CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Formally CannaRoyalty Corporation)

(Unaudited)

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

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements.

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Condensed Interim Consolidated Financial Statements

ORIGIN HOUSE

Condensed Interim Consolidated
Statements of Financial Position
(Expressed in Canadian Dollars)

(UNAUDITED)	Note	September 30, 2018	December 31, 2017
ASSETS			
Current			
Cash and cash equivalents		$ **75,282,348**	$ 4,522,644
Amounts receivable	5	**2,699,574**	1,429,123
Inventory	6	**7,380,045**	270,169
Biological assets	7	**698,766**	-
Prepaid and other assets	8	**2,310,972**	250,744
Advances and loans receivable - current	9	**1,376,166**	1,102,168
Asset held for sale	11	**1,064,910**	-
Convertible notes	10	**-**	373,127
		90,812,781	7,947,975
Non-Current			
Deferred financing charges	19	**1,561,852**	-
Advances and loans receivable	9	**-**	66,421
Interest in equity accounted investees	11	**2,734,811**	3,596,333
Investments	12	**6,852,062**	17,243,342
Royalty investments	13	**1,288,048**	5,834,613
Property and equipment	14	**11,143,101**	1,084,098
Intangible assets	15	**49,920,100**	5,607,598
Goodwill	15	**55,891,281**	4,759,377
		129,391,255	38,191,782
Total Assets		$ **220,204,036**	$ 46,139,757
LIABILITIES			
Current			
Amounts payable and accrued liabilities	16	$ **12,579,989**	$ 1,606,689
Loans payable and other liabilities	17	**13,184,582**	425,345
Current tax liability		**1,389,909**	102,236
		27,154,480	2,134,270
Non-Current			
Capital lease		**261,551**	-
Purchase consideration payable	4	**2,136,274**	-
Convertible debt	18	**27,909,598**	1,431,950
Line of credit	19	**-**	826,517
Deferred tax liability	25	**15,521,588**	1,278,676
Total Liabilities		**72,983,491**	5,671,413
SHAREHOLDERS' EQUITY			
Share capital	22	$ **105,823,518**	$ 50,007,891
Share subscription and contingent shares	22	**48,002,790**	-
Warrants reserve	22	**4,590,904**	4,149,703
Contributed surplus		**15,280,457**	9,902,292
Accumulated other comprehensive loss		**(1,552,424)**	(1,032,719)
Accumulated deficit		**(25,099,602)**	(22,381,817)
Non-controlling interest		**174,902**	(177,006)
Shareholders' Equity		**147,220,545**	40,468,344
Total Liabilities & Shareholders' Equity		$ **220,204,036**	$ 46,139,757

Subsequent events (note 31)

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board

/s/"Marc Lustig" Director   /s/"Rob Harris" Director

ORIGIN HOUSE

Condensed Interim Consolidated

Statements of Net Loss

(Expressed in Canadian Dollars)

(UNAUDITED)	Note	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Revenue	27	**$ 6,623,998**	$ 744,302	**$ 10,778,901**	$ 2,005,570
Cost of sales	7, 27	**(6,115,602)**	(616,292)	**(9,479,200)**	(1,211,406)
Gross margin, excluding fair value items		**508,396**	128,010	**1,299,701**	794,164
Realized fair value amounts of inventory sold	7	**(1,161,471)**	-	**(1,161,471)**	-
Unrealized fair value gain on growth of biological assets	7	**951,694**	-	**951,694**	-
Gross margin		**298,619**	128,010	**1,089,924**	794,164
Operating expenses					
Sales and marketing		**1,947,706**	422,362	**3,535,796**	1,068,443
Research and product development		**211,469**	275,839	**472,371**	900,932
General and administrative	28	**6,457,990**	1,943,675	**14,665,054**	6,058,597
Amortization of brands and technologies	15	**1,446,965**	193,063	**2,151,139**	601,413
Loss from operations		**(9,765,511)**	(2,706,929)	**(19,734,436)**	(7,835,221)
Other income (expenses)					
Gain (loss) on investments	12	**(2,802,373)**	-	**12,762,704**	-
Gain on the sale of licensed technology	9	**4,196,477**	-	**4,196,477**	-
Fair value gain on warrants	9	**104,344**	-	**104,344**	-
Recovery of convertible notes receivable	10	**379,572**	-	**4,100**	-
Profit (loss) from equity accounted investees, net of tax	11	**10,106**	(137,093)	**168,664**	706,821
Gain on settlement of interests at acquisition	4	**1,098,374**	-	**1,098,374**	-
Foreign exchange gain (loss)		**213,941**	(79,631)	**249,056**	(266,911)
Interest expense		**(1,185,257)**	(85,935)	**(1,846,540)**	(122,054)
Penalties for non-completion of share swap transaction		**-**	6,498	**-**	(214,555)
Unrealized loss on embedded derivatives		**-**	(369,036)	**-**	(369,036)
Listing expense		**-**	-	**-**	(38,193)
Gain on disposal of equipment		**-**	3,000	**-**	91,674
Net loss before tax		**(7,750,327)**	**(3,369,126)**	**(2,997,257)**	**(8,047,475)**
Current tax expense		**(191,258)**	-	**(307,590)**	-
Deferred tax recovery	25	**439,487**	73,649	**446,764**	230,702
Net loss for the period		**$ (7,502,098)**	$ (3,295,477)	**$ (2,858,083)**	$ (7,816,773)
Net loss per common share - basic & diluted	24	**(0.12)**	(0.08)	**(0.05)**	(0.19)
Weighted average number of common shares outstanding - basic & diluted	24	**57,621,347**	42,156,344	**51,634,188**	40,961,436
Total net loss for the period attributable to:					
Owners of the company		**(7,179,771)**	(3,286,719)	**(2,608,647)**	(7,780,398)
Attributable to non-controlling interest		**(322,327)**	(8,758)	**(249,436)**	(36,375)
		$ (7,502,098)	$ (3,295,477)	**$ (2,858,083)**	$ (7,816,773)

See accompanying notes to the condensed interim consolidated financial statements.

ORIGIN HOUSE

Condensed Interim Consolidated

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(UNAUDITED)	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Net loss for the period	**$ (7,502,098)**	$ (3,295,477)	**$ (2,858,083)**	$ (7,816,773)
Other comprehensive loss for the period				
Foreign currency translation differences	**(1,763,774)**	(323,484)	**(519,705)**	(860,619)
Total comprehensive loss for the period	**$ (9,265,872)**	$ (3,618,961)	**$ (3,377,788)**	$ (8,677,392)
Total comprehensive loss for the period attributable to:				
Owners of the company	**(8,943,545)**	(3,610,203)	**(3,128,352)**	(8,641,017)
Attributable to non-controlling interest	**(322,327)**	(8,758)	**(249,436)**	(36,375)
	$ (9,265,872)	$ (3,618,961)	**$ (3,377,788)**	$ (8,677,392)

ORIGIN HOUSE

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(UNAUDITED)	Number of common shares (note 22)	Number of compressed shares (note 22)	Share capital (note 22)	Contingent shares (note 22)	Warrants Reserve (note 22)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Non Controlling Interest	Total Shareholders' Equity
Balance at January 1, 2017	36,006,956	-	$ 30,636,253	$ 4,520,000	$ 628,623	$ 3,292,999	$ (102,762)	$ (13,490,327)	$ (3,004)	$ 25,481,782
Net loss for the period	-	-	-	-	-	-	-	(7,780,398)	(36,375)	(7,816,773)
Change in foreign currency translation adjustment	-	-	-	-	-	-	(860,619)		-	(860,619)
Shares and warrants issued in bought deal financing	5,000,000	-	12,600,000	-	2,400,000	-	-	-	-	15,000,000
Costs associated with bought deal financing	-	-	(969,805)	-	(284,952)	-	-	-	-	(1,254,757)
Broker warrants issued with bought deal financing	-	-	(531,000)	-	531,000	-	-	-	-	-
Shares issued for exercise of restricted share units	86,788	-	167,099	-	-	(167,099)	-	-	-	-
Withholding taxes on exercise of restricted share units	-	-	-	-	-	(84,887)	-	-	-	(84,887)
Stock based compensation	-	-	-	-	-	2,499,356	-	-	-	2,499,356
Shares issued in acquisitions of equity interests	689,568	-	2,021,222	-	-	-	-	-	-	2,021,222
Shares issued for exercise of warrants	238,421	-	562,310	-	(157,718)	-	-	-	-	404,592
Share options exercised	25,000	-	53,414	-	-	(28,414)	-	-	-	25,000
Warrants issued with credit facility	-	-	-	-	1,922,400	-	-	-	-	1,922,400
Shares issued for consulting services	11,765	-	30,000	-	-	-	-	-	-	30,000
Shares issued for previously subscribed shares	243,902	-	500,000	(500,000)	-	-	-	-	-	-
Shares issued for adjustment to share swap transaction	89,500	-	204,060	-	-	-	-	-	-	204,060
Contingent shares recorded on acquisition	-	-	-	(2,010,000)	-	2,010,000	-	-	-	-
Balance at September 30, 2017	42,391,900	-	$ 45,273,553	$ 2,010,000	$ 5,039,353	$ 7,521,955	$ (963,381)	$ (21,270,725)	$ (39,379)	$ 37,571,376
Balance at December 31, 2017	**43,898,445**	**-**	**$ 50,007,891**	**$ -**	**$ 4,149,703**	**$ 9,902,292**	**$ (1,032,719)**	**$ (22,381,817)**	**$ (177,006)**	**$ 40,468,344**
IFRS 9 Adoption (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(109,138)**	**-**	**(109,138)**
Balance at January 1, 2018	**43,898,445**	**-**	**$ 50,007,891**	**$ -**	**$ 4,149,703**	**$ 9,902,292**	**$ (1,032,719)**	**$ (22,490,955)**	**$ (177,006)**	**$ 40,359,206**
Net income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,608,647)**	**(249,436)**	**(2,858,083)**
Change in foreign currency translation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**(519,705)**	**-**	**-**	**(519,705)**
Shares issued for exercise of restricted share units	**685,652**	**-**	**1,466,572**	**-**	**-**	**(1,466,572)**	**-**	**-**	**-**	**-**
Shares issued for exercise of stock options	**50,000**	**-**	**306,500**	**-**	**-**	**(120,000)**	**-**	**-**	**-**	**186,500**
Stock based compensation (note 20)	**-**	**-**	**-**	**-**	**-**	**3,801,219**	**-**	**-**	**421,344**	**4,222,563**
Shares issued in acquisitions of equity interests	**1,254,816**	**-**	**4,755,753**	**-**	**-**	**-**	**-**	**-**	**-**	**4,755,753**
Shares issued for exercise of warrants	**1,812,593**	**-**	**9,083,060**	**-**	**(1,470,870)**	**-**	**-**	**-**	**-**	**7,612,190**
Shares issued for exercise of broker warrants	**594,729**	**-**	**2,780,532**	**-**	**(755,679)**	**-**	**-**	**-**	**-**	**2,024,853**
Shares issued on exercise of warrants by Sprott Inc.	**900,000**	**-**	**2,806,200**	**-**	**(961,200)**	**-**	**-**	**-**	**-**	**1,845,000**
Shares issued for interest on Sprott line of credit	**44,668**	**-**	**179,632**	**-**	**-**	**-**	**-**	**-**	**-**	**179,632**
Contingent shares recorded on acquisition on Kaya and Alta	**-**	**-**	**-**	**5,839,729**	**-**	**-**	**-**	**-**	**-**	**5,839,729**
Contingent shares issued on the reaching of performance milestones	**790,322**	**-**	**2,995,320**	**(2,995,320)**	**-**	**-**	**-**	**-**	**-**	**-**
Shares and Warrants issued for financing purposes	**4,312,500**	**-**	**12,015,990**	**-**	**3,628,950**	**-**	**-**	**-**	**-**	**15,644,940**
Shares issued as investment and prepayments on royalties to Bhang	**125,022**	**-**	**480,450**	**-**	**-**	**-**	**-**	**-**	**-**	**480,450**
Shares issued for the settlement of Aphria convertible debt	**750,000**	**-**	**1,500,000**	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,000**
Equity component of the 8% convertible debenture option, net of deferred tax liability	**-**	**-**	**-**	**-**	**-**	**3,163,518**	**-**	**-**	**-**	**3,163,518**
Shares to be issued for cash received on warrant exercises	**-**	**-**	**-**	**183,000**	**-**	**-**	**-**	**-**	**-**	**183,000**
Share buy-back bid	**(16,500)**	**-**	**(98,382)**	**-**	**-**	**-**	**-**	**-**	**-**	**(98,382)**
Capital contribution of Trichome minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**180,000**	**180,000**
21,000 Class A compressed Shares to be issued on the closing date of RVR acquisition	**-**	**-**	**-**	**13,125,000**	**-**	**-**	**-**	**-**	**-**	**13,125,000**
Contingent consideration on the acquisition of RVR	**-**	**-**	**-**	**20,468,518**	**-**	**-**	**-**	**-**	**-**	**20,468,518**
Class A compressed shares issued for the acquisition of FloraCal	**-**	**35,088**	**17,544,000**	**-**	**-**	**-**	**-**	**-**	**-**	**17,544,000**
Contingent consideration on the acquisition of FloraCal	**-**	**-**		**11,381,863**	**-**	**-**	**-**	**-**	**-**	**11,381,863**
Balance at September 30, 2018	**55,202,247**	**35,088**	**$ 105,823,518**	**$ 48,002,790**	**$ 4,590,904**	**$ 15,280,457**	**$ (1,552,424)**	**$ (25,099,602)**	**$ 174,902**	**$ 147,220,545**

See accompanying notes to the condensed interim consolidated financial statements.

