TILT HOLDINGS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018 AND THE PERIOD SEPTEMBER 20, 2017 (INCEPTION) TO DECEMBER 31, 2017

(Expressed in United States Dollars Unless Otherwise Stated)

TILT HOLDINGS, INC.

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(Expressed in United States Dollars Unless Otherwise Stated)

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Independent Auditor's Report

To the Shareholders of TILT Holdings Inc.:

Opinion

We have audited the consolidated financial statements of TILT Holdings Inc. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has experienced operating losses and negative operating cash flows during the year ended December 31, 2018. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 12, 2018.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis, which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read Management's Discussion and Analysis, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Andrea M. Brown.

Vancouver, British Columbia

MNP LLP

April 30, 2019

Chartered Professional Accountants

TILT HOLDINGS, INC.
Consolidated Statements of Financial Position
December 31, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Note		**2018**		**2017**
ASSETS					
Current assets:					
Cash and cash equivalents		$	97,246,666	$	112,900
Trade receivables and others	*4*		2,115,161		-
Biological assets	*5*		1,867,656		-
Inventories	*6*		6,666,645		-
Prepaid expenses and deposits			9,654,210		33,023
Loan receivable, short-term	*11*		7,927,219		-
Due from related parties	*16*		154,192		1,163,677
Total current assets			**125,631,749**		**1,309,600**
Non-current assets:					
Property, plant and equipment, net	*7*		51,736,558		-
Intangible assets, net	*9*		18,734,892		-
Loans receivable, long-term	*11*		17,471,181		-
Goodwill	*3, 10*		7,345,518		-
Total non-current assets			**95,288,149**		**-**
TOTAL ASSETS		**$**	**220,919,898**	**$**	**1,309,600**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Current liabilities:					
Accounts payable and accrued liabilities	*16*	$	16,131,602	$	5,442,802
Income tax payable			17,324		-
Deferred revenue			195,632		-
Deferred tax liability			1,711,171		-
Total Liabilities			**18,055,729**		**5,442,802**
Shareholders' Equity (Deficiency)					
Share capital	*12*		620,577,014		-
Warrants reserve			12,345,728		-
Share options reserve			43,053,718		-
Subscriptions received			495,000		-
Contribution to capital			91,169,000		-
Accumulative Other Comprehensive Income			(2,339,810)		-
Accumulated Deficit			(562,436,481)		(4,133,202)
Total Shareholders' Equity (Deficiency)			**202,864,169**		**(4,133,202)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**$**	**220,919,898**	**$**	**1,309,600**

See accompanying notes and accountant's report..

TILT HOLDINGS, INC.
Consolidated Statements of Operations and Comprehensive Loss
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Note	**2018**	**2017**
Revenue:			
Sales		$ 5,657,132	$ -
Production costs expensed to cost of sales		(3,360,066)	-
Unrealized gain on changes in fair value of biological ass	5	151,034	-
Gross profit		**2,448,100**	**-**
Operating expenses:			
Business acquisition expenses		4,047,377	-
Consulting fees		3,993,934	-
Depreciation and amortization expense		648,871	-
General and office expenses		6,454,486	1,248,759
Investor relations		718,019	112,928
Professional fees		4,163,914	1,159,730
Rent expense		696,888	41,301
Stock compensation expense		28,967,349	-
Wages and benefits		6,900,313	1,533,650
Total operating expenses		**56,591,151**	**4,096,368**
Loss from operations		**54,143,051**	**4,096,368**
Other income (expenses):			
Foreign exchange loss (gain)		106,534	-
Impairment of inventory		1,418,048	-
Impairment loss on goodwill	*10*	496,447,782	-
Interest and other expenses		(44,123)	36,834
Total other expenses		**497,928,241**	**36,834**
Loss before income taxes		**552,071,292**	**4,133,202**
Income taxes			
Deferred tax expense		47,744	-
Net loss		**552,119,036**	**4,133,202**
Unrealized foreign exchange loss on translation		2,339,810	-
Comprehensive loss		**554,458,846**	**4,133,202**
Net loss attributable to:			
TILT Holdings Inc.		549,861,671	4,133,202
Non-controlling interests		4,597,175	
Loss per common share			
Weighted average number of common shares outstanding		30,070,452	
Basic and diluted		(18)	

See accompanying notes and accountant's report.

