
CB2 INSIGHTS INC.
(formerly 10557404 Canada Corp.)
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
JUNE 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of CB2 Insights Inc. (formerly 10557404 Canada Corp.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2019 have not been reviewed by the Company's auditors.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash (note 4)	\$ 1,283,377	\$ 433,833
Inventories	95,696	94,854
Trade and other receivables (note 8)	257,299	297,479
Receivable from related party	-	50,000
Prepaid expenses	78,319	31,364
Total current assets	1,714,691	907,530
Furniture and equipment (note 9)	212,221	238,173
Right-of-use assets (note 10)	1,257,577	-
Computer software and technology (note 11)	1,891,825	1,756,447
Other intangible assets (note 12)	4,621,523	3,907,917
Goodwill (note 12)	4,094,301	3,960,758
Deferred tax	117,783	122,778
Total assets	\$ 13,909,921	\$ 10,893,603
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,247,465	\$ 779,370
Income taxes payable	68,493	8,185
Convertible debentures (note 13)	-	982,490
Lease liabilities (note 15)	656,571	-
Total current liabilities	1,972,529	1,770,045
Promissory note payable (note 14)	4,061,880	3,274,080
Purchase consideration payable (notes 6 and 7)	620,680	-
Lease liabilities (note 15)	796,187	-
Total liabilities	7,451,276	5,044,125
Shareholders' equity		
Share capital (note 16)	11,572,511	7,794,137
Warrant reserve (note 16)	3,577,233	2,685,560
Option reserve (note 16)	698,195	301,623
Shares and units to be issued	234,948	75,499
Equity component of convertible debentures (note 13)	-	82,428
Accumulated other comprehensive income	183,772	457,990
Accumulated deficit	(9,808,014)	(5,547,759)
Total shareholders' equity	6,458,645	5,849,478
Total liabilities and shareholders' equity	\$ 13,909,921	\$ 10,893,603

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

Nature of operations and going concern (note 1)

Subsequent event (note 19)

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Condensed Interim Consolidated Statements of (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 3,257,021	\$ 2,800,428	\$ 6,106,832	\$ 5,443,745
Cost of sales	1,129,270	682,225	1,784,958	1,338,499
Gross profit	\$ 2,127,751	\$ 2,118,203	4,321,874	4,105,246
Operating expenses				
Management fees, salaries and wages	1,817,305	642,281	2,922,692	1,484,344
Office and administration	470,319	577,125	837,112	887,618
Marketing and business development	275,912	184,458	812,423	304,691
Professional fees	596,362	124,714	1,066,463	214,693
Rent	66,791	195,225	107,079	354,257
Share-based compensation	82,744	50,614	266,647	112,787
Depreciation and amortization	519,300	225,878	974,250	443,872
Total operating expenses	3,828,733	2,000,295	6,986,666	3,802,262
(Loss) income from operations	(1,700,982)	117,908	(2,664,792)	302,984
Finance expenses				
Foreign exchange (gain)/ loss	(3,319)	94,777	(1,462)	145,251
Reverse takeover transaction cost (note 5)	-	-	807,995	-
Penalty on convertible debentures (note 16(b))	-	-	95,900	-
Interest on long-term debt	128,558	-	241,090	-
Accretion (notes 13 and 14)	-	86,415	77,553	176,664
Accretion on lease liabilities (note 15)	39,674	-	79,779	-
Net loss before income taxes	(1,865,895)	(63,284)	(3,965,647)	(18,931)
Income tax expense	-	96,833	61,795	198,106
Net loss	(1,865,895)	(160,117)	(4,027,442)	(217,037)
Other comprehensive loss				
Exchange difference on translation of foreign operations, net of tax	(214,634)	(2,758)	(274,218)	392,375
Net (loss) income and comprehensive (loss) income	\$ (2,080,529)	\$ (162,875)	\$ (4,301,660)	\$ 175,338
Basic and diluted net loss per common share	\$ (0.024)	\$ (0.003)	\$ (0.055)	\$ (0.004)
Weighted average number of common shares outstanding - basic and diluted	78,703,691	52,689,270	73,860,402	52,679,678

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

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Condensed Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