ORIGIN HOUSE

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(UNAUDITED)	Note	**Nine months ended September 30** **2018**	2017
CASH FLOWS USED IN OPERATING ACTIVITIES			
Net income (loss) for the period		**$ (2,858,083)**	$ (7,816,773)
Items not affecting cash:			
Bad debt expense (recovery)	5	**33,122**	(7,268)
Income from equity accounted investees	11	**(168,664)**	(706,821)
Amortization of property and equipment	14	**300,072**	137,730
Amortization of intangibles	15	**2,151,139**	601,413
Amortization of royalties	13	**820,553**	411,145
Amortization of fees related to line of credit		**611,631**	68,469
Share based compensation	23	**4,222,561**	2,499,356
Consulting fees paid via issuance of shares		**-**	30,000
Transaction adjustment paid via issuance of shares		**-**	204,060
Deferred tax recovery	25	**(446,764)**	(230,702)
Recovery on impairment of convertible notes receivable	10	**(4,100)**	-
Loss related to change in fair value of embedded derivatives		**-**	369,036
Write-off of inventory, net of recoveries	6	**12,267**	-
Accretion of convertible debt	18	**378,292**	-
Gain on reclassification of assets held for sale		**-**	-
Gain on disposal of equipment		**-**	(91,674)
Realized fair value amounts of inventory sold		**1,161,471**	-
Unrealized fair value gain on growth of biological assets		**(951,694)**	-
Gain on settlement of interests at acquisition	4	**(1,098,374)**	-
Fair value gain on warrants	9	**(104,344)**	-
Gain on the sale of licensed technology	9	**(4,196,477)**	-
Gains on investments	12	**(12,762,704)**	-
		(12,900,096)	(4,532,029)
Changes in non-cash items relating to operations:			
Increase in amounts receivable		**(123,412)**	(1,064,247)
Increase in inventory		**(1,860,749)**	(147,211)
Increase in prepaid and other assets		**(1,224,839)**	(156,794)
Increase (decrease) in accounts payable and accruals		**1,863,400**	(1,021,754)
Increase in biological assets		**(259,917)**	-
Increase in current tax liability		**251,968**	-
		(14,253,645)	(6,922,035)
CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(6,811,821)**	(151,861)
Purchase of Intangible assets	15	**(54,924)**	-
Payments for acquisitions, net of cash received	4	**(1,074,056)**	-
Proceeds from the sale of investments	12	**28,139,404**	-
Proceeds from the collection of convertible debt	10	**392,100**	-
Purchase of interests in equity accounted investments		**-**	(1,917,884)
Royalty financing arrangements		**(1,265,000)**	(3,962,131)
Loans advanced to debtors including issuance costs, net of repayment		**(2,848,359)**	(1,488,018)
		16,477,344	(7,519,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued shares in bought deal financing, net of costs	22	**12,015,990**	10,958,243
Proceeds from issuance of convertible debt, net of costs	18	**31,249,904**	-
Proceeds from issuance of warrants, net of costs		**3,628,950**	2,787,000
Proceeds from exercise of warrants		**11,665,043**	404,592
Repayment of line of credit	18	**(3,000,000)**	-
Rapayment of loans	17	**(71,467)**	-
Proceeds from common and preferred shares issued to minority holders of Trichome	17	**13,259,530**	-
Proceeds from issuance of stock options	23	**186,500**	25,000
Payments related to share buyback bid	22	**(98,382)**	-
Tax withholding paid on exercise of restricted share units		**-**	(84,887)
		68,836,068	14,089,948
Effect of movement of exchange rates on cash held		**(300,063)**	-
INCREASE (DECREASE) IN CASH		**$ 70,759,704**	$ (351,981)
CASH, BEGINNING OF PERIOD		**4,522,644**	2,945,895
CASH, END OF PERIOD		**$ 75,282,348**	$ 2,593,914

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of Operations

CannaRoyalty Corp. d/b/a Origin House (the "Company") is a diversified, active operator in the regulated cannabis industry with licensed cultivation, manufacturing, and distribution facilities. The Company's focus is on building and supporting a diversified portfolio of branded cannabis consumer products through the acquisition of licensed cannabis businesses, as well as strategic investment and lending to companies within the industry.

Origin House is a reporting issuer listed for trading on the Canadian Securities Exchange in the Province of Ontario under the trading symbol "OH". In February 2017, Origin House was listed for trading on the OTCQB markets in the U.S. under the trading symbol "ORHOF". On April 26, 2017, the Company was upgraded to the OTCQX market. Origin House was incorporated under the Ontario Business Corporations Act as "McGarry Minerals Inc." on August 19, 1985. In connection with a corporate reorganization, the Company changed its name to "Bonanza Blue Corp." ("Bonanza Blue") on August 16, 2000. The Company changed its name to "CannaRoyalty Corp." on December 5, 2016, prior to the completion of a reverse takeover transaction ("RTO") between Bonanza Blue Corp. and Cannabis Royalties and Holdings Corporation ("CRHC"). The Company changed its name on October 22, 2018 to "Origin House". The Company's head office is located at 333 Preston Street, Preston Square Tower 1, Suite 610, Ottawa, Ontario, Canada.

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with IFRS. Accordingly, they do not include all the information and footnotes required under IFRS for annual financial statements. In the opinion of management, these condensed interim consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the Company's financial position and results of operations for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All intercompany accounts and transactions have been eliminated.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") on November 27, 2018.

During the nine months ended September 30, 2018, the functional currency of one subsidiary changed from the Canadian dollar to the United States dollar ("US $" or "U.S. dollar"). The change was due to the growth in operational costs incurred directly in the US, which resulted in the U.S. dollar as the primary currency influencing sales prices, competitive forces, and operating costs.

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, this change is accounted for prospectively. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising from acquisitions, are translated into the Company's presentation currency, the Canadian dollar, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income (loss) and accumulated in equity.

All figures presented in the condensed interim consolidated financial statements and tabular disclosures to the condensed interim consolidated financial statements are reflected in Canadian dollars, which is the reporting currency of the Company.

3. Significant Accounting Policies and New Standards

Biological Assets

The Company measures biological assets consisting of cannabis plants using the income approach at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Biological assets are considered Level 3 fair value estimates. The Company expenses all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour-related costs, grow consumables, materials, utilities, facilities costs, quality, and testing costs. The identified direct and indirect costs of biological assets are recorded within the line item "cost of sales" on the condensed interim consolidated statement of loss and comprehensive loss in the period that the related product is sold. Unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations and presented on a separate line of statement of comprehensive loss of the related year.

Significant accounting judgments and estimates

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Application of new and revised International Financial Reporting Standards

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, *Revenue.* The Company has applied the standard retrospectively to prior periods, subject to permitted and elected practical expedients.

This standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

The Company recognises revenue from services, royalties, and the distribution of cannabis products. Revenue is measured based on the consideration specified in contracts with customers and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

(Unaudited - Expressed in Canadian Dollars)

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Company applied IFRS 9 on January 1, 2018, and in accordance with the transition requirements, comparative periods have not been restated. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at January 1, 2018.

Classification and measurement

IFRS 9 replaces the classification and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). This classification is based on the business model in which a financial asset is managed, as well as its contractual cash flow characteristics, and eliminates the IAS 39 categories of held-to-maturity, loans and receivables, and available-for-sale.

Loans receivable (note 9) and the convertible note receivable (note 10) are primarily comprised of debt investments that are recorded at fair value through profit or loss. Interests in equity investments (note 12) are recorded at fair value through profit or loss. The Company has not made an election to present subsequent changes in the fair value of an equity investment in other comprehensive income.

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

We have assessed the classification and measurement of our financial instruments under IFRS 9, with reference to the former classification under IAS 39, as follows:

Financial Assets	**IFRS 9**	**IAS 39**
Cash and cash equivalents	FVTPL	FVTPL
Investments	FVTPL	FVTPL
Loans receivable	FVTPL or amortized cost	Loans and receivables
Accounts receivable	Amortized cost	Loans and receivables
Convertible notes receivable	FVTPL	Loans and receivables
Financial Liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Convertible debt	Amortized cost	Other financial liabilities
Loans payable and other liability	Amortized cost	Other financial liabilities

(Unaudited - Expressed in Canadian Dollars)

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables and has adjusted for credit losses under IFRS 9.

In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 results in earlier recognition of credit losses for trade accounts receivable. The Company has determined the retrospective impact of expected credit losses below and the impact of expected credit losses as at September 30, 2018 in note 5.

	As reported at December 31, 2017	Estimated adjustment due to adoption of IFRS 9	Estimated adjusted opening balance at January 1, 2018
Allowance for credit losses of trade receivables	$ (28,026)	$ (109,138)	$ (137,164)
Accumulated deficit	(22,381,817)	(109,138)	(22,490,955)

Accounting standards and amendments issued but not yet applied

Certain new standards, amendments to standards and interpretations applicable to the Company are not yet effective. The Company is currently considering the effects of the new and revised standard, which will be effective to the Company's consolidated financial statements for the year ending December 31, 2019 or later.

IFRS 16 Leases

This standard specifies the recognition, measurement, presentation and disclosure of leases. This standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has long-term lease agreements for office spaces in Ontario and various spaces in California. Under IFRS 16, these leases would result in an additional right of use asset and lease liability being recorded on the Company's balance sheet. The Company is currently evaluating the impact of adopting this standard; however, it expects the adoption of this standard will increase assets and liabilities as a right-of-use asset and a corresponding lease liability will be recorded in the financial statements.

(Unaudited - Expressed in Canadian Dollars)

4. Acquisitions

The following table summarizes the preliminary fair value allocations of consideration related to acquisitions during the nine-month period ended September 30, 2018. These fair values were subject to Management's best estimates and assumptions after taking into consideration all relevant information available:

	Kaya	Alta	FloraCal	RVR	TOTAL
Purchase consideration					
Cash and cash equivalents	$ 1,251,768	$ 724,266	$ 2,572,140	$ -	$ 4,548,174
Settlement of pre-existing amounts owing	1,104,113	412,416	-	8,730,760	10,247,289
Issued shares	2,197,029	2,558,724	17,544,000	-	22,299,753
Contingent consideration	2,793,654	3,046,076	14,697,170	33,593,518	54,130,418
Total Purchase Price	$ 7,346,564	$ 6,741,482	$ 34,813,310	$ 42,324,278	$ 91,225,634
Identified tangible net assets					
Cash and cash equivalents	$ 135,921	$ 597,399	$ 1,496,470	$ 1,020,041	3,249,831
Amounts receivable	124,472	469,050	867,900	688,723	2,150,145
Prepaid expenses	177,267	11,185	63,120	96,526	348,098
Inventory	1,752,768	1,006,000	708,785	2,250,090	5,717,643
Biological assets	-	-	657,500	-	657,500
Property, equipment, and software	118,919	126,987	1,940,940	1,625,282	3,812,128
Amounts payable and accrued liabilities	(1,324,939)	(2,387,684)	(2,461,680)	(2,652,739)	(8,827,042)
Loans payable and other liabilities	(26,420)	(69,600)	-	(373,058)	(469,078)
Identified Intangible Items					
Acquired licenses	-	3,866,400	18,015,500	-	21,881,900
Distribution network	1,417,680	-	3,287,500	-	4,705,180
Retail relationships	-	1,675,440	-	10,696,080	12,371,520
Brand	-	-	6,706,500	-	6,706,500
Favourable lease	-	-	1,052,000	-	1,052,000
Deferred tax liability	(396,950)	(1,551,715)	(8,580,431)	(3,171,868)	(13,700,964)
Goodwill	5,367,847	2,998,020	11,059,206	32,145,200	51,570,273
Total Allocated	$ 7,346,564	$ 6,741,482	$ 34,813,310	$ 42,324,278	$ 91,225,634

(i) Acquisition of Kaya Management Inc. ("Kaya")

On March 27, 2018, the Company acquired 100% of Kaya, a corporation incorporated under the laws of the state of California, to purchase all the issued and outstanding shares. Kaya manufactures cannabis vaporizer pens, edibles, and other products to a large network of dispensaries in California. As a result of this transaction, a prior director and officer of Kaya was retained by the Company to act as Vice-President of Operations of the acquired entities. The primary purpose of this acquisitions was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed manufacturer to the Company's portfolio of investments.