TILT HOLDINGS, INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Year Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	Number of Shares (#)		$ Amount				Reserves					
	Common Shares	**Compressed Shares**	**Common Shares**	**Compressed Shares**	**Subscriptions Received**	**Additional Paid-in Capital**	**Options**	**Warrants**	**Non-controlling Interests**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
Balance - September 20, 2017 (date of inception)												
Net and comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	(4,133,202)	(4,133,202)
Balance - December 31, 2017	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,133,202)**	**(4,133,202)**
Transfer of membership interest from related party - ACRG	-	-	-	-	-	-	-	-	-	-	(1,260,467)	(1,260,467)
Opening balance of non-controlling interest in CAC	-	-	-	-	-	-	-	-	(4,923,776)	-	-	(4,923,776)
Acquisition of CAC	-	-	-	-	-	-	-	-	9,520,951	-	(9,520,951)	-
Shares issued to the shareholders of Sea Hunter Theraputics shareholders	-	1,166,041	-	-	-	-	-	-	-	-	-	-
Shares issued - Acquisition of Briteside	-	526,837	-	209,184,596	-	-	8,508,000	-	-	-	-	217,692,596
Shares issued - Acquisition of Baker	-	387,812	-	153,983,000	-	-	6,226,000	-	-	-	-	160,209,000
Shares issued - Acquisition of SVT	35,694,928	-	141,177,000	-	-	-	2,213,000	8,043,000	-	-	-	151,433,000
Shares issued - Acquisition of Finco	22,886,858	69,617	113,580,418	-	-	-	-	-	-	-	-	113,580,418
Shares issued - private placement	1,734,194	-	2,652,000	-	-	-	-	4,258,000	-	-	-	6,910,000
Share issuance costs	-	-	-	-	-	-	-	-	-	-	-	-
Share subscriptions received	-	-	-	-	495,000	-	-	-	-	-	-	495,000
Conversion of compresssed shares to common shares	31,500,400	(315,004)	-	-	-	-	-	-	-	-	-	-
Compensatory warrants issued	-	-	-	-	-	-	-	44,728	-	-	-	44,728
Contribution of capital	-	-	-	-	-	91,169,000	-	-	-	-	-	91,169,000
Share-based compensation	-	-	-	-	-	-	26,106,718	-	-	-	-	26,106,718
Net and comprehensive loss for the year	-	-	-	-	-	-	-	-	(4,597,175)	(2,339,810)	(547,521,861)	(554,458,846)
Balance - December 31, 2018	**91,816,380**	**1,835,303**	**257,409,418**	**363,167,596**	**495,000**	**91,169,000**	**43,053,718**	**12,345,728**	**-**	**(2,339,810)**	**(562,436,481)**	**202,864,169**

See accompanying notes and accountant's report.

TILT HOLDINGS, INC.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Amounts Expressed in United States Dollars Unless Otherwise Stated)

	2018	2017
Cash flows from operating activities:		
Net loss	$ (554,458,846)	$ (4,133,202)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of asset	215,381	36,834
Depreciation and amortization expense	648,871	-
Change in allowance for doubtful accounts	127,234	-
Unrealized gain on changes in fair value of biological assets	(151,034)	-
Changes in fair value of inventory sold	13,478	
Stock based expense	26,107,055	-
Impairment of inventory	1,418,048	
Impairment of goodwill	496,447,782	-
Net change in working capital items, net of effect of acquisitions:		
Accounts Receivable	(787,257)	-
Biological assets	(1,716,622)	-
Inventory	(5,594,290)	-
Prepaid expenses and other current assets	(9,112,586)	(33,023)
Accounts payable	1,124,642	702,806
Income tax payable	17,324	-
Deferred revenue	196,135	-
Deferred tax liability	1,711,171	-
Net cash used in operating activities	**(43,793,514)**	**(3,426,585)**
Cash flows from investing activities:		
Purchase of property, plant and equipment, net of effect of acquisition	(40,166,368)	(36,834)
Advances	2,722,341	(1,163,677)
Net cash inflow from acquisitions and RTO	88,745,850	-
Purchase (addition of) intangible asset	(2,794,208)	-
Net cash used in investing activities	**48,507,615**	**(1,200,511)**
Cash flows from financing activities:		
Proceeds from subscription	495,000	4,739,994
Proceeds from private placement	2,652,000	-
Proceeds from contribution to capital	91,169,000	-
Net cash provided by financing activities	**94,316,000**	**4,739,994**
Effect of foreign exchange on cash and cash equivalents	(1,896,335)	-
Net increase in cash	**97,133,766**	**112,898**
Cash, beginning of period	112,900	-
Cash, end of period	**$ 97,246,666**	**$ 112,898**

See accompanying notes and accountant's report.

NOTE 1 - Nature and Continuance of Operations

TILT Holdings, Inc. ("TILT" or the "Company") was incorporated under the Nevada Revised Statutes Chapter 78 on June 22, 2018. TILT is the successor of Sea Hunter Therapeutics, LLC ("Sea Hunter"), a company formed under the laws of Delaware on September 20, 2017. The Company's Common Shares began trading on the Canadian Securities Exchange ("CSE") under the symbol "TILT" on December 6, 2018. The Company's registered and records office address is 745 Thurlow Street, #2400 Vancouver, BC V6C 0C5 Canada. The Company's head office in the United States of America ("U.S.") is located at 1385 Cambridge Street, Cambridge MA 02138.