Six Months Ended June 30,	2019	2018
Operating activities		
Net loss for the period	\$ (4,027,442)	\$ (217,037)
Adjustments for:		
Depreciation and amortization	974,250	443,872
Accretion on convertible debentures	77,553	176,664
Accretion on lease liabilities	79,779	-
Penalty on convertible debentures	95,900	-
Reverse takeover transaction cost	807,995	-
Share-based compensation	266,647	112,787
Interest on long term debt	241,090	-
Changes in non-cash working capital items:		
Inventories	(4,790)	(65,695)
Trade and other receivables (note 8)	36,733	(86,170)
Prepaid expenses	(47,069)	(264)
Amounts payable and accrued liabilities	508,645	7,488
Income taxes	61,795	204,478
Net cash (used in) provided by operating activities	(928,914)	576,123
Investing activities		
Purchase of furniture and equipment	(35,578)	(116,791)
Development of computer software	(600,000)	(516,532)
Net cash used in investing activities	(635,578)	(633,323)
Financing activities		
Issuance of convertible debentures	-	33,160
Shares and warrants issued for cash	2,474,374	604,694
Payment of lease liabilities	(378,633)	-
Purchase consideration paid	(467,495)	-
Proceeds from issuance of promissory note	787,800	-
Net cash provided by financing activities	2,416,046	637,854
Net increase in cash during the period	851,554	580,654
Effect of foreign currency on cash	(2,010)	(4,435)
Cash, beginning of period	433,833	1,014,482
Cash, end of period	\$ 1,283,377	\$ 1,590,701

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

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Number of shares	Share Capital	Warrant Reserve	Option Reserve	Shares and Units to be Issued	Equity component of convertible debenture	Accumulated other comprehensive income	Deficit	Total
Balance, January 1, 2018	52,262,441	\$ 5,038,964	\$1,378,074	\$ 226,942	\$ -	\$ 82,428	\$ (223,115)	\$(1,521,912)	\$ 4,981,381
Private placement (note 16 (b))	426,829	81,162	71,386	-	-	-	-	-	152,548
Units to be issued	-	-	-	-	452,146	-	-	-	452,146
Share-based compensation	-	-	-	112,787	-	-	-	-	112,787
Foreign currency translation	-	-	-	-	-	-	392,375	-	392,375
Net loss for the period	-	-	-	-	-	-	-	(217,037)	(217,037)
Balance, June 30, 2018	52,689,270	5,120,126	1,449,460	339,729	452,146	82,428	169,260	(1,738,949)	5,874,200
Balance, December 31, 2018	63,373,816	7,794,137	2,685,560	301,623	75,499	82,428	457,990	(5,547,759)	5,849,478
Adjustment to opening deficit upon adoption of IFRS 16 (note 3)	-	-	-	-	-	-	-	(232,813)	(232,813)
Balance, January 1, 2019	63,373,816	7,794,137	2,685,560	301,623	75,499	82,428	457,990	(5,780,572)	5,616,665
Private placement (note 16 (b))	5,133,338	1,711,384	855,285	-	(75,499)	-	-	-	2,491,170
Share issuance costs - warrants	-	(25,799)	25,799	-	-	-	-	-	-
Share issuance costs - cash (note 16)	-	(15,584)	(8,146)	-	(6,142)	-	-	-	(29,872)
Shares issued in settlement of convertible debt (note 16 (b))	7,594,547	1,238,370	-	-	-	(82,428)	-	-	1,155,942
Shares issued on acquisition	950,000	294,500	-	-	-	-	-	-	294,500
Rights issue (note 16 (b))	7,281	3,276	-	-	-	-	-	-	3,276
Shares to be issued in settlement of accrued interest	-	-	-	-	241,090	-	-	-	241,090
Exercise of stock options	355,560	67,954	-	(58,154)	-	-	-	-	9,800
Shares issued on reverse takeover (note 5)	1,363,636	504,273	18,735	188,079	-	-	-	-	711,087
Share-based compensation	-	-	-	266,647	-	-	-	-	266,647
Foreign currency translation	-	-	-	-	-	-	(274,218)	-	(274,218)
Net loss for the period	-	-	-	-	-	-	-	(4,027,442)	(4,027,442)
Balance, June 30, 2019	78,778,178	11,572,511	3,577,233	698,195	234,948	-	183,772	(9,808,014)	6,458,645

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

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of operations and going concern

Nature of operations

CB2 Insights Inc. (formerly 10557404 Canada Corp.) (the "Company" or "CB2") was incorporated on December 27, 2017 under the Canada Business Corporations Act. The Company completed a reverse takeover ("RTO") on February 27, 2019 (the "Closing Date") with MVC Technologies Inc. ("MVC") (See note 5). CB2 is a secure cloud-based cannabis healthcare technology platform that connects patients, physicians, and regulated suppliers for the purposes of assessment, qualification, registration, and access to medication. The head office is located at 5045 Orbitor Drive, Building 11, Suite 300, Mississauga, Ontario, Canada, L4W 4Y4.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of the balance sheet date, the Company has incurred an accumulated deficit of \$9,808,014 and negative cash flow from operations. The Company has working capital deficit as of the balance sheet date of \$257,838. The Company has raised debt and equity financing through 2017 and 2018 in order to fund platform development and activities resulting in growth in its customer base. The Company expects that the investments it has made in 2017 and 2018 will result in increased revenue and operating cash flow however, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the consolidated statement of financial position. Such differences in amounts could be material.