(Unaudited - Expressed in Canadian Dollars)

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	1,251,768
Settlement of pre-existing working capital advances (ii)			1,104,113
Issued shares (iii)	579,691		2,197,029
Contingent shares (iv)	737,112		2,793,654
Total consideration issued	1,316,803	$	7,346,564

(i) Cash consideration of $1,251,768 was contemplated to be settled in three parts: 1) $1,192,592 was paid in cash in April 2018; 2) direct settlement of Kaya liabilities by Origin House in the amount of $59,176; and 3) settlement following the finalization of the final working capital adjustment.

(ii) Prior to the acquisition, the Company advanced working capital funds to Kaya. These working capital advances were effectively settled through this acquisition;

(iii) Origin House issued 579,691 shares at the acquisition date. Public market data was used to determine the fair value of the shares of $3.79 on that same date; and

(iv) In addition to the shares issued on the acquisition date, up to 737,112 Origin House stock warrants ("stock warrants") may be issued to the Kaya shareholder based on the achievement of four independent revenue target benchmarks established for certain distinct periods through to June 2019.

The number of stock warrants that could be earned from meeting, or failing to meet, each of the distinct periods referred to above is not variable. If the revenue target of a distinct period is achieved, 184,278 stock warrants will be issued in each period. If the conditions are not met, no stock warrants will be issued to the shareholder. Accordingly, the contingent consideration is valued as an equity instrument and will not be revalued in future reporting periods. As of September 30, 2018, a total of 368,556 contingent warrants have been earned, of which 184,278 were issued subsequent to September 30, 2018. The fair value of the stock warrants at the date of the acquisition was determined based on the fair value of the underlining shares at $3.79, which was the fair value at the date of the transaction.

Intangible Assets and Goodwill

The Company recognized one identifiable intangible asset within the Kaya acquisition:

Distribution network valued at $1,417,680: Origin House acquired a relationship with a large distributor within the state of California.

The Company has recorded a deferred tax liability of $396,950 related to this intangible. This liability was based on the corporate tax rates in the Kaya's tax jurisdiction.

The goodwill balance of $5,367,846 reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

ii) Acquisition of Alta Supply Inc. ("Alta")

On March 27, 2018, the Company acquired 100% of Alta, a corporation incorporated under the laws of the state of California, to purchase all the issued and outstanding shares. Alta is a distributor of Bhang vaporizer and Bhang chocolate products, as well as products for several third-party cannabis companies throughout California. The primary purpose of this acquisitions was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed distributor to the Company's portfolio of investments.

(Unaudited - Expressed in Canadian Dollars)

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	724,266
Settlement of pre-existing working capital advances (ii)			412,416
Issued shares (iii)	675,125		2,558,724
Contingent shares (iv)	868,880		3,046,076
Total consideration issued	1,544,005	$	6,741,482

(i) Cash consideration of $724,266 was contemplated to be settled in three parts: 1) $652,681 was paid in cash in April; 2) direct settlement of intercompany liabilities by Origin House in the amount of $71,585; and 3) settlement following the finalization of the final working capital adjustment. The final working capital adjustment has been assessed at $465,386 and has been included in amounts receivable (note 5).

(ii) Prior to the acquisition, the Company advanced working capital funds to Alta. These advances were effectively settled through this acquisition;

(iii) Origin House issued 675,125 shares at the acquisition date. Public market data was used to determine the fair value of the shares of $3.79; and

(iv) In addition to the shares issued on the acquisition date, up to 868,880 stock warrants may be issued to Alta shareholders based on the achievement of four independent distinct targets. The first two earn-outs are based on the achievement of a certain number of contracts with licensed manufacturers, at established markup and revenue targets. These two earn-outs are in distinct and independent time periods ending in April 2019. The second two earn-outs are based on the achievement of a certain number of agreements with dispensaries and also at an established revenue target. These two earn-outs are also in distinct and independent time periods ending in December 2018.

The number of stock warrants that could be earned from meeting, or failing to meet, each of the earn-outs referred to above is not variable. If the various targets discussed above within each distinct time period is achieved, 217,220 stock warrants will be issued in each period. If these same targets are not met within each distinct time period, no stock warrants will be issued to the shareholders. Accordingly, the contingent consideration is valued as an equity instrument and will not be revalued in future reporting periods. As of September 30, 2018, a total of 651,660 contingent warrants have been earned, of which 45,616 were issued subsequent to September 30, 2018. The fair value of the stock warrants at the date of the acquisition was determined based on the fair value of the underlining shares at $3.79, which was the fair value at the date of the transaction.

Intangible Assets and Goodwill

The Company recognized two identifiable intangible assets within the Alta acquisition:

Acquired licenses valued at $3,866,400: Origin House acquired a California temporary distribution license and a municipal distribution license. The licenses allow for the purchase of cannabis and cannabis products from licensed cultivators and manufacturers, and the sale of purchased products to licensed dispensaries. The current licenses are temporary and were issued in conjunction with the regulatory requirements that came into effect on January 1, 2018 in California. The State of California is in the process of implementing an annual cannabis license regime, under which Alta has an active application.

Retail relationships valued at $1,675,440: Origin House acquired the relationship with numerous licensed dispensaries within the state of California. Effective January 1, 2018 all sales to dispensaries from cultivators and manufactures must pass through licensed distributors.

(Unaudited - Expressed in Canadian Dollars)

The Company has recorded a deferred tax liability of $1,551,715 related to timing differences on intangible assets. This liability was based on the corporate tax rates in Alta's tax jurisdiction.

The goodwill balance of $2,998,020 reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

iii) Acquisition of FloraCal Farms ("FloraCal")

On July 2, 2018, the Company acquired 100% of FloraCal, a licensed, ultra-premium craft cannabis producer located in Sonoma Country, California.

The identifiable assets acquired, and liabilities assumed of this entity was recorded at their fair value on the date of the acquisition and their results were included in the condensed interim consolidated financial statements beginning on the that same date. The primary purpose of this acquisitions was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding a licensed cultivator to the Company's portfolio of investments.

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Cash (i)		$	2,572,140
Issued shares (ii)	35,088		17,544,000
Contingent shares (iii)	35,088		14,697,170
Total consideration issued	70,176	$	34,813,310

(i) The acquisition consideration consisted of $1.3 million (US $1.0 million) in cash paid immediately, plus a working capital adjustment of $1.3 million;

(ii) 35,088 Origin House Class A compressed shares ("Compressed Shares") issued on close; and

(iii) Up to an additional US $3.0 million in cash and 35,088 Compressed Shares to be paid over 3 years, based on the completion of certain expansion and budget milestones, and other considerations. Each individual Compressed Share can be converted to 100 common shares of the Company under certain conditions. The fair value of the stock warrants at the date of the acquisition was determined based on the fair value of the underlining common shares at $5.00, which was the fair value at the date of the transaction. The Company recorded $1,254,510 within accounts payable and accrued liabilities related to the current portion of cash consideration, and long-term cash consideration of $2,136,274 was recorded as purchase consideration payable.

(Unaudited - Expressed in Canadian Dollars)

Intangible Assets and Goodwill

The Company recognized four identifiable intangible assets within the FloraCal acquisition:

Acquired licenses valued at $18,015,500: Origin House acquired a temporary California cultivation license, and a municipal cultivation licence. The licenses allow for the cultivation of cannabis within FloraCal's production facility in Sonoma County. The current licenses are temporary and were issued in conjunction with the regulatory requirements that came into effect on January 1, 2018 in California. The State of California is in the process of implementing an annual cannabis license regime, under which FloraCal has an active application.

Distribution network valued at $3,287,500: Origin House acquired a relationship with a large distributor within the state of California.

Brand valued at $6,706,500: Origin house acquired the use of the FloraCal brand.

Favourable lease at $1,052,000: The Company acquired a favourable lease with below market rent (note 21) related to FloraCal's cultivation facility.

The Company has recorded a deferred tax liability of $8,580,431 related to timing differences on intangible assets, property and equipment, and biological asset accounting. This liability was based on the corporate tax rates in FloraCal's tax jurisdiction.

The goodwill balance of $11,059,206 reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

iv) Acquisition of River Distribution ("RVR" or "River")

On August 31, 2018, the Company gained control of RVR, a large, licensed cannabis distributor within the state of California. In accordance with IFRS 10 *Consolidated Financial Statements*, control was gained through the Company's power over RVR, its exposure to variable returns of RVR, and the Company's ability to use power over RVR to affect the amount of returns (note 31). The primary purpose of this acquisitions was to continue to build and support a diversified portfolio of assets in the California cannabis sector by adding an additional licensed distributor to the Company's portfolio of investments.

Consideration Transferred

Purchase consideration was comprised of the following:

	Shares		Value
Settlement of pre-existing amounts owing (i)		$	8,730,760
Contingent shares (ii)	70,000		33,593,518
Total consideration issued	70,000	$	42,324,278

(i) Royalty receivable and promissory notes were extinguished

(ii) Options to acquire 70,000 Class A compressed shares over two years. Each individual Compressed Share can be converted to 100 common shares of the Company under certain conditions.

The Company recorded a gain upon settlement of royalty investment totalling $1,098,374 due to the difference between the fair value of consideration related to the royalty investment settled upon acquisition and the amortized cost of the royalty investment before acquisition (note 13).

(Unaudited - Expressed in Canadian Dollars)

Intangible Assets and Goodwill

The Company recognized two identifiable intangible assets within the RVR acquisition:

> *Retail relationships valued at $10,696,080:* Origin House acquired the relationship with numerous licensed dispensaries within the state of California. Effective January 1, 2018 all sales to dispensaries from cultivators and manufactures must pass through licensed distributors.

The Company has recorded a deferred tax liability of $3,171,868 related to timing differences on intangible assets, and property and equipment. This liability was based on the corporate tax rates in RVR's tax jurisdiction.

The goodwill balance of $32,145,200 reflects the benefits of assembled workforce, expected earnings, and future market development. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. Goodwill will not be amortized and will be reviewed for impairment on an annual basis. The goodwill is not tax deductible.

Acquisition Related Costs

Origin House has incurred expenses of $536,840 related to the above acquisitions. These costs were recorded in general and administrative expenses in the period the acquisition was recorded.

Pro Forma Disclosures

The above acquisitions contributed revenues of $9.5 million and a net loss of $2.9 million as part of Origin House's consolidated results from their dates of acquisition, excluding the impact of fair value adjustments and any amortization of intangibles assumed on acquisition. If each acquisition had occurred on January 1, 2018, management estimates that Origin House's consolidated revenue would have increased by $18.6 million and the net loss would have increased by $8.0 million for the nine months ended September 30, 2018. The estimated increased loss includes an additional charge related to the acquired intangibles of $2.1 million. In determining these amounts, Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on January 1, 2018.

5. Amounts Receivable

		September 30, 2018		December 31, 2017
Trade accounts receivable	**$**	**2,331,025**	$	813,052
Allowance for credit losses of trade receivables		**(170,874)**		(28,026)
Royalties receivable		**944,130**		1,391,220
Allowance for credit losses of royalty receivable		**(944,130)**		(919,481)
HST and sales tax receivable		**31,143**		478
Accrued advisory fees		**-**		132,273
Final working capital adjustment		**465,386**		-
Other receivables		**42,894**		39,607
Total Amounts Receivable	**$**	**2,699,574**	$	1,429,123

(Unaudited - Expressed in Canadian Dollars)

Allowance for expected credit losses

Allowance for expected credit losses on outstanding trade account receivables has been calculated as follows:

		September 30, 2018		December 31, 2017
Allowance for credit losses of accounts, beginning of period	**$**	**28,026**	$	-
Effect of foreign currency translation		**589**		-
IFRS 9 expected credit loss prior year adjustment		**109,138**		-
Expected Credit loss provision		**36,435**		69,837
Bad debt recovered		**(3,314)**		-
Write-off of specific balances		-		(41,811)
Allowance for credit losses of accounts, end of period	**$**	**170,874**	$	28,026

Trade accounts receivable

		September 30, 2018		December 31, 2017
Current	**$**	**743,441**	$	535,029
Past due: Less than 30 days		**669,339**		-
31 - 60		**365,116**		40,196
61 - 90		**257,374**		66,065
Greater than 90 days		**295,753**		171,762
Total	**$**	**2,331,023**	$	813,052
Allowance for credit loss		**(170,874)**		(28,026)
Net trade accounts receivable	**$**	**2,160,149**	$	785,026

As at September 30, 2018, one customer accounted for 13% of total trade receivables (December 31, 2017 – two customers, 82%).

Royalties receivable

As at September 30, 2018, royalty receivables, net of allowances, were $nil (December 31, 2017 - $471,739).

		September 30, 2018		December 31, 2017
Allowance for credit losses of royalty receivables, beginning of period	**$**	**919,481**	$	-
Expected credit loss - current period (net of foreign exchange impact)		-		919,481
Effect of foreign currency translation		**24,649**		-
Allowance for credit losses of royalty accounts, end of period	**$**	**944,130**	$	919,481

The Company has recorded a provision of $944,130 related to royalties receivable from Cascadia.