The Company was created as a result of a Business Combination Agreement ("BCA") dated July 9, 2018 (the "Agreement") pursuant to which Baker Technologies Inc. ("Baker"), Briteside Holdings, LLC ("Briteside"), Sea Hunter, Santé Veritas Holdings Inc. ("SVH"), and 1167411 B.C. Ltd. ("Finco") agreed to combine their respective businesses (the "Business Combination"). The Business Combination consisted of a series of transactions that resulted in the acquisition via Reverse Takeover ("RTO") by TILT, a British Columbia company, of all of the outstanding common shares of SVH, a British Columbia company, previously listed for trading on the CSE under the symbol "SV". As fully described in Note 3 – Business Combinations and Reverse Takeover, prior to acquisition of SVH, for accounting purposes, Sea Hunter was considered the acquirer when TILT was acquired by Sea Hunter in the RTO on November 13, 2018.

TILT is a vertically integrated technology and infrastructure platform delivering a range of products and services across the cannabis industry. TILT operates production facilities in multiple markets across the U.S. and internationally, delivering genetically researched cannabis products through vertically integrated operations, largely through the wholesale market in partnership with retail operators. The Company also provides a suite of software and services to its retail partners, helping them connect with retail customers with knowledge based promotional activities.

Going Concern

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has predominately experienced operating losses and negative operating cash flows; operations of the Company having been primarily funded by the issuance of share capital. The Company expects to incur further losses in the development of its business. Management has estimated that the Company has sufficient financing to complete current work plans; however, future development will require additional financing in order to complete all anticipated acquisitions and other programs during the forthcoming year and thereafter. If funds are unavailable on terms satisfactory to the Company, some or all planned activities may be cancelled or postponed.

NOTE 2 - Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors of the Company on April 30, 2019.

Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. These consolidated financial statements have been prepared under a historical cost basis, except for certain financial instruments and biological assets, which are measured at fair value.

Functional Currency

The Company's functional currency, as determined by management is based on the primary economic environment in which the Company and its subsidiaries operate. The Company has determined that the functional currency of each entity is the U.S. dollar, except as noted below.

The functional currency of the Company's subsidiaries, SVH, TILT and Finco as determined by management is based on the primary economic environment in which SVH operates, which is C$. Exchange differences arising on the translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the subsidiary is disposed of.

These consolidated financial statements are presented in U.S. dollars. All references to "C$" refer to Canadian dollars.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Foreign currency translation (Continued)

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of operations and comprehensive loss presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in a subsidiary with a different functional currency are recognized in other comprehensive income. When a subsidiary with a different functional currency is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of an operation with a different functional currency are treated as assets and liabilities of the operation and translated at the closing rate during the initial measurement.

Basis of Consolidation

The accounts of the consolidated subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Intercompany transactions and balances are eliminated.

These consolidated financial statements as of and for the year ended December 31, 2018 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable are taken into account. All of the consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated financial statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated on consolidation.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

The following are the Company's principal consolidated entities and the ownership interest in each that are included in these consolidated financial statements as of and for the year ended December 31, 2018:

Name	Place of Incorporation	Ownership Percentage
1167411 B.C. Ltd.	**British Columbia**	**100%**
Santé Veritas Holdings Inc.	**British Columbia**	**100%**
Santé Veritas Therapeutics Inc.	British Columbia	100%
Baker Technologies Inc.	**Delaware**	**100%**
Defender Marketing Services, LLC	Washington	100%
Briteside Holdings, LLC	**Tennessee**	**100%**
Briteside E-Commerce, LLC	Tennessee	100%
Briteside Modular, LLC	Tennessee	100%
Briteside Oregon, LLC	Tennessee	100%
Sea Hunter, Therapeutics, LLC	**Delaware**	**100%**
SH Therapeutics, LLC	Florida	100%
SH New Jersey Holdings, LLC	New Jersey	100%
Evergreen Curative LLC	New Jersey	95%
TrentonMetro LLC	New Jersey	95%
SH Realty Holdings, LLC	Delaware,	100%
SH Realty Holdings-Ohio, LLC	Ohio	100%
Commonwealth Alternative Care, Inc.	Massachusetts	100%
Alternative Care Resource Group, LLC	Massachusetts	100%
Cultivo, LLC	Delaware	100%
Verdant Holdings, LLC	Florida	100%
Herbology Holdings, LLC	Florida	100%
Verdant Management Group, LLC	Massachusetts	100%
Herbology Management Group, LLC	Massachusetts	100%
SH Ohio, LLC	Ohio	100%
SH Finance Company, LLC	Delaware	100%