2. Basis of presentation

Statement of compliance

The notes presented in these unaudited condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in our annual audited financial statements; thus, these interim consolidated financial statements are referred to as condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2018.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

2. Basis of presentation (continued)

Statement of compliance (continued)

These unaudited condensed interim consolidated financial statements are expressed in Canadian dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2018 with the exception of those new accounting standards adopted effective January 1, 2019 as set out in note 3. These unaudited condensed interim consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting of the International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS-IASB") and reflect all adjustments which are necessary for a fair statement of the results for the interim periods presented.

The unaudited condensed interim consolidated financial statements for the three and six months period ended June 30, 2019, were authorized by the Board of Directors for issue on August 26, 2019.

3. Changes in accounting standards

Recently adopted accounting standards

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

The Company has adopted the standard using the modified retrospective approach. Under this approach, the Company has not restated comparative 2018 information. An adjustment to the opening deficit on January 1, 2019 of (\$232,813) was made in the condensed interim consolidated statement of changes in shareholders' equity.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rate as at January 1, 2019.

The Company has applied two recognition exemptions for leases - leases of "low-value" assets and leases with a term of 12 months or less.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. The Company used an incremental borrowing rate of 10% for discounting the contractual lease payments.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

3. Changes in accounting standards (continued)

Recently adopted accounting standards (continued)

(a) Leases and right-of-use assets (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Use of estimates and judgments

a. Estimates - Lease terms are estimated by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not to exercise a termination option. Certain qualitative and quantitative assumptions are evaluated when deriving the value of an economic incentive.

b. Judgments - Judgment is applied when determining if a contract contains an identified asset. The identified asset should be physically distinct or represent substantially all of the capacity of the asset, and should provide the right to substantially all of the economic benefits from the use of the asset.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

3. Changes in accounting standards (continued)

Recently adopted accounting standards (continued)

(a) Leases and right-of-use assets (continued)

Use of estimates and judgments (continued)

b. Judgments (continued) - Judgment is also applied when determining if the Company has the right to control the use of an identified asset. This right exists when the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In certain instances, where the decision about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset when the Company has the right to operate the asset or if the Company designed the asset in a way that predetermines how and for what purpose the asset will be used.

Judgment is applied when determining the incremental borrowing rate used to measure the lease liability of each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest rate the Company would pay to borrow at a similar term and with similar security.

Certain leases contain extension or renewal options that are exercisable only by the Company and not by the lessor. At lease commencement, the Company assesses whether it is reasonably certain to exercise any of the extension options based on the expected economic return from the lease. Periodically, lease are reassessed to determine the Company is reasonably certain to exercise options and account for any changes at the date of the reassessment.

See note 15.

(b) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

(c) Consolidation and subsidiaries

The subsidiaries are consolidated from the date on which control is transferred to the Company and will cease to be consolidated from the date on which control is transferred out of the Company. The Company also assesses existence of control where it does not have more than 50% of voting power but is able to control the investee by virtue of de facto control. During the three and six months ended June 30, 2019, the Company acquired assets under a subsidiary company over which the Company had de facto control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historical patterns in voting attendance.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

4. Cash

Cash includes funds held in trust with the Company's legal counsel amounting to \$nil (December 31, 2018 - \$80,896), not yet transferred to the Company's bank account.

5. Share exchange agreement and reverse takeover

On August 28, 2018, MVC entered into a letter of intent (the "LOI") with 10557404 Canada Corp. (now known as CB2 Insights Inc.) ("CB2" or the "Company"). The LOI outlined a proposal to enter a Share Exchange Agreement and effect an amalgamation between MVC and a subsidiary of CB2 and a listing of CB2's shares on the Canadian Securities Exchange.

On the Closing Date, MVC and CB2 executed the Share Exchange Agreement and the MVC's shareholders became shareholders of CB2 resulting in a reverse takeover of CB2 by MVC. On March 6, 2019, CB2 commenced trading on the Canadian Securities Exchange (CSE), under the symbol "CBII" and on May 17, 2019, the Company commenced trading on the OTCQB, under the symbol 'CBIIIF'.

The terms of the RTO were as follows: CB2 consolidated its issued and outstanding common shares on the basis of one (1) new common share for each 16.5 issued and outstanding CB2 common shares (the "Consolidation"); and CB2 issued one (1) (post-Consolidation) share for each one (1) common share of MVC issued and outstanding on the Closing Date. In conjunction with the RTO, 10557404 Canada Corp. changed its name to CB2 Insights Inc.

The pre-Consolidation share capital of each entity prior to the RTO, is outlined below:

CB2

	Number of common shares	Amount
Balance, February 27, 2019	1,363,494	\$ 102,251

MVC

	Number of common shares	Amount
Balance, February 27, 2019	68,507,154	\$ 9,464,138

For accounting purposes, this RTO is considered to be an asset acquisition and has been treated as a capital transaction under IFRS 2 where MVC has been treated as the accounting parent company (legal subsidiary) and CB2 has been treated as the accounting subsidiary (legal parent).