(Unaudited - Expressed in Canadian Dollars)

6. Inventory

		September 30, 2018		December 31, 2017
Finished goods	$	5,826,219	$	248,944
Work in process		3,221		-
Raw materials		1,550,605		21,225
Total Inventory	$	7,380,045	$	270,169

For the quarter-ended September 30, 2018, inventories of $453,637 (2017 - nil) were written-off due to obsolescence.

During the nine months ended September 30, 2018, the Company recorded a cost of sales recovery of $429,442 related to inventory that was previously impaired.

7. Biological Assets

		September 30, 2018
Carrying amount, upon acquisition	$	657,500
Changes in fair value less costs to sell due to biological transformation		951,694
Transferred to inventory upon harvest		(910,428)
Total Biological Assets	$	698,766

As at September 30, 2018, the fair value of biological assets was comprised of $698,766 in cannabis plants. The significant estimates used in determining the fair value of cannabis plants are as follows:

1) yield per plant;
2) stage of growth estimated as the percentage of costs incurred as a percentage of total cost as applied to the estimated total fair value per gram (less fulfilment costs) to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested;
3) allocation of costs incurred for each stage of plant growth; and
4) fair value selling price per gram less cost to complete and cost to sell.

Management's identified significant unobservable inputs, their range of values, and sensitivity are as follows:

Unobservable inputs	Input values	Sensitivity
Yield per plant: Obtained through historical harvest results	33 to 199 grams per plant	An increase or decrease of 5% applied to the average yield per plant would result in a change of approximately $63,000 in the valuation of biological assets at period end.
Stage of growth: Obtained through the estimates of stage of completion	37%	An increase or decrease of 5% applied to the average stage of growth per plant would result in a change of approximately $96,000 in the valuation of biological assets at period end.

A 5% change in the fair value less cost to sell per gram would not result in a material change to the valuation of biological assets at period end.

(Unaudited - Expressed in Canadian Dollars)

The Company views its biological assets as a Level 3 fair value estimate and estimates the probability of certain harvest rates at various stages of growth. As at September 30, 2018, it is expected that the Company's biological assets will yield approximately 273,000 grams of premium cannabis. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

Included within cost of sales were biological asset production costs of $675,120.

8. Prepaid and Other Assets

Included within the prepaid and other assets balance at September 30, 2018 is a prepayment of inventory of $968,100 (US$ 750,000) related to an agreement with Utopia Cannabis "Utopia". This prepayment was made on September 14, 2018 and the inventory is due by January 14, 2019. If the prepayment of inventory is not delivered in full by Utopia by the due date, the balance of the prepayment will begin to accrue interest at an annual rate of 10%.

Deliveries of inventory have commenced in October 2018.

9. Loans Receivable

		September 30, 2018		December 31, 2017
Stokes Confections (1)	**$**	**65,548**	$	63,837
Wagner Dimas (2)		**288,164**		446,639
Promissory Note - Alta (3)		**-**		370,845
Promissory Note - Kaya (3)		**-**		214,562
180 Smoke (4)		**1,022,454**		-
Other Advances (5)		**-**		6,285
Total loans receivable: short term	**$**	**1,376,166**	$	1,102,168
CannaCraft (6)	**$**	**-**	$	66,421
Total loans receivable: long-term	$	-	$	66,421

(1) On May 15, 2016, the Company entered into a letter of intent with Progressive Marketing Partners LLC ("Stokes Confections"). Stokes Confections is based in California and produces low dose, cannabis-infused edibles. An advance of $64,040 (US$ 50,000) was made as an up-front fee and is repayable, with annual interest of 2.5%. As of September 30, 2018, the total receivable includes $1,508 of accrued interest (December 31, 2017 – $1,050). The advance is unsecured and due on demand.

(2) On July 5, 2017, $197,040 (US$ 150,000) of unsecured debt was advanced to Wagner Dimas, Inc. ("Wagner Dimas"), an equity accounted investee of the Company (note 11). Subsequent to a term sheet entered into on September 22, 2017, Wagner Dimas granted Origin House an option to convert the debt into a Canadian License Grant for a term of 15 years from the date of conversion and three pre-roll machines. The Canadian License Grant means the grant to Origin House of an exclusive and assignable license solely for the territory of Canada, including but not limited to, rights to license its products, processes, brands, machinery, and intellectual property.

In October 2017, a promissory note of $258,160 (US$ 200,000) was advanced to Wagner Dimas. The note bears interest of 12% per annum. As at September 30, 2018, accrued interest of $30,004 has been recorded (December 31, 2017 - $6,654).

On August 14, 2018, the Company closed a transaction with Aurora Cannabis Inc., to sell its Canadian License Grant in Wagner Dimas. The license was valued at $7.0 million based on the five-day volume weighted average price of Aurora common shares leading up to signing of a term sheet on July 11, 2018. The transaction was settled in 756,348 Aurora Cannabis common shares, and the value of these shares based on the closing price of Aurora common shares on August 13, 2018 was $4.5 million. A gain of $4.2 million was recorded in income statement as a gain on the sale of a technology licence.

(3) In accordance with a binding term sheet signed on November 28, 2017 with Kaya and Alta, the Company extended various promissory notes to increase working capital. These promissory notes were settled as part of the acquisition and have been included in the related purchase price (note 4).

(4) On May 9, 2018, the Company entered a secured term credit facility with 180 Smoke Inc. ("180 Smoke") for principal of up to $2.5 million (the "180 Smoke Facility"). The 180 Smoke Facility matures on May 9, 2019, with an election available to the borrower to extend up to two years based on certain requirements, and bears annual interest of 10%, payable upon maturity. As at September 30, 2018, the Company and its subsidiary Trichome, have jointly lent $850,000 to the borrower on an equal basis, with remaining credit to be released based on certain conditions. Interest accrued to date is $25, 860.
In addition to the 180 Smoke Facility, 180 Smoke issued 2,920,434 warrants to the Company and its subsidiary Trichome, on an equal basis, during the nine months ended September 30, 2018. The fair value of the warrants at period-end was $104,344, which was calculated based on a Black-Scholes model. Key assumptions within the model are; volatility of 73%, risk free rate of 1.8%, expected life of 3-months, and exercise price of $0.387 per share.

(5) Loans in the amount of $6,568 (US$ 5,000) were repaid via the provision of legal services.

(6) The Company advanced funds of $328,400 (US$ 250,000) to CannaCraft, Inc. ("CannaCraft") on May 16, 2016. As at September 30, 2018, this advance has been fully offset by the purchase of equipment and product from CannaCraft.

10. Convertible Notes Receivable

In July 2016, Origin House advanced $387,240 (US$ 300,000) to BAS Research ("BAS") in exchange for two senior convertible promissory notes ("BAS Promissory Notes"). The BAS Promissory Notes matured in January 2018 after an eighteen-month term and the Company did not exercise its option to convert the debt into shares. When a settlement did not materialize, the Company had significant uncertainty concerning collection and a full impairment loss was recorded in the first quarter of fiscal 2018.

A payment of $436,135 (US$333,692) was received in connection to the previously impaired notes in August 2018, including interest of $44,035 (US$33,692). This has been recorded as a recovery in the third quarter of fiscal 2018.

(Unaudited - Expressed in Canadian Dollars)

11. Interest in Equity Accounted Investees

		September 30, 2018		December 31, 2017
Associated Companies				
Resolve (1)	**$**	**2,542,271**	$	2,538,014
Wagner Dimas (2)		**-**		865,779
		2,542,271		3,403,793
Joint Venture				
Mobile Medicine (3)		**192,540**		192,540
Total Equity accounted investments	**$**	**2,734,811**	$	3,596,333

Associated Companies

(1) On November 16, 2015, Origin House invested $750,000 in Resolve Digital Health Inc. ("Resolve"), an Ontario corporation based in Toronto, in return for an 11% equity interest. On April 1, 2016, the Company purchased an additional 24% of the common shares of Resolve for consideration of $1,695,000 in exchange for Origin House common shares and cash.

On March 28, 2017, Origin House made an additional equity investment of $80,000 in Resolve. This investment was part of a $4,550,000 financing round at $0.50 per unit. Due to this financing round, Origin House's total equity interest was reduced to 27.7% of the non-diluted common shares of Resolve. This represented a deemed disposal, and the Company recorded a gain of $1,132,107 which was included in the profit from equity accounted interests for the three months ended September 30, 2017.
On March 2, 2018, Resolve completed a private placement financing whereby 1,290,500 shares were issued for gross proceeds of $1,935,750 or $1.50 per share. In July 2018, Resolve issued a further 210,433 shares at $1.50 per share. These transactions resulted in a dilution gain of $909,039. This assessment isa based on Level 3 inputs under the IFRS 13 fair value hierarchy and consists of unobservable transaction prices for identical assets in a non-quoted market.

As at September 30, 2018, Origin House held 14,160,738 shares, representing 26.4% issued and outstanding shares of Resolve (December 31, 2017 – 27.7%).

(2) On May 25, 2016, Origin House acquired a 20% equity interest in Wagner Dimas, a Nevada corporation with operations in California. The Company purchased 2,000,000 shares of Wagner Dimas for $818,125 (US$ 625,000). On September 22, 2017, Origin House purchased an additional 2% equity interest in Wagner Dimas from an existing shareholder for $246,780 (US$ 200,000) which was paid on October 6, 2017.

As at September 30, 2018, Origin House held a 22% equity interest in Wagner Dimas.

Asset held for sale
Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell, and classified as current assets.

On September 17, 2018, the Company entered into a letter of intent to sell its 22% equity interest in Wagner Dimas to Australis Capital Inc., for consideration of $3,000,000. The investment was recorded at its carrying value of $1,064,910 (US$825,000) as at September 30, 2018 and designated as held for sale. The sale was closed subsequent to period-end on October 3, 2018 (note 31).

(Unaudited - Expressed in Canadian Dollars)

The following tables summarize the financial information of Origin House's associates. The table also reconciles the summarized financial information to the carrying amount of Origin House's interest at September 30, 2018 and 2017.

		September 30, 2018		December 31, 2017
Current assets	$	1,351,520	$	2,921,367
Non-current assets		31,146		11,064,644
Current liabilities		(372,201)		(891,454)
Net assets	$	1,921,130	$	13,094,557

	Three months ended September 30				Nine months ended September 30			
		2018		2017		2018		2017
Selected financial results of equity accounted investees								
Revenue	$	44,239	$	980,257	$	130,766	$	(2,830,705)
Net Loss and Total comprehensive loss		(1,136,416)		(417,077)		(3,749,788)		(1,182,279)
Share of profit (loss) from equity accounted investees								
Origin House's share of loss and total comprehensive loss	$	(251,414)	$	(137,093)	$	(939,781)	$	(425,286)
Add - gain on transactions		261,520		-		1,108,445		1,132,107
Origin House's profit from equity accounted investees	$	10,106	$	(137,093)	$	168,664	$	706,821

Joint Venture

(3) On July 22, 2016, the Company entered into a joint venture with CannaCraft, a California corporation that supplies equipment and cannabis-based medicines. The joint venture is conducted under the name Mobile Medicine, whose purpose is to manufacture and lease mobile gelatin encapsulation machines. Origin House has joint decision-making with CannaCraft, 50% ownership interest, and a residual interest in the net assets of Mobile Medicine. Accordingly, this interest has been classified as a joint venture.

Under the terms of the agreement, Origin House was to contribute two thirds of the funding required for a 50% equity interest, of which $192,540 has been advanced (December 31, 2017 - $192,540).

As at September 30, 2018, the joint venture has yet to begin commercial activity.

12. Investments

The following table summarizes the Company's investments at the end of each respective period:

		September 30 2018		December 31 2017
AltMed (1)	$	6,149,878	$	6,277,456
Bodhi (2)		250,000		250,000
Fleurish (3)		452,184		250,000
Anandia (4)		-		10,465,886
Aurora (5)		-		-
Total Investments	$	6,852,062	$	17,243,342

(Unaudited - Expressed in Canadian Dollars)

The following table summarizes gains and losses on investments for the three and nine-month periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
AltMed	**$ (1,843)**	$ -	**$ (247,106)**	$ -
Fleurish	**-**	-	**202,184**	-
Anandia	**(9,666,610)**	-	**5,941,546**	-
Aurora	**6,866,080**		**6,866,080**	-
Total Gain/(Loss)	**$ (2,802,373)**	$ -	**$ 12,762,704**	$ -

(1) The Company purchased 1,500 Class A units in Alternative Medical Enterprises, LLC (“AltMed”), a Florida limited liability company focused on medical cannabis. AltMed owns 100% of NuTrae LLC (“NuTrae”), a company developing drug delivery systems and products. The units were purchased for $1,850,070 (US$ 1,500,000), which represented an 8.3% equity interest at that time. As at September 30, 2018, the Company has assessed the fair value its equity holding in AltMed at $6,149,878. This assessment was based on Level 3 inputs under the IFRS 13 fair value hierarchy and consists of unobservable transaction prices for identical assets in a private market. The fair value was based on the closing of several financing transactions within a designated series completed during the nine months ended September 30, 2018. As at September 30, 2018, Origin House’s ownership percentage in AltMed has deceased to 6.1%.