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

A brief description of the major entity groups shown in bold above are as follows:

- Finco is a special purpose financing entity with its main purpose to raise equity financing (i.e. in the form of subscription receipts and non-brokered private placement) for the various acquisitions.
- SVH's activities are focused on developing the emerging cannabis market with a specific focus on the wholesale sector of the cannabis market in Canada. At present, SVH is a late-stage applicant for a license to cultivate and sell cannabis and become a licensed producer.
- Baker, through its CRM platform, helps dispensaries grow their brand and build relationships with their customers through a variety of products including online ordering, customer loyalty, customer messaging and analytics.
- Briteside operates a fully-integrated business model that features end-to-end solutions for businesses operating in the regulated cannabis industry in states and countries where cannabis is regulated and/or has been de-criminalized for medical use and/or legalized for recreational use. Briteside provides software solutions, designs industry-specific facilities and distributes exclusive and non-exclusive customer products.
- Sea Hunter, provides cultivation, retail, operational and capital support to state licensees and, in certain circumstances, helps applicants apply for licenses and/or manage licensees through its subsidiaries to cultivate, process, transport, and dispense cannabis in Massachusetts and other various states in which it operates.

The Company was created as a result of Agreement pursuant to which Baker, Briteside, Sea Hunter, SVH, and Finco agreed to combine their respective businesses. The transaction was completed in phases (Note 3).

Business combinations under common control are accounted for at carrying value.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash.

Accounts Receivable

The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. The Company does not accrue interest receivable on past due accounts receivable.

Biological Assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Biological Assets (Continued)

Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the initial basis for the cost of inventory after harvest. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is defined as the estimated selling price in the ordinary course of business less estimated costs to sell. Biological assets are transferred into inventory at their fair value at the point of harvest, which becomes the cost of the inventory. Inventory of supplies and accessories are initially valued at cost. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written-down to net realizable value. The Company recorded an impairment of $1,418,048 as at December 31, 2018 ($nil – 2017).

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses as applicable. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for the intended use and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation on the item commences.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Machinery and equipment	3 - 5 years
Software	5 years
Furniture and fixtures	5 years
Autos and trucks	5 years
Building and leasehold improvements	5 - 40 years
Greenhouse Modular Units	15 years

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of operations and comprehensive loss in the year the asset is derecognized.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

The Company assesses impairment on property, plant and equipment when an indication of impairment occurs, such as evidence of obsolescence or physical damage. In assessing impairment, the Company compares the carrying amount to the recoverable amount which is determined as the higher of the asset's fair values less costs of disposal and its value in use. Value in use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded in the consolidated statements of operations and comprehensive loss.

All other costs, such as repairs and maintenance, are charged to the consolidated statements of operations and comprehensive loss during the period in which they are incurred.

Intangible Assets

Expenditures on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognized in the consolidated statements of operations and comprehensive loss as an expense when incurred.

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Customer relationships	5 years
Trademarks	5 - 7 years
License rights	15 years
Management agreements	15 years
Patents and technologies	10 years
Software	15 years

Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

The Company entered into agreements which provide rights to licenses owned by certain not-for-profit entities for which they have management agreements.

The estimated success of applications, useful life and amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or CGUs which are expected to benefit from the synergies of the combination. The Company has determined that they have three separate CGUs (cannabis, software services, and consulting services).

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU. Any goodwill impairment loss is recognized in the consolidated statement of operations and comprehensive loss in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

Accounts Payable and Accrued Liabilities

Trade payables, presented in accounts payable and accrued liabilities, are non- interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current Tax
Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Deferred Tax (Continued)
recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Revenue Recognition

In May 2014, the IASB issued IFRS 15, which provides a single, principles based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. This standard became effective January 1, 2018.

The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative periods or transaction adjustments required as a result of the adoption of this standard.

Revenue recognition is determined through the following five steps:
- Identification of the contract with the customer;
- Identification of the performance obligation in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for goods and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

- *Sale of Goods*
  Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the good to the customer.
- *Consulting Services*
  The Company recognizes revenue from consulting services on a straight-line basis over the term of third-party consulting agreements as services are provided and the performance obligation has been satisfied.
- *Software-as-a-Service ("SaaS") License Fees*
  SaaS license agreements entitle the customer to utilize the Baker platform, which is hosted by the Company, for a specified number of users without taking possessions. The SaaS contracts contain multiple deliverables which include license fees, setup fees and usage-type fees. The transaction price is allocated

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

- *Software-as-a-Service ("SaaS") License Fees (Continued)*
  to the separate performance obligations based on relative standalone selling prices. Revenue from license and setup fees, net of discounts, are recognized ratably over the contract term, commencing on the date when the Baker software is made available to the customer. Revenue from usage-type fees is recognized when the customer obtains control of the underlying asset and assumes the risks and rewards of ownership. The Company presents revenues net of sales-related taxes.