As a result of CB2 not meeting the definition of a business under IFRS 3, a transaction cost of \$807,995 has been recorded as listing expense. This reflects the excess of the purchase price over the fair value of the assets and liabilities acquired. Consideration included the shares held by the shareholders of CB2, being 1,363,636 shares, 151,515 CB2 outstanding warrants and 666,060 CB2 outstanding stock options. The fair value of the 151,515 warrants was estimated using the Black-Scholes option pricing model at \$0.10 per warrant, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.33%; risk-free interest rate of 1.78%; expected dividend yield of 0%; and expected life of 1.5 years. The fair value of the 666,060 stock options was estimated using the Black-Scholes option pricing model at \$0.25 to \$0.31 per option, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.33%; risk-free interest rate of 1.78%; expected dividend yield of 0%; and expected life of 2.35 to 2.58 years.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Notes to the Condensed Interim Consolidated Financial Statements**

June 30, 2019

(Expressed in Canadian Dollars)

(Unaudited)

5. Share exchange agreement and reverse takeover (continued)

Consideration - shares: 1,363,636 shares at \$0.37	\$ 504,273
Consideration - warrants: 151,515 warrants	18,735
Consideration - stock options: 666,060 stock options	188,079
Total consideration	\$ 711,087

Identifiable assets acquired

Cash	\$ 43,488
Sales tax receivable and prepaid expenses	13,859
Accounts payable and accrued liabilities	(4,261)
Payables to related party	(149,994)
Net liabilities acquired	(96,908)
Listing expense	\$ 807,995

6. Acquisition of MedEval Clinic LLC

On March 5, 2019, the Company entered into a binding agreement to acquire MedEval Clinic LLC, a medical cannabis evaluation and education center group with multiple locations in Colorado and Arizona, for US\$150,000 cash and the issuance of 450,000 common shares and contingent consideration payable in shares upon completion of the milestones of the numbers of patients certified. On April 9, 2019 (Closing Date), the Company completed the transaction. The Company determined that the acquisition was a business combination under IFRS 3 – Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Fair values determined on the date of acquisition are provisional and may be subsequently adjusted, with a corresponding adjustment to goodwill prior to April 9, 2020 (one year after the transaction).

Consideration - shares: 450,000 shares at \$0.31	\$ 139,500
Consideration - cash	200,355
Consideration - contingent consideration (i)	86,400
Total consideration paid	\$ 426,255

Identifiable assets acquired

Customer relationships	13,357
Brand	224,398
Total identifiable assets acquired	237,755
Total goodwill	188,500
	\$ 426,255

(i) Contingent consideration of up to US\$240,000 is payable in shares valued at the greater of US\$0.50/share and the 30-day volume weighted average price at the date of issuance, upon completion of four milestones ranging from 2,500 to 10,000 patients certified over 12 months from Closing Date. The shares will be subject to a minimum hold period of four months plus one day from the date of issuance.

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

7. Acquisition of ROSH

On April 4, 2019, the Company acquired the assets of Colorado-based medical cannabis clinic group Rae of Sunshine Health Services ("ROSH") LLC, operating as "Relaxed Clarity" for a cash payment of US\$200,000 and issuance of 500,000 common shares and contingent consideration payable in cash and shares upon completion of the milestones of the numbers of patients certified. The Company determined that the acquisition was a business combination under IFRS 3 – Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. Fair values determined on the date of acquisition are provisional and may be subsequently adjusted, with a corresponding adjustment to goodwill prior to April 4, 2020 (one year after the transaction).

Consideration - shares: 500,000 shares at \$0.31	\$	155,000
Consideration - cash		267,140
Consideration - contingent consideration (i)		534,280
Total consideration paid	\$	956,420

Identifiable assets acquired

Customer relationships	360,639
Brand	483,523
Total identifiable assets acquired	844,162
Total goodwill	112,258
	\$ 956,420

(i) Contingent consideration of US\$100,000 is payable in cash and up to US\$300,000 is payable in shares valued at 30-day volume weighted average price at the date of issuance, upon completion of five milestones ranging from 3,000 to 15,000 patients certified within 6 to 12 months from Closing Date. The shares will be subject to a minimum hold period of four months plus one day from the date of issuance. Subsequent to the period end, the first milestone was achieved and US\$100,000 was paid.