(2) On April 7, 2016, the Company entered into an agreement to purchase a 10% equity interest in Bodhi Research Inc. (“Bodhi”) for $250,000. The investee is an Ontario corporation that is conducting research trials for exploring the use of cannabis in the treatment of concussions and post-concussive syndrome.

(3) During July 2017, the Company advanced $250,000 to Farmacopeia Inc, which changed its name to Fleurish Cannabis Inc. (“Fleurish”), in exchange for a 2.1% equity interest. Fleurish is a corporation based in the province of Ontario and has a marijuana production licence from Health Canada.

As of September 30, 2018, the Company has assessed the fair value of Fleurish at $452,184. This assessment is based on Level 3 inputs under the IFRS 13 fair value hierarchy and consists of unobservable transaction prices from a private placement completed in January 2018 which was disclosed on SEDAR. As at September 30, 2018, Origin House’s ownership percentage in Fleurish has deceased to 1.7%.

(4) On February 17, 2017, Origin House agreed to acquire a fully diluted equity stake in Anandia Laboratories Inc. (“Anandia”) of 20%. Anandia is a biotechnology company with a focus on providing leading analytical testing services and developing cannabis strains for safe and effective medical applications. Origin House agreed to provide aggregate consideration of $4,042,439 in exchange for the equity interest which was satisfied through a combination of $500,000 in equipment and services to be provided by Origin House later in fiscal 2017, $1,521,218 in cash, and 689,568 Origin House shares. On July 25, 2017, the Company received 487,520 shares of Anandia subsequent to the delivery of equipment valued at $340,000.

At December 31, 2017, the value of the Anandia investment was increased from its initial investment value of $3,882,439 to a fair value of $10,465,886 based on recent financing transactions. A further 229,421 shares, representing a value of $160,000, was delivered in January 2018 for the provision of advisory services to Anandia.

(Unaudited - Expressed in Canadian Dollars)

On June 12, 2018, Anandia and Aurora Cannabis Corp. ("Aurora") signed a term sheet in which Anandia would be sold in exchange for Aurora shares and warrants. This transaction was closed on August 8, 2018. The Company recorded total proceeds on disposal of $16,778,456 based on the closing value of 2,258,204 Aurora shares, a publicly traded company (a value of $13,910,537) and 1,129,102 warrants received (a value of $2,867,919). Anandia shareholders received half-share warrants in Aurora which have an expiry period of 5 years. These warrants were valued at August 8, 2018, using a Black-Scholes model. The key assumptions included a share price of $6.18, a strike price of $9.37 in accordance with the term sheet, an expected life of 3 years, a volatility of 78% based on the historical volatility of Aurora shares, and a risk-free interest rate of $2.07%

At the reporting period ended June 30, 2018 Anandia was fair valued at $26.4 million based on the value of Aurora shares at that date. As the value of the shares dropped between June 30, 2018 and the August 8, 2018 closing date, a loss of $9.7 million was recorded in the third quarter.

(5) As part of the close of the Anandia transaction in August 2018 (note 12(4)) the Company received 2,258,204 shares in Aurora with a value of $13.9 million and Aurora warrants with a value of $2.9 million.
As part of the close of the transaction to sell a Canadian Technology License in August 2018 (note 9(2)), the Company received 756,348 shares in Aurora with a value of $4.5 million.

Prior to end of the third quarter, the Company sold its 3,014,552 shares in Aurora for proceeds of $26.5 million and sold its warrants for proceeds of $1.7 million. The net gain from all Aurora related investments was $6.9 million.

As of September 30, 2018, The Company no longer holds any shares of Aurora

13. Royalty Investments

The following is a summary of the carrying amount of our royalty investments with related terms and accounting basis:

	Term	**Accounting Basis**		**September 30, 2018**		December 31, 2017
NuTrae (1)	10 years	Amortized Cost	**$**	**965,348**	$	1,013,428
Three Leaf (2)	2 years	Amortized Cost		**-**		100,000
Natural Ventures (3)	10 years	Amortized Cost		**322,700**		336,025
River (4)	7 Years	Amortized Cost		**-**		4,385,160
Total			**$**	**1,288,048**	$	5,834,613

The following table is a summary of the amortization expense on royalty investments for the three and nine months periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30				**Nine months ended September 30**			
		2018		2017		**2018**		2017
NuTrae	**$**	**32,460**	$	33,662	**$**	**95,269**	$	86,356
River		**147,570**		211,991		**725,284**		324,789
Total Amortization	**$**	**180,030**	$	245,653	**$**	**820,553**	$	411,145

(1) Pursuant to an agreement dated April 1, 2016 between Origin House and Vida, the Company purchased 3.5% royalty on the net revenue of NuTrae for a period of 10 years, commencing January 1, 2016. The total consideration for this purchase was $1,130,000 (US$ 878,889). NuTrae, a wholly owned subsidiary of AltMed (note 12) develops drug delivery systems and products including MüV branded products. This royalty investment stream is for a definite period and it is recorded at amortized cost. NuTrae has commenced commercial operations that earned revenue in February 2017, and accordingly amortization commenced during the three months ended September 30, 2017 and is included within Cost of Sales.

(2) On April 10, 2017, Origin House amended its royalty financing arrangement with Three Leaf such that the end of the 2% referral fee period was extended from May 12, 2017 until March 12, 2018. Furthermore, this amendment contained a guarantee whereby if the total royalties earned from the arrangement were less than $100,000 in totality, an equalizing cash payment would be made by Three Leaf at the end of the referral fee period. No royalties were earned, and this royalty was re-classified as an advance receivable in the first quarter of fiscal 2018, which was subsequently paid in July 2018.

(3) On December 20, 2016, Origin House entered into a binding term sheet with Natural Ventures PR, LLC (“Natural Ventures”) regarding a royalty financing arrangement of $322,700 (US$ 250,000). Pursuant to the arrangement, Natural Ventures agreed to grant Origin House a 2.5% royalty on Natural Ventures’ net income, and a further 10% referral royalty on revenue generated from products licensed by Natural Ventures from Origin House for the Puerto Rican market over a 10-year period.

The 10-year period to earn revenue and to record amortization, will begin in the first quarter after Natural Ventures has generated net income, which has yet to occur as at September 30, 2018.

(4) On May 15, 2017, the Company completed an agreement regarding a strategic financing and other related arrangements with RVR, is a licensed cannabis wholesale logistics, distribution, and transportation company in the state of California.

The agreement included the following components:

- Promissory note financing of $6,828,000 (US$ 5,000,000) to RVR over fiscal 2017. The terms of the investment contemplate repayment of principal and 15% annual interest commences in January 2018.

  As of December 31, 2017, the Company had made financing advances of $4,779,600 (US$ 3,500,000). A further $1,970,400 (US$ 1,500,000) of advances were completed during the first half of fiscal 2018 and have been added to the royalty investment balance.

- A consulting services arrangement which includes the provision of services by Origin House such as product launch, marketing, development and other services. The compensation payable to Origin House for consulting services is based on a formula net of any other payments made to Origin House under the arrangement. This ensures total compensation from RVR within this arrangement being equal to 2.25% of RVR’s net sales revenues until repayment of the initial US$ 5,000,000 promissory note, and 1.75% thereafter until December 31, 2024.

- A preferred product distribution arrangement which provides a significant channel for Origin House’s products to access the California market. The arrangement entitles Origin House to preferential rates on RVR’s distribution services.

As this agreement resulted in Origin House receiving a prescribed benefit based on the revenue earned by RVR, the components of this agreement combine to make up a royalty financing arrangement.

On August 31, 2018, Origin House gained control of RVR. The net remaining value of this investment, $5.4 million, was included in the purchase price of RVR (note 4).

(Unaudited - Expressed in Canadian Dollars)

14. Property and Equipment

The following is a summary of the activity for the nine months ended September 30, 2018:

	January 1, 2018	Additions	Disposals	Impact of f/x	**September 30, 2018**
Construction in progress	$ -	$ 4,593,468	$ -	$ (67,062)	**$ 4,526,406**
Building not ready for use	-	3,037,158	-	(941)	**3,036,217**
Processing equipment	368,398	423,709	-	(3,625)	**788,482**
Filling machines and labeling system	725,761	-	-	16,972	**742,733**
Furniture and fixtures	138,966	184,435	-	2,637	**326,038**
Computers and related equipment	43,209	511,277	-	(2,932)	**551,554**
Motor vehicles	-	654,079	-	(6,707)	**647,372**
Leasehold Improvements	51,324	1,026,126	-	(7,240)	**1,070,210**
Total cost	$ 1,327,658	$ 10,430,252	$ -	$ (68,898)	**$ 11,689,012**

	January 1, 2018	Depreciation	Disposals	Impact of f/x	**September 30, 2018**
Processing Equipment	$ (118,923)	$ (58,628)	$ -	$ (2,528)	**$ (180,079)**
Filling machines and labeling system	(83,513)	(57,209)	-	1,507	**(139,215)**
Furniture and fixtures	(23,589)	(29,144)	-	(671)	**(53,404)**
Computers and related equipment	(12,706)	(27,982)	-	(877)	**(41,565)**
Motor vehicles	-	(21,558)		103	**(21,455)**
Leasehold Improvements	(4,829)	(105,551)	-	187	**(110,193)**
Total accumulated depreciation	$ (243,560)	$ (300,072)	$ -	$ (2,279)	**$ (545,911)**
Net Book Value	$ 1,084,098				**$ 11,143,101**

Additions of $10,430,252 for the nine months ending September 30, 2018, include property and equipment totalling $3,812,128 acquired in the acquisitions of Kaya, Alta, RVR and FloraCal (note 4). Motor vehicles are depreciated over 3 to 5 years.

The following is a summary of the activity for the nine months ended September 30, 2017:

Cost	January 1, 2017	Additions	Disposals	Impact of f/x	**September 30, 2017**
Processing equipment	$ 663,702	$ -	$ (293,057)	$ (2,504)	**$ 368,141**
Filling machines and labeling system	766,306	-	-	(44,805)	**721,501**
Furniture and fixtures	56,004	127,010	-	(4,868)	**178,146**
Computers and related equipment	18,431	24,851	-	(86)	**43,196**
Total cost	$ 1,504,443	$ 151,861	$ (293,057)	$ (52,263)	**$ 1,310,984**

Accumulated Amortization	January 1, 2017	Amortization	Disposals	Impact of f/x	**September 30, 2017**
Processing equipment	$ (96,321)	$ (52,230)	$ 48,571	$ 207	**$ (99,773)**
Filling machines and labeling system	(11,684)	(56,094)	-	2,699	**(65,079)**
Furniture and fixtures	(3,191)	(20,295)	-	713	**(22,773)**
Computers and related equipment	(135)	(9,111)	-	-	**(9,246)**
Total accumulated amortization	$ (111,331)	$ (137,730)	$ 48,571	$ 3,619	**$ (196,871)**
Net Book Value	$ 1,393,112				**$ 1,114,113**

(Unaudited - Expressed in Canadian Dollars)

The amortization for tangible property and equipment has been recorded within the following expense lines during the three and nine months ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cost of sales	**$ 51,942**	16,563	**$ 81,740**	$ 49,689
General and administration	**122,332**	29,969	**218,332**	88,041
Total Depreciation	**$ 174,274**	$ 46,532	**$ 300,072**	$ 137,730

15. Intangible Assets and Goodwill

The following is a summary of activity in intangible assets during the first nine months of 2018:

	January 1, 2018	Additions	Amortization	FX impact	**September 30, 2018**
Acquired brands	$ 1,957,947	$ 6,706,500	$ (336,473)	$ (69,283)	**$ 8,258,691**
Acquired technology	3,147,580	-	(273,752)	83,720	**2,957,548**
Employment agreement	215,161	-	(28,065)	-	**187,096**
Product formulations	286,910	-	(22,696)	(11,432)	**252,782**
Licenses	-	21,881,900	(992,165)	(319,238)	**20,570,497**
Retail and Customer relationships	-	12,371,520	(248,694)	(107,321)	**12,015,505**
Distribution Network	-	4,705,180	(220,330)	(56,825)	**4,428,025**
Favourable Lease	-	1,052,000	(28,964)	(19,001)	**1,004,035**
Software and Systems	-	245,921	-	-	**245,921**
Net Book Value of Intangibles	$ 5,607,598	$ 46,963,021	$ (2,151,139)	$ (499,380)	**$ 49,920,100**
Goodwill	4,759,377	51,570,273	-	(438,369)	**55,891,281**
Net Book Value	$ 10,366,975	$ 98,533,294	$ (2,151,139)	$ (937,749)	**$ 105,811,381**

The following is a summary of activity in intangible assets during the first nine months of 2017:

	January 1, 2017	Additions	Amortization	FX impact	**September 30, 2017**
Acquired brands	$ 2,330,703	$ -	$ (173,483)	(159,715)	**$ 1,997,505**
Acquired technology	4,907,441	-	(365,280)	(336,289)	**4,205,872**
Employment agreement	271,290	-	(42,097)	-	**229,193**
Product formulations	315,864	-	(20,553)	(505)	**294,806**
Net Book Value of Intangibles	$ 7,825,298	$ -	$ (601,413)	$ (496,509)	**$ 6,727,376**
Goodwill	6,438,885	-	-	(355,866)	**6,083,019**

The additions above, with the exception of software and system, pertains to goodwill and identified intangibles on the acquisitions of Kaya and Alta in the first quarter and the acquisitions of FloraCal and RVR in the third quarter of fiscal 2018 (note 4). The acquired intangibles pertaining to licenses and leases are amortized over 4 to 9 years, which is based on the Company's remaining license and lease lives on the underlying intangible assets. Retail relationships, and distribution networks are amortized over 7 years. Brands are amortized over a 10-year period.