The timing of revenue recognition, billings and cash collections results in receivables, contract assets and contract liabilities. A contract asset arises when the Company performs a service in advance of receiving consideration from the customer. However, the Company sometimes receives advances or deposits from customers before revenue is recognized, resulting in contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the consolidated statements of financial position. Contract assets and contract liabilities, if any, are included in other assets and deferred revenue, respectively, in the consolidated statements of financial position.

Certain direct costs related to obtaining or fulfilling the contracts are also capitalized and amortized ratably over the expected customer tenure, unless the amortization period is expected to be less than one year.

Research and Development

Research and development costs are expensed as incurred. For the years ended December 31, 2018 and 2017, research and development costs totaled $16,148 and $0, respectively.

Development costs are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development to use or sell the asset. To date, no development costs have been capitalized.

Provisions

Provisions are recognized when the Company has a legal or construction obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Equity

Share capital represents the value of the shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital.

From time to time, the Companyissues units consisting of common shares and share purchase warrants. Proceeds from unit placements are allocated between shares and warrants issued based on the residual value method.

Share-based payments

Share-based payments to employees are measured at the fair value of the equity instruments issued and amortized over the vesting periods. Share-based payments to non- employees are measured at the fair value of goods or services received, of if it is determined the fair value of the goods or services cannot be reliably measured, the fair value of the equity instruments issued. Share-based payments are recorded at the date the goods or services are received. The corresponding amount is recorded to option reserves. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Black-Scholes option pricing model was developed for use in estimated the fair value of stock options and compensatory warrants that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including the expected volatility. Changes inthe underlying assumptions can materially affect the fair value estimates.

Leases

Leases of equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Company are classified as finance leases.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Earnings Per Share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for its own shares held. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for its own shares held, for the effects of all dilutive potential common shares.

Segment Information

The Company's chief operating decision makers are the executives. This is the highest level of management responsible for assessing the Company's overall performance and making operational decisions such as resource allocations related to operations, development prioritization, and delegation of authority. Management has determined that the Company operates in two operating and reportable segments.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Effective January 1, 2018, the Company adopted IFRS 9, "Financial Instruments". IFRS 9 introduced new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has adopted this new standard using the retrospective approach where the cumulative impact of adoption will be recognized in deficit as of January 1, 2018 and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39, "Financial Instruments: Recognition and Measurement", to the new measurement categories under IFRS 9.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) fair value through profit or loss ("FVTPL"); (ii) fair value through other comprehensive income ("FVOCI"); and (iii) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Classification (Continued)
principal and interest ("SPPI"). Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For financial assets and financial liabilities measured at fair value, gains or losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the profit or loss.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost at the end of the subsequent to initial recognition. All other financial assets including equity investments are measured at their fair values subsequent to initial recognition, with any changes taken through profit or loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment
The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. Evidence of increased credit risk may include indications that the counterparty debtor or a group of

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Impairment (Continued)
debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its financial assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

	IFRS 9		IAS 39	
	Classification	Measurement	Classification	Measurement
Cash and Cash Equivalents	FVTPL	Fair Value	FVTPL	Fair Value
Accounts Receivable	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Due from Related Parties (officers, shareholders, related entities)	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Loans to unrelated entities	Amortized Cost	Amortized Cost	Loans and Receivables	Amortized Cost
Short-Term Investments	FVTPL	Fair Value	N/A	N/A
Accounts Payable and Accrued Liabilities	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost
Other Liabilities (Current and Long-Term)	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost
Due to Related Parties	Amortized Cost	Amortized Cost	Other Liabilities	Amortized Cost

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated useful lives and depreciation of property, plant and equipment Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Measurement and Valuation of Biological assets
In calculating the fair value of biological assets and inventory, management is required to make a number of estimates, including the stage of growth of the plant up to the point of harvest, harvesting costs, selling costs, average or expected selling and list prices, expected yields for the plants, and oil conversion factors. See "Note 5 - Biological Assets" for further information on estimates used in determining the fair value of biological assets.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgments related to the valuation of biological assets are also applicable for inventory. The valuation of work- in-process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Recognition of revenue
Software contracts with customers include promises to deliver multiple services. Determining whether these represent distinct performance obligations may require significant judgement. In addition, the determination of stand-alone selling price for distinct performance obligations may also require judgement and estimates. As the Company does not have a significant history of generating revenue, management uses judgement, based on specific contracts and comparable sales, to determine the appropriate stand-alone selling value for each performance obligation. A change in the stand-alone selling price allocated to each performance obligation could materially impact the revenue recognized in the current and future periods.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates (Continued)

Business Combinations
In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values of the acquired assets and assumed liabilities may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods within the measurement period when it reflects new information obtained about facts and circumstances that were in existence at the acquisition date. The measurement period cannot exceed one year from the acquisition date.

