the Exchange may suspend or de-list the Corporation's shares from trading.

2. Basis of preparation:

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") in effect on January 1, 2018.

Basis of measurement

These financial statements are stated in Canadian dollars and were prepared on a going concern basis, under the historical cost convention, except for financial instruments and share-based compensation.

3. Significant accounting policies

Cash

Cash consists of the proceeds generated on the issuance of common shares.

Share-based payments

The Corporation applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Corporation uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

3. Significant accounting policies (continued)

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized in other comprehensive loss or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

IFRS 9 Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Corporation retrospectively adopted IFRS 9, as well as consequential amendments to IFRS 7 Financial Instruments: Disclosures. The standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial instruments

The Corporation measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Corporation's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI"). The Corporation does not employ hedge accounting for its risk management contracts currently in place.

Amortized cost

The Corporation classifies its cash, other receivables, and accounts payable and accrued liabilities measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

3. **Significant accounting policies** (continued)

Classification and measurement of financial instruments (continued)

	IAS 39	IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Impairment of financial assets

IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, the Corporation's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the receivable.

The Corporation's other receivables are subject to the expected credit loss model under IFRS 9. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Corporation considered historical industry default rates as well as credit ratings of major customers. There were no material adjustments to the carrying value of any of the Corporation's financial instruments following the adoption of IFRS 9.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset. If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in earnings. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in earnings.

Earnings/loss per share

Basic earnings or loss per share is calculated by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.

Diluted earnings or loss per share is calculated by adjusting the number of common shares for the effects of dilutive options and other dilutive potential units. Shares held in escrow that are only released upon contingent events are not included in the calculation of the weighted average number of common shares

4. Future accounting pronouncements

The Corporation has reviewed new and revised accounting pronouncements that have been issued but are not yet effective:

In January 2016, the IASB issued IFRS 16 “Leases”, which replaces IAS 17 “Leases”. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 “Revenue from Contracts with Customers”. The Corporation has assessed the standard and determined that it will not have an impact on the financial statements.

5. Share capital:

Authorized

Unlimited number of Common Shares and Preferred Shares

Issued common shares	Number of shares	\$
Balance as at January 1, 2017, December 31, 2017, and December 31, 2018	3,962,900	557,986

Escrow

The Corporation has issued 1,819,200 Common Shares (December 31, 2017 - 1,819,200) subject to an escrow agreement whereby 10% of the shares will be released upon completion and approval by the Exchange of the Corporation’s Qualifying Transaction. An additional 15% of the escrowed Common Shares will be released on each six month anniversary thereafter unless otherwise permitted by the Exchange. Common Shares issued upon the exercise of options held by officers and directors are subject to the same escrow conditions. Common Shares issued upon the exercise of the Agent’s options are restricted such that only 50% of the issued shares on exercise of such options may be sold prior to the Corporation completing a Qualifying Transaction. These common shares which are considered contingently issuable until the Corporation completes a Qualifying Transaction are not considered to be outstanding for the purposes of the loss per share calculation.

Stock options

The Corporation has adopted an incentive stock option plan which provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares. However, other than in connection with a Qualifying Transaction, during the time that the Corporation is a CPC, the aggregate number of Common Shares issuable upon exercise of all options granted under the Option Plan shall not exceed 10% of the Common Shares of the Corporation issued and outstanding at the closing of the Corporation’s initial public offering. Such options will be exercisable for a period of up to ten years from the date of grant.

5. Share capital (continued)

The following table summarizes information about stock options outstanding:

	Number of options (#)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
At January 1, 2017	624,580	7.00	0.25
Expired	(101,200)	-	0.25
Balance at December 31, 2017	523,380	5.16	0.25
Expired	(228,290)	-	0.25
As at December 31, 2018	295,090	7.65	0.25

- (i) As part of the IPO, the Corporation granted 396,290 options at \$0.25 per share to the directors and officers of the Corporation exercisable for a period of ten years. The fair value of the directors and officer options was \$88,659. During 2017, 101,200 options expired.
- (ii) The Corporation also granted 228,290 options to the agent at \$0.25 per share exercisable for a period of two years. The fair value of the agent options was \$29,898 and has been included in share issuance costs. All these agents options have expired.