The amortization of the intangible assets is classified as a separate line within operating expense. Certain software and systems charges include internal costs related to the development of an enterprise resource management, system which has not been deployed as at September 30, 2018, and active warehouse management systems.

(Unaudited - Expressed in Canadian Dollars)

16. Amounts Payable and Accrued Liabilities

Amounts payable and accrued liabilities consist of the following balances at the end of each period:

		September 30, 2018		December 31, 2017
Trade accounts payable	$	7,403,033	$	290,260
Purchase consideration payable		1,360,503		-
Other accrued liabilities		2,667,561		1,196,725
Sales tax payable		996,486		
Other payables		152,406		119,704
Total amounts payable	**$**	**12,579,989**	$	1,606,689

17. Loan Payable and Other Liability

		September 30, 2018		December 31, 2017
Promissory notes (1)	$	-	$	425,345
Vehicle loans (2)		105,052		-
Preferred shares held by non-controlling interests (3)		13,079,530		-
Loans payable and other liability	**$**	**13,184,582**	$	425,345

(1) On November 30, 2016, in connection with Origin House's acquisition of a 70% membership interest in Achelois LLC ("Achelois"), a promissory note for $433,709 (US$ 336,000) was issued by Achelois to its founding shareholder. The note bore interest at 0.66% per annum and was fully repayable. On June 11, 2018, the minority shareholder to whom this note was payable, agreed to waive this note in the return of inventory which had a value of US$ 336,000 on the acquisition of Achelois. This inventory had been fully impaired, and accordingly the recovery in its value has been recorded as a reduction in cost of sales during the second quarter of fiscal 2018.

As part of the acquisition of Kaya and Alta, the Company inherited two loans totalling $71,467 (US$ 55,500) to the former majority shareholder of the companies. These loans have been repaid in the third quarter.

(2) As part of the acquisition of Alta, the Company inherited loans related to the purchase of delivery vehicles. The loans fully mature in fiscal 2020, and bear interest at a rate of 4.0%.

(3) Trichome Financial Corp. ("Trichome"), a subsidiary the Company, issued Class A Preferred shares at the subsidiary level as part of a private placement which closed on September 5, 2018, for $4.73 per share. Proceeds were $13.5 million, net of the Company's investment, excluding issuance costs of $480,383. The shares are convertible to cash, at the option of the holder, for $5.15 per share should an Initial Public Offering of Trichome fail to occur or other events fails to occur by September 5, 2019. Consequently, the Class A Preferred shares are classified as liabilities on the Company's statement of financial position, and issuance costs have been netted against gross proceeds.

(Unaudited - Expressed in Canadian Dollars)

The following is a reconciliation of the promissory note activity for the nine months ended September 30, 2018 and September 30, 2017:

		2018		2017
Opening balance, January 1	**$**	**425,345**	$	451,618
Promissory notes issued		**71,467**		-
Accrued interest		**765**		2,389
Loans and interest waived		**(436,463)**		
Promissory notes repaid		**(71,467)**		
Impact of foreign exchange		**10,353**		(32,677)
Closing balance, September 30	**$**	**-**	$	421,330

18. Convertible Debt

		2018		2017
Opening balance, January 1	**$**	**1,431,950**	$	1,414,414
Net Proceeds from issuance of 8% unsecured convertible debentures		**31,249,904**		-
Amount of 8% unsecured convertible debentures classified as equity		**(3,163,518)**		-
Deferred tax liability on 8% unsecured convertible debentures		**(1,140,588)**		-
Accrued and accreted interest on convertible debentures		**1,031,850**		11,704
Conversion option exercised by Aphria on secured debt		**(1,500,000)**		-
Closing balance, September 30	**$**	**27,909,598**	$	1,426,118

On July 12, 2018, the Company closed a private placement of 32,980 convertible debentures at a price of $1,000 per debenture for aggregate gross proceeds to the Company of $32,980,000, including an over-allotment option of $2,980,000. The convertible debentures have a maturity date of three years from the closing date and will bear interest from the date of closing at 8.0% per annum, payable semi-annually on June 30 and December 31 of each year.

The debentures can be convertible, at the option of the holder, into common shares of the Company at any time prior to the maturity date at a conversion price of $6.25 per common share. At any time following the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the outstanding convertible debentures at the Conversion Price should the daily volume weighted average trading price of the common shares be greater than $9.00 for any ten consecutive trading days.

In accordance with IAS 32 *Financial Instruments – Presentation,* the Company classified a portion of the above proceeds of $32,980,000 to equity net of transaction costs of $1,730,096 for the above issued debentures. The amount reflects the estimated residual value of the conversion feature, using the discounted cash flow method. This valuation model considers the present value of cash flows associated with the debentures, discounted at prevailing market borrowing rate presently available to the Company for lending facilities with similar terms. The difference between the principal amount of the debentures and the discounted cash flows represents the fair value of the conversion feature. Included in the closing balance is $578,982 of interest payable.

Subsequent to September 30, 2018 and up to November 26, 2018, 11,534 units ($11.5m) of this debt has been converted into 1,845,440 Origin House common shares.

(Unaudited - Expressed in Canadian Dollars)

On October 19, 2016, the Company issued and sold a secured convertible debenture to Aphria Inc. ("Aphria"), a publicly traded company, and licensed medical marijuana producer in Ontario, Canada, for $1,500,000. The debenture which was to mature on October 19, 2019, was secured by the assets of the Company and availed at an interest rate of 5% per annum, payable annually. The loan was convertible by Aphria, in whole, or in part, into common shares of the Company at a conversion rate of $2.00 per share at any time prior to maturity. During April 2018, Aphria elected to convert the debt into 750,000 shares of Origin House.

19. Deferred Financing Charges / (Line of Credit)

		September 30, 2018		December 31, 2017
Balance drawn	**$**	**-**	$	(3,000,000)
Warrants issued to Sprott		**1,213,131**		1,692,414
Agents commission and legal fees		**348,721**		481,069
Deferred financing charges (Line of Credit)	**$**	**1,561,852**	$	(826,517)

On August 23, 2017, the Company executed an agreement with Sprott to complete a $12.0M financing. The financing is comprised of a revolving $12.0M secured credit facility ("the Facility") with a three-year term. The Facility will bear interest at an annual rate of 10%, payable quarterly in cash or CannaRoyalty shares. Per the agreement, if the interest is repaid in CannaRoyalty shares, the share price will be determined based on a 10% discount of the volume weighted average price in the five trading days immediately prior to the second last business day of the quarter.

As there is no balance drawn on the line of credit with Sprott, the net balance is in an asset position as of September 30, 2018.

At September 30, 2018, all outstanding amount of the funds drawn from the line of credit since inception have been fully repaid. (December 31, 2017 - $3,000,000). During April 2018, following the closing of a bought deal financing (note 22), Company utilized $1,000,000 of the proceeds to reduce the line of credit. The remaining balance of $2,000,000 with interest of $40,000 was repaid in full on September 10, 2018.

Interest expense on the line of credit was $183,520 for the nine months ending September 30, 2018 ($nil – nine months ended September 30, 2017), a portion of which was paid by the issuance of common shares (note 22).

Agent commission and legal financing fees of $132,348, and amortized warrants of $479,283 were expensed during the nine-month period as components of interest expense ($nil and $nil for the nine months ended September 30, 2017).

20. Commitments and Contingencies

The Company leases space for offices in Ontario, as well as office, manufacturing, cultivation, and distribution facilities in California. In addition, a portion of delivery vehicles are leased.

(Unaudited - Expressed in Canadian Dollars)

21. Related Party Transactions

The company has had the following related party transactions during the nine months ended September 30, 2018:

a) As part of the acquisition of Kaya and Alta (note 4), the Company inherited two loans worth a total of \$71,639 (US\$ 55,500) to the former majority shareholder of the acquired companies. This individual is now a member of the Company's key management. These loans were fully repaid within the quarter.

b) During the second and third quarters the Company issued 633,924 common shares to a member of key management. These were issued based on Alta and Kaya reaching certain post acquisition performance milestones.

c) The Company has an exclusive distribution rights agreement with a party that is significantly influenced by a member of key management. This agreement guarantees royalty payments of US\$3.6 million based on separate quarterly guarantees over a 5-year period ending December 31, 2022. As part of this agreement, Origin House issued 125,022 shares to this distributor for a value of \$480,450, of which \$419,510 (US\$325,000) serve as prepaid royalty payments. During the fiscal year, the distributor has earned royalties of \$186,474.

   As part of this agreement, the Company also agreed to spend a minimum of \$1.3 million (US\$ 1.0 million) on operational infrastructure and sales and marketing prior to the end of February 2020.

d) The Company has a balance owing of \$506,841 to an entity owned by a member of key management for inventory that was purchased by Kaya at the beginning of fiscal 2018. This entity is now inactive, and no future purchase transactions are expected.

e) Working capital adjustments related to the Alta acquisitions, totalling \$465,386 are owed from a member of key management, and former owner of Alta.

f) Rent expense of \$168,531 was paid to a Board member in relation to FloraCal's production facility.

22. Share Capital

Authorized:

Unlimited number of common shares

Issued and outstanding:

55,202,247 common voting shares and 35,088 Class A compressed voting shares.

	$
Common Shares	$ 88,279,518
Class A compressed shares	17,544,000
Balance at September 30, 2018	**$ 105,823,518**

(Unaudited - Expressed in Canadian Dollars)

Common shares

The following table summarized share issuances for the nine months ended September 30, 2018:

	Number		Amount
Balance as at January 1, 2018	**43,898,445**	**$**	**50,007,891**
Shares issued due to exercise of warrants issued to Sprott at $2.05 (1)	900,000		2,806,200
Shares issued due to exercise of warrants at $1.50 and $4.50 (2)	1,812,593		9,083,060
Shares issued due to exercise of broker warrants at $2.00-$4.50	594,729		2,780,532
Shares issued for interest on Sprott line of credit (3)	44,668		179,632
Shares issued for purchase of Kaya and Alta (4)	2,045,138		7,751,073
Shares issued as initial distribution right investment and prepayments on royalties to Bhang (see note 21c)	125,022		480,450
Shares issued for April 2018 financing and over allotment shares at $4.00 net of transaction cost (5)	4,312,500		12,015,990
Shares issued on release of RSUs	685,652		1,466,573
Shares issued on exercise of stock options	50,000		306,500
Shares issued for the settlement of Aphria convertible debt (note 18)	750,000		1,500,000
Shares repurchased as part of the ongoing stock repurchase exercise (6)	(16,500)		(98,382)
Balance as at September 30, 2018	**55,202,247**	**$**	**88,279,518**

(1) These warrants were issued in combination with securing a line of credit from Sprott (note 19). The total charge to share capital of $2,806,200 includes cash proceeds from these exercises of $1,845,000 and their initial fair value of $961,200.

(2) These warrants were issued as part of the July 2016 and February 2017 bought deal financing. The total charge to share capital of $9,083,060 includes cash proceeds from these exercises of $7,612,190 and the initial fair value of these warrants of $1,470,870.

(3) In accordance with the line of credit with Sprott, quarterly interest of 10% can be paid via the issuance of shares (note 18). These shares were for the interest paid in fiscal 2018.

(4) In accordance with a term sheet signed with Kaya and Alta on November 28, 2017, 579,691 and 675,125 shares were issued to each respective party. During the nine-month period ended September 2018, 790,322 milestone performance shares were issued to Kaya and Alta. The value of these shares is based on the closing share price on the date of acquisition of $3.79.

(5) On April 13 and April 17, 2018 company completed a Bought Deal Financing, including an over-allotment, for gross proceeds of $17,250,000. This financing resulted in the issuance of 4,312,500 units at $4.00 per unit, with each unit comprised of one Origin House common share and a half-share purchase warrant. As part of the transaction, 258,750 compensation warrants were issued with a fair valued of $641,844. Total proceeds of $17,250,000 were allocated as follows; financing and over-allotment shares were valued at $12,015,990, the warrants were fair valued at $2,987,100, and the transaction and compensation warrant costs totaled $2,246,911. The transaction and compensation warrant costs were bifurcated, with $1,799,553 applied against the value of the shares, and $447,358 applied against the warrants. The value assigned to share capital and the warrant reserve is stated net of the transaction and compensation warrants cost which have been allocated proportionately between shares and warrants.