8. Trade and other receivables

	June 30, 2019	December 31, 2018
Trade receivables	\$ 194,726	\$ 98,433
Harmonized sales tax recoverable	62,573	199,046
	\$ 257,299	\$ 297,479

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****June 30, 2019****(Expressed in Canadian Dollars)****(Unaudited)**

9. Furniture and equipment

	Furniture	Vehicles	Computer Hardware	Leaseholds	Equipment	Total
Cost						
Balance, January 1, 2019	\$ 86,799	\$ 23,794	\$ 81,627	\$ 70,312	\$ 47,549	\$ 310,081
Additions	13,494	-	21,818	266	-	35,578
Net exchange differences	(2,127)	(968)	(3,710)	(2,865)	-	(9,670)
Balance, June 30, 2019	\$ 98,166	\$ 22,826	\$ 99,735	\$ 67,713	\$ 47,549	\$ 335,989
Amortization						
Balance, January 1, 2019	\$ 20,942	\$ 6,479	\$ 14,625	\$ 14,578	\$ 15,284	\$ 71,908
Amortization	15,781	3,876	15,379	11,491	7,924	54,451
Net exchange differences	(563)	(336)	(885)	(807)	-	(2,591)
Balance, June 30, 2019	\$ 36,160	\$ 10,019	\$ 29,119	\$ 25,262	\$ 23,208	\$ 123,768
Net book value						
Balance, January 1, 2019	\$ 65,857	\$ 17,315	\$ 67,002	\$ 55,734	\$ 32,265	\$ 238,173
Balance, June 30, 2019	\$ 62,006	\$ 12,807	\$ 70,616	\$ 42,451	\$ 24,341	\$ 212,221

10. Right-of-use assets

	June 30, 2019
Office leases	
Beginning balance	\$ 1,450,892
Additions	117,696
Depreciation	(264,632)
Impact of foreign exchange	(46,379)
Ending balance	\$ 1,257,577

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)**Notes to the Condensed Interim Consolidated Financial Statements**

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11. Computer software and technology**Cost**

Balance, January 1, 2019	\$ 2,493,431
Additions	600,000
Net exchange differences	(749)
Balance, June 30, 2019	\$ 3,092,682

Amortization

Balance, January 1, 2019	\$ 736,984
Amortization	464,114
Net exchange differences	(241)
Balance, June 30, 2019	\$ 1,200,857

Net book value

Balance, January 1, 2019	\$ 1,756,447
Balance, June 30, 2019	\$ 1,891,825

12. Goodwill and other intangible assets

	Goodwill	Customer relationships	Brand	Total other intangibles
Cost				
Balance, January 1, 2019	\$ 3,960,758	\$ 1,896,238	\$ 2,402,356	\$ 4,298,594
Addition	300,758	373,996	707,921	1,081,917
Net exchange differences	(167,215)	(84,705)	(112,045)	(196,750)
Balance, June 30, 2019	\$ 4,094,301	\$ 2,185,529	\$ 2,998,232	\$ 5,183,761
Amortization				
Balance, January 1, 2019		\$ 390,677	\$ -	\$ 390,677
Amortization		191,053	-	191,053
Net exchange differences	-	(19,492)	-	(19,492)
Balance, June 30, 2019	\$ -	\$ 562,238	\$ -	\$ 562,238
Net book value				
Balance, January 1, 2019	\$ 3,960,758	\$ 1,505,561	\$ 2,402,356	\$ 3,907,917
Balance, June 30, 2019	\$ 4,094,301	\$ 1,623,291	\$ 2,998,232	\$ 4,621,523

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13. Convertible debentures

In May and September 2017, the Company issued 7,333,333 (post reverse split) 5% convertible debentures for \$1,109,000. Each convertible debenture is convertible into a "Unit" comprising one Class A common share of the Company at \$0.15 per share, and one warrant which entitles the holder to acquire one half Class A common share of the Company at \$0.20 per warrant. The convertible debentures will automatically convert into Units on completion of a liquidity event. In the event that a liquidity event does not occur, the debentures are due on May 30, 2019. The Company received \$1,037,310, net of \$71,690 arrangement fees, as proceeds from the issuance.

The liability component of the convertible debentures was valued at \$999,050 by discounting the maturity date interest and principal payments to grant date present value using a discount rate of 10% which is the estimated market rate at which the Company can obtain new financing. The effective interest rate on the convertible debentures is 13.44%.

On October 25, 2018, the Company paid \$440,506 to repurchase an aggregate principal amount of \$150,000 of 5% convertible senior secured debentures. The carrying value of the debentures on the repurchase date was \$149,357 and the Company recorded a loss on repurchase amounting to \$291,149. Since the transaction was with debenture holders that were also shareholders, the loss on repurchase has been recorded as a charge to the deficit.

Accretion expenses amounting to \$nil and \$77,553, respectively, were recorded on the convertible debentures during the period (three and six months ended June 30, 2018 - \$86,415 and \$176,664, respectively).

See note 16 regarding the conversion of the debentures during the six months ended June 30, 2019.