6. Capital disclosures

The Corporation's capital consists of share capital. The Corporation's objective for managing capital is to maintain sufficient capital to identify, evaluate and complete an acquisition or other transaction as disclosed in Note 1.

The Corporation sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Corporation's objectives when managing capital are:

- i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,
- ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Corporation is not subject to any externally or internally imposed capital requirements at year end.

7. Financial instruments

The Corporation, as part of its operations, carries financial instruments consisting of cash, other receivables, and accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

7. Financial instruments (continued)

The carrying amount of cash, other receivables and accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributed to cash. Cash balances are held with the Corporation's major Canadian financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Corporation had a cash balance of \$344,837 (December 31, 2017 - \$365,923) to settle future obligations of \$21,608 (December 31, 2017 - \$17,926). All the Corporation's financial liabilities have contractual maturities of 30 days and are due on demand and are subject to normal track terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. As at December 31, 2018, the Corporation is not materially exposed to any market risks.

8. Taxes

The net income tax provision differs from that expected by applying the Canadian corporate rate due to the following:

	2018	2017
Loss before income tax	(49,768)	(101,543)
Statutory tax rate	27%	27%
Expected tax recovery	(13,437)	(27,417)
Tax benefit not recognized	13,437	27,417
Income tax expense	-	-

The Corporation has gross temporary differences of the following:

	2018	2017
Share issuance costs	77,708	122,256
Loss carry-forwards	379,627	285,311
Unrecognized deductible temporary differences	457,335	407,567

As at December 31, 2018, the Corporation has non-capital loss carry-forwards of \$379,627 available to reduce future years' income for tax purposes. These losses, if not fully utilized, will begin to expire in 2036.

9. Related party transactions

Key management include all officers and directors of the Corporation and did not earn compensation for their services. At year end, included in accounts payable and accrued liabilities is \$nil (December 31, 2017 - \$nil) related to key management compensation.

10. Subsequent events

The Board of Directors has approved the grant of 101,200 options that have as exercise price of \$0.40 per Common Share. The Corporation has determined that exemptions from the various requirements of the TSX Venture Exchange Policy 5.9 are available for the grant of these Options. The Options are subject to TSX Venture Exchange acceptance and are expected to be granted at a future date when the Corporation is out of black out.

On December 10, 2018, the Corporation received notice from the Exchange that if it must satisfy certain conditions by March 11, 2019, or it will be delisted from trading on the Exchange. The conditions require the Corporation to either:

- (i) complete its Qualifying Transaction by March 11, 2019; or
- (ii) receive shareholder approval to transfer the listing of its common shares to the NEX trading board of the Exchange and cancel up to 1,680,000 common shares held by the current directors and officers of the Corporation

On March 11, 2019, the Corporation received approval from its shareholders to transfer the listing of its common shares to the NEX trading board and cancel the common shares held by current directors and officers. The approval was granted subject to any extensions to the condition date set by the Exchange. On March 18, 2019, the Exchange provided an extension to the condition date from March 11, 2019 to April 1, 2019. Future extensions are subject to the discretion of the Exchange. As of the date of these financial statements, the Corporation has not yet received notice from the Exchange regarding an additional extension to the condition date nor transfer of its listing to the NEX trading board.

11. Letter of intent

On January 30, 2017, the Corporation signed a letter of intent that would have served as the Corporation's Qualifying Transaction. On December 20, 2017, the letter of intent was terminated, and the Corporation received a termination fee of \$25,000 from the target company. Subsequent to the termination, the Corporation recovered an overpayment of filing fees previously remitted to the Exchange.

On May 30, 2018 the Corporation has entered into a non-binding letter of intent (the "LOI") with TheraCann International Benchmark Corporation, an arm's length private corporation (the "TheraCann"). TheraCann is focused in the business of developing and implementing proprietary solutions for production, quality and traceability in regulated cannabis operations. Pursuant to the terms of the LOI, the Corporation, subject to entering into a definitive agreement (the "Transaction Agreement"), has agreed to combine with TheraCann byway of share exchange, merger, amalgamation, arrangement, or other similar form of transaction (the "Transaction"). The Transaction is an arm's length transaction and, when completed, may be considered to be the Qualifying Transaction for the purposes of the Exchange. The Corporation has requested its common shares ("Shares") to be halted by the Exchange pending review of the materials for the Transaction.