(6) On August 27, 2018, the Company commenced a share buy-back bid to repurchase its stock from the open market. At September 30, 2018 16,500 common shares had been bought back at a value of $98,382.

(Unaudited - Expressed in Canadian Dollars)

Class A Compressed Shares

Pursuant to the purchase agreement dated July 2, 2018, the Company issued 35,088 Origin House Class A compressed shares as part of the purchase consideration for 100% of FloraCal which are valued at $17,544,000. Each Class A compressed share is convertible into 100 common shares of Origin House, subject to certain conditions and restrictions and are valued at $5.00 per common share, based on the Level 1 observable value of the Company's publicly traded common shares on July 2, 2018. Each Class A compressed share carries the right to one vote for each common share into which it can be converted into. Class A compressed shares are also entitled to vote, together with holders of common shares, with respect to any question upon which holders of common shares have the right to vote.

Shares to be issued and contingent shares

The following summarizes the shares to be issued and outstanding contingent shares at September 30, 2018:

		$
Contingent shares for acquisition of FloraCal (note 4)	$	**11,381,863**
Shares to be issued on the closing date of RVR acquisition (note 4)		**13,125,000**
Contingent shares to be issued to RVR (note 4)		**20,468,518**
Contingent common shares payable to Kaya and Alta (note 4)		**2,844,409**
Shares to be issued for warrant exercises		**183,000**
Closing balance, September 30	$	**48,002,790**

Warrants

As at September 30, 2018, the outstanding share purchase and broker warrants could potentially be exercised for a total of 3,549,765 common shares (December 31, 2017 – 4,112,712).

The following tables summarize the movement of warrants for the nine-month period ended September 30, 2018 and September 30, 2017:

	Number of warrants		Weighted average grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2018	**4,112,712**	**$**	**0.99**	**$**	**3.67**
Grants	2,744,375		1.65		5.25
Exercises	(3,307,322)		0.97		3.47
Outstanding and exercisable at September 30, 2018	**3,549,765**	**$**	**1.33**	**$**	**5.08**

	Number of warrants		Weighted average grant date value		Weighted average exercise price
Outstanding and exercisable at January 1, 2017	**1,113,633**	**$**	**0.99**	**$**	**1.58**
Grants	4,600,000		1.02		3.44
Exercises	(238,421)		0.66		1.70
Outstanding and exercisable at September 30, 2017	**5,475,212**	**$**	**0.95**	**$**	**3.14**

The warrants reserve of $4,590,904 at September 30, 2018 (December 31, 2017 - $4,149,703), is based on the number of outstanding warrants and their weighted average grant date value.

(Unaudited - Expressed in Canadian Dollars)

On February 22, 2018, the Company issued 200,000 warrants to settle agent commission services provided in 2017. These options will expire in 3 years and have a value of $1.89 per warrant. These warrants were valued using the Black-Scholes model with the following key assumptions: a grant price of $4.00 based on the closing price, volatility of 75% based on a weighted average of the Company's historical and industry benchmarks, and a risk-free interest rate of 1.75%.

In connection with the bought deal financing completed on April 13, 2018, an aggregate of 3,750,000 units of Origin House Corp. at a price of $4.00 per unit were issued. Each unit consist of one Origin House common share and half of one Origin House common share purchase warrant. Each purchase warrant is exercisable to acquire one common share for a period of three years following the closing date of the offering, at an exercise price of $5.50. The underwriters were also granted 562,500 over-allotment units at $4.00 each which were fully exercised.

In addition, a total of 225,000 broker warrants, 112,500 broker half warrants, 33,750 broker over-allotment and 16,875 broker over-allotment half warrants were issued as compensation warrants to the underwriters. The broker compensation warrants were issued at a price for $4.00 per unit and will expire within 2 years from the close of the issue. While the broker compensation half warrants were issued at a price of $5.50 and will expire within 3 years of issue.

The April 2018 financing and broker warrants were valued using a Black-Scholes model with the following key assumptions and fair value. The financing warrants are valued net of the financing cost.

	Financing warrants	Financing over-allotment warrants	Broker warrants	Broker over allotment	Broker half warrant	Broker over allotment half warrant
Grant price	$ 4.20	$ 4.34	$ 4.20	$ 4.34	$ 4.20	$ 4.34
Blended volatility	73.30%	73.30%	73.30%	73.30%	73.30%	73.30%
Risk-free interest rate	1.99%	2.01%	1.86%	1.88%	1.99%	2.01%
Expected life	2.5yrs	2.5yrs	1.75yrs	1.75yrs	2.5yrs	2.5yrs
Time to expiry (actual life)	3yrs	3yrs	2yrs	2yrs	3yrs	3yrs
Black Scholes fair value	**$ 1.43**	**$ 1.52**	**$ 1.67**	**$ 1.77**	**$ 1.58**	**$ 1.67**

The blended volatility is based on a weighted average of the Company's historical and industry benchmarks.

The following is a summary of the expiry dates of outstanding warrants as at September 30, 2018. On average, the warrants will expire in 1.25 years.

Expiry date	Warrants outstanding and exercisable	Exercise price
February 15, 2019	49,950	3.00
February 15, 2019	902,050	4.50
February 22, 2021	200,000	4.00
April 13, 2020	112,140	4.00
April 13, 2021	2,285,625	5.50
Total	**3,549,765**	**$ 5.08**

On September 18, 2018, subsequent to meeting an acceleration trigger, the Company accelerated the expiry date of all outstanding common share purchase warrants issued pursuant to the warrant indenture dated February 15, 2017. A total of 861,010 warrants with proceeds of $3,874,545, and a grant date of fair value of $731,859 were exercised between September 30, 2018 and the end of the early expiry period on October 9, 2018. A total of 7,890 warrants, representing a fair value of $6,707, expired.

After September 30, 2018 and until November 26, 2018, a total of 1,556,185 warrants have been exercised for total proceeds of $7,212,630. This amount includes the above noted accelerated warrants.

(Unaudited - Expressed in Canadian Dollars)

23. Share Unit Plan and Share Option Plan

The following is a summary of the share-based compensation by type for the nine-month period ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Share-based compensation:				
Restricted Stock Units	**$ 620,679**	$ 695,144	**$ 3,053,294**	$ 2,499,356
Stock Options	**148,262**	-	**747,925**	-
Origin House plans	**768,941**	695,144	**3,801,219**	2,499,356
Trichome plans	**374,109**	-	**421,344**	-
Total	**$ 1,143,050**	$ 695,144	**$ 4,222,563**	$ 2,499,356

The following is a summary of share-based compensation by expense groups for the three and nine-month periods ended September 30, 2018 and September 30, 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
General and administrative	**$ 989,599**	$ 618,244	**$ 3,585,267**	$ 2,239,692
Sales and marketing	**151,331**	64,743	**597,699**	211,345
Research and development	**2,120**	12,157	**39,597**	48,319
Outstanding, end of Period	**$ 1,143,050**	$ 695,144	**$ 4,222,563**	$ 2,499,356

Share unit plan - Origin House

On April 29, 2016, the Company established a share unit plan to provide directors, officers, consultants, or employees involved in the Company, the opportunity to acquire share units to allow them to participate in the long-term success of Origin House.

The share unit plan provides for a maximum number of common shares issuable. The ceiling is set at a rolling maximum of 10% of the Company's issued and outstanding shares. At September 30, 2018, a total of 1,109,485 Restricted Stock Units ("RSUs") were available for grant.

The number of share units granted, and any applicable vesting conditions are determined at the discretion of the Origin House Board or a compensation committee of the Board. The termination provisions under the share unit plan provide for automatic vesting of any unvested RSUs in the event of retirement, death, disability, and change in control. The RSUs are equity settled and each RSU can be settled for one common share.

(Unaudited - Expressed in Canadian Dollars)

Summary of Activity

The following table provides a summary of the movement in RSUs during the three and nine months ended September 30, 2018 and September 30, 2017:

	Three months ended September 30				Nine months ended September 30			
	2018		2017		**2018**		2017	
	Amount	**Value***	Amount	Value*	**Amount**	**Value***	Amount	Value*
Outstanding, beginning of period	**3,842,990**	**$ 2.37**	3,053,028	$ 1.93	**4,153,150**	**$ 2.28**	2,774,800	$ 1.73
Granted	**4,500**	**4.74**	79,760	2.44	**34,500**	**4.38**	539,638	2.98
Settled in common shares	**(359,658)**	**2.22**	(23,238)	2.62	**(685,652)**	**2.14**	(86,789)	1.93
Forfeitures	**-**	**-**	(13,333)	2.71	**(14,166)**	**2.92**	(99,999)	2.09
RSU's withheld as tax on exercise	**-**	**-**	(3,067)	2.71	**-**	**-**	(34,500)	2.06
Outstanding, end of period	**3,487,832**	**$ 2.44**	3,093,150	$ 1.93	**3,487,832**	**$ 2.44**	3,093,150	$ 1.93

* Value is defined as the weighted average fair value of the RSU's at the Grant Date

Of the outstanding RSUs at September 30, 2018, 2,357,837 have vested and have not been converted (December 31, 2017 – 1,933,587), as employees may elect to defer the conversion of RSUs into common shares. The 1,129,995 unvested RSUs will vest in an average of 1.47 years.

Stock Options

The plan provides for a maximum number of common shares issuable with the ceiling set at a rolling maximum of 10% of the Company's issued and outstanding shares. At September 30, 2018, a total of 4,591,374 stock options were available for grant.

As at September 30, 2018, there are 930,500 stock options outstanding. The outstanding options generally vest as follows; one-quarter at the grant date, and one-quarter at each of the following three grant date anniversaries.

The following is a summary of stock options for the respective periods ended September 30, 2018 and September 30, 2017:

Stock Option Activity	**Nine months ended September 30, 2018**			Nine months ended September 30, 2017		
	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Fair Value**	Number of Options	Weighted Average Exercise Price	Weighted Average Fair Value
Outstanding, beginning of year	**850,000**	**$ 3.68**	**$ 2.33**	25,000	$ 1.00	$ 1.14
Granted	**280,500**	**5.47**	**2.89**	-	-	-
Forfeitures	**(150,000)**	**3.73**	**2.40**	-	-	-
Exercised	**(50,000)**	**3.73**	**2.40**	(25,000)	1.00	1.14
Outstanding, end of period	**930,500**	**$ 4.21**	**$ 2.48**	-	$ -	$ -

During the third quarter, the Company granted 13,000 options and 50,000 options were exercised.

During the first quarter of fiscal 2017, 25,000 stock options were exercised by a director of Bonanza Blue for $1.00. These options were issued as part of the RTO transaction completed in December 2016.

(Unaudited - Expressed in Canadian Dollars)

The following table shows details of the Company's share options by exercise price:

	Range of Exercise Prices	Number of Options Outstanding	Number of Options Vested	Weighted Average Remaining Life (Years)
$	2.80	50,000	50,000	4.01
	3.73	600,000	150,000	9.25
	4.00 - 5.00	40,500	10,125	6.54
	5.00 and greater	240,000	60,625	9.32
		930,500	**270,750**	**8.87**

The fair value of stock options is determined by a Black-Scholes model. The volatility is based on a weighted average of the Company's historical stock volatility and comparable industry benchmarks. The following outlines the range of assumptions used for options issued in the nine months ended September 30, 2018.

	September 30, 2018	December 31, 2017
Expected life, in years	4.0 - 5.75	2.5 - 5.75
Volatility	72.9% - 73.5%	69.2% - 73.8%
Risk free interest rate	1.93% - 2.19%	1.54% - 1.86%
Anticipated forfeiture	0% - 8.8%	0% - 8.8%
Dividend yield	0%	0%
Closing stock price at grant date	$2.86 - $5.68	$2.86 - $3.73

No options were issued in the nine months ended September 30, 2017.

Trichome

On September 5, 2018, the Board of Directors of Trichome Financial Corporation approved an Equity Incentive Plan for its employees and directors. In aggregate, 850,000 common shares of the corporation are reserved for issue under the plan. The number of share units granted, and any applicable vesting conditions are determined at the discretion of the Trichome Board.

The Company recorded $421,344 (September 30, 2017 – $nil) in share-based compensation expense related to the issuance of Options, RSUs and PSUs in Trichome to employees of Trichome, with a corresponding increase to non-controlling interests of the group.