14. Promissory note

On December 19, 2017, the Company entered into an acquisition transaction with Canna Care Docs as detailed in the Note 5 of the year end consolidated financial statements as of December 31, 2018. As part of the purchase consideration, the Company issued a promissory note in the amount of US\$2,500,000 ("Canna Care Note"). The note was discounted to its present value and initially recorded at US\$2,336,449 (\$3,017,057) on the closing date using an effective interest rate of 7%. Accretion expense amounting to \$108,459 (2017 - \$nil) was recorded on this promissory note during the period ended June 30, 2018.

The note was repayable on, and interest free up to, December 19, 2018 after which date interest of 15% per annum was charged. The note was secured by the purchased assets of Canna Care Docs.

On December 19, 2018, the Company repaid the full amount of the Canna Care Note with the proceeds from the issuance of a promissory note to Merida Capital Partners ("Merida") ("Merida Note").

On December 19, 2018, the Company issued the Merida Note and Merida advanced to the Company funds amounting to US\$2,400,000. The Merida note bears interest at 12% per annum and is due 18 months from the issuance date. The Merida Note contained an option to convert the Note to a convertible debenture that would permit the conversion of the underlying liability to common shares ("Merida Option"). The Merida Option expired on January 20, 2019 and the interest rate also increased to 15% per annum on that date. The Merida Note was measured at fair value on issuance and the Company has elected to carry the note at FVTPL. Interest expense amounting to \$128,558 and \$241,090, respectively (2018 - \$nil) was recorded on this promissory note during the three and six months ended June 30, 2019.

On June 24, 2019, the Company signed an amendment agreement with Merida whereby the US\$2,400,000 Merida Note advanced was superseded by a promissory note with a principal amount of US\$3,000,000 (Merida Note II). Merida Note II bears interest at 12% per annum and is due on December 24, 2020. The Merida Note II contains the option to convert the Note to a convertible debenture that would permit the conversion of the underlying liability to common shares. The Merida Note II was measured at fair value on issuance and the Company has elected to carry the note at FVTPL.

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14. Promissory note (continued)

As per the agreement of Merida Note II, the Company shall issue 1,219,520 common shares of the Company in settlement of \$241,090 accrued interest on the Merida Note. These shares were issued subsequent to June 30, 2019 and the company incurred issuance cost amounting to \$6,142 for these shares.

15. Lease liabilities

	June 30, 2019
Beginning balance	\$ 1,683,705
Addition	117,696
Interest expense accretion	79,779
Lease payments	(378,633)
Impact of foreign exchange	(49,789)
Ending balance	\$ 1,452,758
Allocated as:	
Current (no later than 1 year)	\$ 656,571
Long-term (later than 1 year but no later than 5 years)	796,187
	\$ 1,452,758

16. Share capital

a) Authorized share capital

Unlimited number of voting common shares without par value

b) Common shares issued

	Number of common shares	Amount
Balance, January 1, 2018	52,262,441	\$ 5,038,964
Private placements, January 3, 2018 (i)	426,829	81,162
Balance, June 30, 2018	52,689,270	5,120,126
Balance, December 31, 2018	63,373,816	7,794,137
Private placements (i)(ii)	5,133,338	1,711,384
Shares issued for business acquisitions (notes 6 and 7)	950,000	294,500
Share issuance costs - warrants	-	(25,799)
Share issuance costs - cash	-	(15,584)
Shares issued in settlement of convertible debt (vi)	7,594,547	1,238,370
Exercise of stock options (iv)(v)	355,560	67,954
Shares issued on acquisition of Reverse Takeover (note 5)	1,363,636	504,273
Rights issue (vii)	7,281	3,276
Balance, June 30, 2019	78,778,178	11,572,511

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16. Share capital (continued)

b) Common shares issued (continued)

Private placements

2018

(i) On January 3, 2018, the Company completed a private placement for gross proceeds of \$175,000 through issuance of 426,829 units with each unit containing one common share and one half common share purchase warrant with an exercise price of \$0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 213,415 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at \$0.18 per warrant, based on the following assumptions: underlying share price of \$0.32 per share, expected annualized volatility of 127.58%; risk-free interest rate of 1.79%; expected dividend yield of 0%; and expected life of 2 years. In relation to the January 3, 2018 private placement, the Company issued 170,000 broker warrants to obtain one common share of the Company at an exercise price of \$0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the broker warrants was estimated using the Black-Scholes option pricing model at \$0.18 per warrant, based on the following assumptions: underlying share price of \$0.32 per share; expected annualized volatility of 130.43%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 2 years.

2019

Private placements

(i) On January 17, 2019, the Company completed a private placement financing with the issuance of an aggregate of 374,998 Units at a price of \$0.50 per Unit for gross proceeds of \$187,499. Each Units consists of 1 common share and one half common share purchase warrant. An aggregate of 187,499 warrants were issued with each whole warrant exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 187,499 warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.26 per warrant, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.82%; expected dividend yield of 0%; and expected life of 3 years.