Measurement of Share-Based Payments
The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-settled share-based payments. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Goodwill and Indefinite Life Intangible Asset Impairment
Goodwill and intangible assets with an indefinite useful life are tested for impairment annually during the fourth quarter and whenever there are indicators that the carrying amount of goodwill or intangible assets with an indefinite useful life have been impaired. In order to determine if the value of these assets have been impaired, the Company calculates the recoverable amount of the cash-generating unit to which asset has been allocated using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in these judgments and estimates can significantly affect the assessed recoverable amount of goodwill and indefinite life intangible assets.

Deferred Tax Assets
Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates (Continued)

Deferred Tax Assets (Continued)
In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

New Standards and Interpretations Issued But Not Yet Adopted

IFRS 16 Leases ("IFRS 16")
The new standard will replace IAS 17 Leases ("IAS 17") and eliminates the classification of leases as either operating or finance leases by the leasee. The treatment of leases by the leasee will require capitalization of all leases resulting accounting treatment similar to finance leases under IAS 17. The new standard will result in an increase in lease assets and liabilities for the leasee. Under the new standard, the treatment of all lease expense is aligned in the statement of earnings with depreciation, and an interest component recognized for each lease, in line with finance lease accounting under IAS 17. IFRS 16 will be applied retrospectively. Based on the Company's current leasing arrangements, this standard is expected to have an effect on the financial reporting and the Company is currently assessing the implications of the new standard which will become effective to annual reporting periods beginning on or after January 1, 2019.

NOTE 3 - Business Combination and Reverse Takeover

On November 21, 2018, SVH completed a previously announced business combination (Note 1) among Baker, Briteside, Sea Hunter and Finco, as amended on October 31, 2018. The Business Combination was effected by way of a court-approved plan of arrangement (the "Plan of Arrangement") under the *Business Corporations Act* (British Columbia) (the "BCBCA"). The resulting issuer of the Business Combination is TILT Holdings Inc., a British Columbia company (the "Resulting Issuer"). The transaction was completed in phases:

Phase1:
TILT was incorporated under the laws of state of Nevada on June 22, 2018 to provide for merger of Baker, Briteside, and Sea Hunter via series of transactions resulting in exchange by members and shareholders of Baker, Briteside, and Sea Hunter of their interests for 27,289,186; 42,753,058; and 78,707,757, respectively, of TILT's Class A Shares on November 13, 2018. In accordance with IFRS 3, "Business Combinations" ("IFRS 3"), Sea Hunter was identified as the accounting acquirer that acquired assets and liabilities of TILT (a non-operating company) in a reverse takeover, with immediate acquisition of Baker and Briteside via business combination under IFRS 3.

The following table summarizes the consideration for the acquisition and the net assets of Baker at their provisional fair values on November 13, 2018:

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination and Reverse Takeover (Continued)

Phase1 (Continued):

Identifiable net assets		
Cash and cash equivalents	$	869,734
Trade receivables		473,153
Prepaid expenses and other current assets		157,878
Loans to shareholders		469,001
Property, plant and equipment		338,282
Intangible assets - software		700,000
Intangible assets - customer relationships		2,500,000
Intangible assets- trademarks		400,000
Other assets		49,035
Accounts payable and other current liabilities		(2,515,876)
Deferred tax liability		(706,258)
Due to related entities		(2,000,000)
Identifiable net assets		735,500

Consideration		
27,289,186 Class A shares at $5.64 per share		153,983,663
16,478 fair value of vested compressed Options Exchanged		6,225,916
Assumed debt due to related parties		2,000,000
		162,209,579
Fair value of consideration paid in excess of net assets acquired (Goodwill)	$	161,474,079

For the year ended December 31, 2018, Baker accounted for $1,590,224 in net loss since November 13, 2018. This amount included revenues of $636,409. The following table summarizes the consideration for the acquisition and the net assets of Briteside at their provisional fair values on November 13, 2018:

Identifiable net assets		
Cash and cash equivalents	$	1,510,360
Trade receivables		203,075
Inventory		2,503,881
Notes receivable		1,068,692
Property, plant and equipment		2,614,877
Intellectual property- modular technology		3,400,000
Intangible assets- software		800,000
Intangible assets- trademarks		1,478,000
Other assets		4,000
Deferred tax liability		(1,154,769)
Accounts payable and other current liabilities		(3,706,402)
Identifiable net assets		8,721,714

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination and Reverse Takeover (Continued)

Phase1 (Continued):

Consideration	
42,753,058 shares issued at $4.89 per share	209,184,582
27,299 Fair Value of Vested Compressed Options Exchanged	8,507,862
	217,692,444
Fair value of consideration paid in excess of net assets acquired (Goodwill)	207,815,961

For the year ended December 31, 2018, Briteside accounted for $457,017 in net loss since November 13, 2018. This amount included revenues of $-.