(Unaudited - Expressed in Canadian Dollars)

24. Loss per Share

The basic loss per share ("EPS") has been calculated based on the following net profit attributable to ordinary shareholders and the weighted average number of common shares outstanding:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Loss attributable to ordinary shareholders	**$ (7,179,771)**	$ (3,286,719)	**$ (2,608,647)**	$ (7,780,398)
Weighted average number of common shares issued and outstanding:				
Issued and outstanding ordinary shares	**53,694,947**	41,948,495	**43,898,445**	36,006,956
Effect of RSUs released	**126,573**	9,639	**266,769**	1,380,612
Effect of share options exercised	**32,065**	-	**10,806**	2,564
Effect of Warrants exercised	**189,039**	37,724	**1,994,444**	2,463,325
Effect of shares issued from financing activities	**11,163**	-	**3,133,872**	36,813
Effect of shares issued for acquisitions	**3,567,560**	-	**2,276,771**	146,527
Others	**-**	160,486	**53,080**	924,638
Weighted average number of shares at September 30	**57,621,347**	42,156,344	**51,634,187**	40,961,435
Basic and diluted loss per share	**$ (0.12)**	$ (0.08)	**$ (0.05)**	$ (0.19)

Excluded from the calculation of diluted net loss per share for the thee and nine months ended September 30, 2018 and the three and nine months ended September 30, 2017 were exercisable warrants (note 22), in-the-money vested RSU's and share options (note 23), convertible debt (note 18) and contingent shares because their effect would have been anti-dilutive.

25. Deferred Tax

In relation to the acquisitions of Kaya, Alta, FloraCal, and RVR and largely due to recognition of acquired intangible assets, property and equipment, and biological assets, the Company has recorded additional deferred tax liabilities of $13,700,964 (note 4). As part of a convertible debt transaction completed in July 2018 (note 18), the Company recorded a deferred tax liability of $1,140,588 related to the equity component.

The deferred tax recovery of $439,487 and $446,764 for the three and nine-months ending September 30, 2018 (September 30, 2017 – recovery of $73,649 and $230,702) pertains to the amortization of intangibles acquired on the above acquisitions.

26. Fair Value of Financial Instruments

In the normal course of business, the Company uses various financial instruments which by their nature involve risk, including market risk, interest rate risk, liquidity risk and credit risk of non-performance by counter parties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

(Unaudited - Expressed in Canadian Dollars)

The following table sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below. Unless otherwise noted, carrying values approximate fair values for each financial instrument:

		September 30, 2018		December 31, 2017
Fair value through profit or loss:				
Cash and cash equivalents	**$**	**75,282,348**	$	4,522,644
Investments		**6,852,062**		17,243,342
Loans Receivable		**1,022,454**		-
Convertible notes receivable		**-**		373,127
Financial assets at amortized cost:				
Loans receivable		**353,712**		1,102,168
Amounts receivable		**2,857,100**		1,429,123
Financial liabilities at amortized cost:				
Amounts payable		**12,579,989**		1,606,689
Line of credit		**-**		826,517
Convertible debt		**27,909,598**		1,431,950
Loans payable and other liability		**13,184,582**		425,345

Determination of fair value

The estimated fair values of cash, trade and amounts receivable, loans receivable, loans payable, and trade and amounts payable approximate their carrying values due to the relatively short-term nature of the instruments.

Fair value measurements recognized in the consolidated statements of financial position must be categorized in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments carried at fair value consist of cash (Level 1), and investments (Level 2). Financial instruments are valued using observable market inputs such as prime rate of borrowing and the Company's stock price. Level 2 valuations have been completed for investments using observable share price data from completed financing transactions. The Company has not transferred any financial instruments between Level 1, 2 or 3 of the fair value hierarchy

Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by continuously monitoring actual and forecasted cash flows.

The Company has sustained losses since incorporation and has financed these losses mainly through a combination of equity and debt offerings. As at September 30, 2018, the Company has contractual obligations relating to trade and other payables, loans, convertible debt a line of credit, and the acquisition of Kaya and Alta.

Management believes that it will raise sufficient cash in the upcoming year to meet all of its contractual debt obligations that are coming due and will have the ability to fund any operating losses that may occur. However, there may be uncertainty related to the timing and use of the Company's cash resources and actual results may differ from expectations.

Credit Risk

Credit risk arises from the potential that a customer or counterparty will fail to perform its obligations. The Company is exposed to credit risk from the loans it has made to various entities. In order to minimize the risk of loss from loans receivable, the Company provides value added consulting services to the borrowers to support their quest for commercial success thereby reducing their likelihood of loan default. In addition, some loans are convertible into equity of the borrower.

The Company reviews its loans receivable accounts regularly and records a provision related to these accounts based on expected credit losses. The allowance is charged against earnings. Shortfalls in collections are applied against this provision. Estimates for allowance for doubtful accounts are determined through a loan-by-loan evaluation of collectability at each balance sheet reporting date, considering the amounts that are past due and any available relevant information on the borrowers' liquidity and going concern issues to determine expected credit losses.

The Company generally does not hold collateral as security for trade receivables; however, it minimizes credit risk associated with its trade receivables by requiring customer deposits or prepayments in certain cases and performing credit evaluation, approval, and monitoring processes. The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. Trade receivables are written off when there is no reasonable expectation of recovery.

There is credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with reputable financial institutions.

Foreign Currency Risk

Foreign currency risk arises because of fluctuations in exchange rates. The Company conducts a significant portion of its business activities in U.S. dollars. Management of foreign exchange currency exposure is governed by the Company's foreign exchange policy as approved by its Board. The objective of the policy is to minimize the earnings impact of foreign currency gains and losses associated with foreign exchange rate fluctuations and to maintain purchasing power within U.S. operations.

The financial assets and liabilities that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and the U.S. dollar. This primarily includes cash, amounts receivable, loans receivable, inventories, investments, royalty investments, convertible notes receivable, trade and other payables, and loans payable which are denominated in foreign currencies. The Company's subsidiaries transact primarily in U.S. dollars.

The Company recognized a foreign exchange gain from continuing operations of $213,941 and $249,056 for the three and nine months ended September 30, 2018 (loss of $79,631 and $266,911 for the three and nine months ended September 30, 2017).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest rate risk is primarily related to the Company's interest-bearing debts on its balance sheet. The Company does not have any assets or debt with variable interest rates, thereby minimizing the Company's exposure to cash flow interest rate risk.

(Unaudited - Expressed in Canadian Dollars)

Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its investment growth strategy, fund research and development, engage in sales and marketing activities, and undertake selective acquisitions, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed entirely of equity. The Company's primary uses of capital are investments in companies in the cannabis industry, either through acquisitions, lending, or funding the growth of existing subsidiaries. The Company also uses capital to finance operating losses, capital expenditures, and increases in non-cash working capital. The Company currently funds these requirements from cash raised through financings. The Company's objectives when managing capital are to ensure that the Company will continue to have enough liquidity to help build its portfolio of interests into successful businesses from which it will obtain returns on investment.

The Company monitors its capital based on the adequacy of its cash resources to fund its business plan. In order to maximize flexibility to finance growth, the Company does not currently pay a dividend to holders of its common shares. The Company did not institute any changes to its capital management strategy during the year.

27. Segmented Information

Origin House operates under one reporting segment.

During the three and nine-month period ended September 30, 2018 and 2017, the Company generated the following types of revenues:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Product sales	**$ 6,250,992**	$ 298,866	**$ 9,446,382**	$ 703,193
Services	**69,760**	41,451	**737,921**	314,594
Royalties	**108,306**	385,001	**364,553**	928,095
Interest income	**194,940**	18,984	**230,045**	59,688
Total	**$ 6,623,998**	$ 744,302	**$ 10,778,901**	$ 2,005,570

Interest income is recorded in revenue since the Company continues to provide capital to developing companies in the cannabis company who or are may become business partners. There are no revenues over 10% for the three or nine-month periods ending September 30, 2018 (September 30, 2017 – two parties generated 70% and three parties generated 67% respectively).

The cost of sales related to each type of revenue is as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Cost of product sales	**$ 5,900,572**	$ 327,986	**$ 8,354,623**	$ 688,917
Cost of services	**35,000**	23,961	**304,024**	61,656
Cost of royalties	**180,030**	264,345	**820,553**	460,833
Total	**$ 6,115,602**	$ 616,292	**$ 9,479,200**	$ 1,211,406

Geographic segments

The following table is a summary of revenues by geographic segments for the three and nine-month periods ended September 30, 2018 and 2017:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Canada	**$ 130,478**	$ 8,040	**$ 439,768**	$ 25,867
United States of America	**6,493,520**	736,262	**10,339,133**	1,979,703
Total	**$ 6,623,998**	$ 744,302	**$ 10,778,901**	$ 2,005,570

(Unaudited - Expressed in Canadian Dollars)

The geographic segment is based on the location of the purchaser of goods or services or the head office of the royalty issuer.

The Company's corporate and administrative offices are in Canada. The following summarizes the location of the Company's non-current assets as at September 30, 2018 and December 31, 2017.

	September 30, 2018		December 31, 2017	
	Canada	**USA**	Canada	USA
Loans receivable	**$ -**	**$ -**	$ -	$ 66,421
Deferred financing charges	**1,561,852**	**-**	-	-
Interest in equity accounted investees	**2,734,811**	**-**	2,538,014	1,058,319
Investments	**702,184**	**6,149,878**	10,965,886	6,277,456
Royalty investments	**-**	**1,288,048**	436,025	5,398,588
Property and equipment	**251,623**	**10,891,478**	120,683	963,415
Intangible assets and goodwill	**1,689,759**	**104,121,621**	1,717,824	8,649,151

28. General and Administrative Expense

	Three months ended September 30		**Nine months ended September 30**	
	2018	2017	**2018**	2017
Accounting & audit fees	**$ 98,068**	$ 110,906	**$ 367,714**	$ 341,076
Provision for bad and doubtful debt	**205,443**	5,951	**142,260**	(7,268)
Advisory & consulting fees	**1,119,519**	85,612	**2,449,767**	418,310
Legal fees	**576,027**	123,911	**1,062,628**	355,719
Rent	**179,771**	35,084	**342,031**	197,344
Office & administration costs	**1,225,511**	219,026	**1,940,373**	369,416
Salary-based compensation	**1,799,591**	629,230	**3,952,036**	1,759,276
Stock-based compensation	**989,580**	618,244	**3,585,267**	2,267,535
Depreciation	**41,115**	6,593	**218,332**	24,257
Travel	**223,365**	109,118	**604,646**	332,932
Total	**$ 6,457,990**	$ 1,943,675	**$ 14,665,054**	$ 6,058,597

29. Comparative amounts

The fair value of warrants is included in share capital once a warrant has been exercised in accordance with IFRS 2. For the nine months ended September 30, 2017, the fair value of warrants exercises of $157,718 had been included in contributed surplus and has been reclassified to share capital to comply with the current year presentation. The reclassification has no impact on the consolidated statements of loss and comprehensive loss or cash flows.

At September 30, 2017, costs of $284,952 related to a bought deal financing were allocated to shares issued rather than warrants issued. This has been amended in the current year to comply with the current year presentation. The reclassification has no impact on the consolidated statements of loss and comprehensive loss or cash flows.

30. Term sheet for the acquisition of 180 Smoke

On September 27, 2018, the Company announced that it entered a binding term sheet to acquire 100% of 180 Smoke and its affiliates. 180 Smoke sells vape product through retail, online, and wholesale operations. 180 Smoke has active applications for cannabis retail locations. This acquisition is conditional on certain obligations and requirements being met before the close date.

31. Subsequent Events

a) Wagner Dimas equity sale: On October 3, 2018, the Company announced that it finalized a definitive agreement with Australis Capital Inc. ("Australis") whereby Australis will purchase 2,200,000 common shares of Wagner Dimas held by Cannroy Delaware Inc. ("Cannroy Delaware"), a wholly-owned subsidiary of Origin House. The sale represents all Cannroy Delaware's 22% equity interest in Wagner Dimas, and consideration for the sale is as follows:

a. $1,500,000 in cash upon close; and
b. $1,500,000 in the form of Australis issuing 738,916 units ("Units") at a deemed price of CAD$2.03 per Unit. Each Unit will consist of one common share in the capital of Australis (each, a "Australis Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to purchase an additional Australis Share at a price of CAD$2.64 per Australis Share for a period of two years.

The transaction closed on November 19, 2018.

b) Trichome qualifying transaction: On October 3, 2018, the Company announced that its subsidiary, Trichome, entered into an agreement with 22 Capital to complete a transaction that will result in a reverse take-over of 22 Capital by the shareholders of Trichome. The transaction, if completed, will constitute 22 Capital's "Qualifying Transaction", and it is anticipated that the resulting issuer will be listed as an investment issuer on the TSX Venture Exchange.

c) Legal close of RVR acquisition: On October 18, 2018, the Company legally closed the RVR acquisition through signing of all definitive agreements. Previously, Origin House gained control of RVR as defined by IFRS 10 on August 31, 2018.

d) Acceleration trigger on common share purchase warrants: On November 23, 2018, subsequent to meeting an acceleration trigger, the Company accelerated the expiry date of all outstanding common share purchase warrants issued pursuant to the warrant indenture dated April 13, 2018. The warrants will expire on December 14, 2018. In total there were 1,924,415 warrants issued, which if they are all exercised will generate proceeds of $10.6 million for Origin House.