(ii) During January and February 2019, the Company closed four tranches of private placement financing of subscription receipts with the issuance of 4,758,340 Subscription Receipt Units for gross proceeds of \$2,379,170. Each Subscription Receipt Unit converts automatically into one common share and one half common share purchase warrant. An aggregate of 4,758,340 common shares and 2,379,170 warrants are issuable on conversion of the Subscription Receipt Units, with each whole warrant being exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 2,379,170 warrants contained in the Subscription Receipt Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.26 per warrant, based on the following assumptions: underlying share price of \$0.37 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years. The Company also issued 26,040 broker warrants in combination with the closing of the Subscription Receipt Units. Each broker warrant entitling the holder to purchase one Unit at \$0.50 for a period of three (3) years, with each whole warrant being exercisable to purchase one common share of the Company at a price of \$0.80 for a period of three (3) years from issuance. The fair value of the 26,040 broker warrants contained in the Units issued on this date was estimated using the Black-Scholes option pricing model at \$0.25 per warrant, based on the following assumptions: underlying share price of \$0.36 per share, expected annualized volatility of 144.32%; risk-free interest rate of 1.77%; expected dividend yield of 0%; and expected life of 3 years.

(iii) In relation to the 2019 private placements, the Company paid cash issuance costs of \$23,730.

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16. Share capital (continued)

b) Common shares issued (continued)

(iv) On February 1, 2019, a consultant exercised 300,000 options at a price of \$0.016 per share.

(v) On March 5, 2019 a consultant exercised 55,560 options at a price of \$0.09 per share.

(vi) On March 5, 2019, \$959,000 principal amount debentures, plus accrued interest of \$84,632, were converted into 7,594,547 shares of CB2. The total amount of shares includes a 10% penalty multiplier as the Company was unable to complete the going public transaction by the Conversion Date as stipulated in the debenture agreement.

(vii) During May 2019, shareholders exercised 7,281 rights shares at a price of \$0.45 per share.

Warrants

A summary of the warrant activity for the periods ended June 30, 2018 and June 30, 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	5,379,897	0.50
Granted	383,415	0.50
Balance, June 30, 2018	5,763,312	0.50
Balance, January 1, 2019	13,547,180	0.42
Granted upon RTO of CB2	151,515	1.65
Granted	2,592,710	0.80
Balance, June 30, 2019	16,291,405	0.49

At June 30, 2019, a summary of warrants outstanding and exercisable is as follows:

Outstanding warrants

Range of exercise prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (years)
< \$0.20	3,699,450	\$ 0.20	1.33
\$0.41 - \$0.50	9,847,730	0.49	0.77
\$0.8	2,592,710	0.80	2.62
\$1.65	151,515	1.65	1.17
	16,291,405	\$ 0.49	1.51

CB2 INSIGHTS INC. (formerly 10557404 Canada Corp.)

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16. Share capital (continued)

b) Common shares issued (continued)

Options

On January 23, 2019, the Company granted an aggregate of 485,000 options to employees, directors and consultants. These options are exercisable over a period of 1-5 years from the date of grant with exercise prices ranging from \$0.44 - \$0.50, vesting over 4 years for employees and immediately for directors and consultants.

A summary of the option activity for the period ended June 30, 2018 and June 30, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2017	6,721,368	0.38
Granted	11,396	0.41
Balance, June 30, 2018	6,732,764	0.02
Balance, December 31, 2018	5,925,868	0.36
Granted upon RTO of CB2	666,060	0.39
Granted	485,000	0.48
Exercised	(355,560)	0.03
Balance, June 30, 2019	6,721,368	0.38

At June 30, 2019, a summary of stock options outstanding and exercisable is as follows:

Range of exercise prices	Number outstanding	Weighted average Exercise Price	Weighted average remaining life (years)	Number exercisable	Weighted average exercise price
\$0.15	1,123,332	\$0.15	3.77	90,000	\$0.15
\$0.17	363,030	\$0.17	2.02	363,030	\$0.17
\$0.41 - \$0.44	4,446,976	\$0.43	7.03	311,285	\$0.41
\$0.44 - \$0.50	485,000	\$0.48	2.67	230,000	\$0.50
\$0.66	303,030	\$0.66	2.24	-	\$0.66
	6,721,368	\$0.38	5.68	994,315	\$0.32

The fair value of the 11,396 stock options issued during the six months ended June 30, 2019 totaled \$2,480. The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 2.04%, volatility of 144.32%, expected life of 1.89 years, and 0% dividend yield.

The fair value of the 485,000 stock options issued during the six months ended June 30, 2019 totaled \$108,517. The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 1.57% - 1.85%, volatility of 144.32%, expected life of 1 to 5 years, and 0% dividend yield.