The purchase price allocation for the acquisition of both Baker and Briteside, reflects various fair value estimates and analyses which are subject to change within the measurement period. The primary areas of the purchase price allocation that are subject to change relate to the fair values of certain tangible assets, the valuation of intangible assets acquired, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired at the acquisition date during the measurement period. Measurement period adjustments that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements and, depending on the nature of the adjustments, other periods subsequent to the period of acquisition could also be affected.

Following the Business Combination, TILT contributed all of its Briteside membership interests and all of its Sea Hunter membership interests to Baker. Because the transactions involved entities under common control, the assets and liabilities transferred were at carrying values.

Phase2:
On November 14, 2018 following the completion of Phase1, TILT continued from under the laws of the State of Nevada to under the laws of the Province of British Columbia (the "Continuance") as TILT Holdings, Inc., a British Columbia corporation pursuant to section 302 of the BCBCA, pursuant to the terms of the Plan of Arrangement.

Phase3:
The Business Combination continued in series of transactions that resulted in the acquisition via reverse takeover by TILT, as the Resulting Issuer, of all of the outstanding common shares of SVH, a Canadian federal company continued into the laws of British Columbia, previously listed for trading on the CSE under the symbol "SV".

The following table summarizes the consideration for the acquisition and the net assets of SVH at their fair values on November 21, 2018:

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 3 - Business Combination and Reverse Takeover (Continued)

Phase3 (Continued):

Identifiable net assets		
Cash and cash equivalents	$	583,851
Trade receivables		778,910
Prepaid expenses and other current assets		297,688
Property, plant and equipment		9,481,283
Intangible assets - license rights		8,483,000
Accounts payable and other current liabilities		(1,268,883)
Due to Related Parties		(272,490)
Identifiable net assets		18,083,359

Consideration		
38,888,889 shares issued at $3.97 per share		141,177,017
699,562 fair value of vested options Exchanged		2,212,885
2,494,172 fair value of vested warrants exchanged		8,507,862
		217,692,444
Fair value of consideration paid in excess of net assets acquired (Goodwill)	$	208,970,730

For the year ended December 31, 2018, SVH accounted for $972,499 in net loss since November 13, 2018. This amount included revenues of $-.

Following the completion of the transactions contemplated by the Business Combination, TILT became the direct parent entity of Baker, SVH, and Finco, and the indirect parent entity of Sea Hunter and Briteside, as well as a reporting issuer, as such term is defined in the Securities Act (British Columbia), in all jurisdictions in which SVH was a reporting issuer, namely British Columbia, Alberta and Ontario, and its common shares, subject to any necessary stock exchange and regulatory approvals, was listed for trading on the CSE under the symbol "TILT".

The Business Combination included the exchange of, amongst other things: (i) class A shares of the TILT (the "Class A Shares") (which were held by former shareholders of Baker, former members of Briteside and Sea Hunter Holdings, LLC) for compressed shares (the "Compressed Shares") of TILT following the completion of the Business Combination (the "Resulting Issuer"); (ii) share units of SVH for common shares of SVH (the "SVH Common Shares"); (iii) SVH Common Shares for common shares of the Resulting Issuer (the "Common Shares"); (iv) subscription receipts of Finco, for common shares of Finco (the "Finco Common Shares"); (v) Finco Common Shares for Common Shares; (vi) special shares of Finco for Compressed Shares; (vii) options and warrant of SVH for replacement options and warrants of the Resulting Issuer exercisable for Common Shares; (viii) options of TILT exercisable for Class A Shares for replacement options of the Resulting Issuer exercisable for Compressed Shares; and (ix) compensation options of Finco for compensation options of the Resulting Issuer.

NOTE 3 - Business Combination and Reverse Takeover (Continued)

Former shareholders, members and security holders of Baker, Briteside and Sea Hunter received approximately 0.0142 of a Compressed Share for each Class A Share previously held. The terms of the Compressed Shares provide the holders with super voting rights and a right to convert the Compressed Shares into Common Shares, subject to certain limitations. The former holders of SVH Common Shares received approximately 0.1399 of a Common Share for each SVH Common Share previously held. Outstanding options and warrants of the parties will be adjusted in accordance with their terms to reflect the consideration described above.