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17. Related party disclosures***Transactions with key management personnel***

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Salary and short-term employee benefits	\$ 118,361	\$ 190,800	\$ 221,100	\$ 254,400
Share based compensation	-	-	67,553	62,173
	\$ 118,361	\$ 190,800	\$ 288,653	\$ 316,573

18. Segmented information

The Company has two reportable operating segments related to its software and clinic businesses which also align with the two countries in which it operates, namely, United States and Canada. Corporate costs are included in the Canadian segment. The disclosure with regards to the Company's aforementioned segments and locations are listed below:

Three months ended June 30, 2019	USA (Clinic)	Canada (Software)	Total
Revenue	\$ 3,251,003	\$ 6,018	\$ 3,257,021
Cost of sales	1,129,270	-	1,129,270
Gross profit	2,121,733	6,018	2,127,751
Total operating expenses	2,787,965	1,040,768	3,828,733
Loss from operations	(666,232)	(1,034,750)	(1,700,982)
Foreign exchange (gain)/ loss	190	(3,509)	(3,319)
Interest on long-term debt	-	128,558	128,558
Accretion on lease liabilities	34,320	5,354	39,674
Net loss	\$ (700,742)	\$ (1,165,153)	\$ (1,865,895)

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18. Segmented information (continued)

Six months ended June 30, 2019	USA (Clinic)	Canada (Software)	Total
Revenue	\$ 6,096,362	\$ 10,470	\$ 6,106,832
Cost of sales	1,784,958	-	1,784,958
Gross profit	4,311,404	10,470	4,321,874
Total operating expenses	4,592,035	2,394,631	6,986,666
Loss from operations	(280,631)	(2,384,161)	(2,664,792)
Foreign exchange loss	-	(1,462)	(1,462)
Reverse takeover transaction cost	-	807,995	807,995
Penalty on convertible debentures	-	95,900	95,900
Interest on long-term debt	-	241,090	241,090
Accretion	-	77,553	77,553
Accretion on lease liabilities	68,451	11,328	79,779
Net loss before income tax	(349,082)	(3,616,565)	(3,965,647)
Income tax expense	61,795	-	61,795
Net loss	\$ (410,877)	\$ (3,616,565)	\$ (4,027,442)

As at June 30, 2019	USA (Clinic)	Canada (Software)	Total
Non-current assets	\$ 11,086,391	\$ 1,108,839	\$ 12,195,230
Total assets	\$ 11,642,706	\$ 2,267,215	\$ 13,909,921
Total liabilities	\$ 1,839,453	\$ 5,611,823	\$ 7,451,276

Three months ended June 30, 2018	USA (Clinic)	Canada (Software)	Total
Revenue	\$ 2,795,210	\$ 5,218	\$ 2,800,428
Cost of sales	682,225	-	682,225
Gross profit	2,112,985	5,218	2,118,203
Total operating expenses	1,732,047	268,248	2,000,295
Income (loss) from operations	380,938	(263,030)	117,908
Foreign exchange loss	-	94,777	94,777
Accretion on convertible notes	-	86,415	86,415
Net income (loss) before income taxes	380,938	(444,222)	(63,284)
Income taxes expense	96,833	-	96,833
Net income (loss)	\$ 284,105	\$ (444,222)	\$ (160,117)

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18. Segmented information (continued)

Six months ended June 30, 2018	USA (Clinic)	Canada (Software)	Total
Revenue	\$ 5,434,894	\$ 8,851	\$ 5,443,745
Cost of sales	1,338,499	-	1,338,499
Gross profit	4,096,395	8,851	4,105,246
Total operating expenses	3,297,007	505,255	3,802,262
Income (loss) from operations	799,388	(496,404)	302,984
Foreign exchange loss	-	145,251	145,251
Accretion on convertible notes	-	176,664	176,664
Net income (loss) before income taxes	799,388	(818,319)	(18,931)
Income taxes expense	198,106	-	198,106
Net income (loss)	\$ 601,282	\$ (818,319)	\$ (217,037)

As at December 31, 2018	USA (Clinic)	Canada (Software)	Total
Non-current assets	\$ 9,132,781	\$ 853,292	\$ 9,986,073
Total assets	\$ 8,530,452	\$ 2,363,151	\$ 10,893,603
Total liabilities	\$ 168,244	\$ 4,875,881	\$ 5,044,125

19. Subsequent event

On June 14, 2019, the Company entered into a binding agreement to acquire 100% of the patient list of New Jersey Alternative Medicine LLC ("NJAM"), a medical cannabis evaluation and education center group with multiple locations in New Jersey under an earn-out arrangement with no cash or other consideration payable on closing date. As per the terms of the agreement, 25% of the NJAM's existing patients' visit fees up to 13 months from closing date would be paid in cash and by issuance of common shares of equal amount, subject to a hold period of 4 months from issuance. On July 1, 2019, the Company completed the transaction.