Capital Raise

Pursuant to an agency agreement dated November 16, 2018 among TILT, SVH, Finco, Sea Hunter, Baker, Briteside, and Canaccord Genuity Corp. and the rest of the syndicate (collectively, the “Agents”), Finco completed a private placement of 22,886,858 subscription receipts of Finco (“Finco Subscription Receipt”) at a price of C$5.25 per Finco Subscription Receipt (the “Issue Price”) (the “Financing”) for aggregate gross proceeds of $120,156,004. As part of the Plan of Arrangement, each Finco Subscription Receipt automatically converted, without the payment of any further consideration, into one Finco Common Share and each Finco Common Share was exchanged for one Common Share.

The Agents received a cash commission equal to 7% of the gross proceeds of the Financing. Finco also granted to the Agents compensation options (the “Compensation Options”) entitling the Agents to subscribe for that number of Finco Common Shares as is equal to 7% of the total number of Finco Subscription Receipts sold pursuant to the Financing. The Compensation Options are exercisable to acquire one Finco Common Share at the Issue Price for a period of two years from December 6, 2018. Notwithstanding anything to the contrary in the agency agreement, up to $20 million of the Financing was reserved for a President’s List on which the Agents’ above-noted cash commission and Compensation Options was reduced to 2%, with cash commissions and Compensation Options on any President’s List financing over $20 million at 4%.

In addition to the Offering, Finco completed a concurrent non-brokered private placement offering of 6,961,659 special shares of Finco at a price of $4.0425 per special share, which raised additional funds of approximately $28,140,000. In connection with the Business Combination, each special share was exchanged for 0.01 compressed share in the capital of TILT.

NOTE 4 - Trade Receivables and Allowance for Doubtful Accounts

As of December 31, 2018 and 2017, trade receivables were $2,115,161 and $0, respectively. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable and amounts based on the estimated credit loss. Management determined that the allowance for doubtful required was $127,234 and $0, respectively, as of December 31, 2018 and 2017.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 5 - Biological Assets

Biological assets consist of live cannabis plants. The changes in the carrying value of biological assets are as follows as of December 31, 2018:

Balance, beginning of period	$ -
Net increase in fair value less costs to sell due to biological transformation	151,034
Production costs capitalized	4,030,826
	$ 4,181,860
Transferred to inventory upon harvest	(2,314,204)
Balance, end of period	**$ 1,867,656**

On average, the growing time for a full harvest approximates 20 weeks. As listed below, key estimates are involved in the valuation process of the cannabis plants. The Company's estimates are subject to changes that could result in future gains or losses on biological assets. Changes in estimates could result from volatility of sales prices, changes in yields, and variability of the costs necessary to complete the harvest. Prior to harvest, all production costs are expensed.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The selling price per gram based on average selling prices for the period;
- The cost to complete the cannabis production process post-harvest and the cost to sell;
- Attrition rate;
- The stage of plant growth; and
- Expected yields from each cannabis plant.

The Company measures the yield of cannabis in active milligrams extracted from a plant. A plant typically produces a total of approximately 172 grams, which is comprised of THC and CBD. The Company has quantified the sensitivity of the inputs in relation to the biological assets for the year ended December 31, 2018 and expects that:

Significant Inputs and Assumptions	**Range of Inputs**	**Sensitivity**	**Effect on Fair Value as of December 31, 2018**	**2017**
Selling Price Per Active Gram	$7.90 to $8.72	Increase 5% Decrease 5%	$ 91,333 $ (91,333)	N/A (1)
Estimated Yield Per Cannabis Plant	163.53 to 180.30 grams	Increase 5% Decrease 5%	93,383 (93,383)	N/A (1)

(1) *The Company had no biological assets as of December 31, 2017*

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 5 - Biological Assets (Continued)

All of the plants are to be harvested as agricultural produce (i.e., medical cannabis) and as of December 31, 2018, on average, were 49% complete. The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods. As of December 31, 2018, it is expected that the Company's biological assets will yield approximately 520,683 grams.

NOTE 6 - Inventory

The Company's inventory assets as of December 31, 2018 and 2017 consisted of the following:

	2018	2017
Work in Process – Cannabis Oil	$ 1,746,420	$ -
Finished Goods – Harvested Cannabis	3,674,023	-
Finished Goods – Cannabis Oils	1,150,033	-
Materials	80,881	-
Supplies and Accessories	15,288	-
	$ 6,666,645	**$ -**

During the year ended December 31, 2018 the Company impaired $1,418,048 (2017 - $nil) of inventory to net realizable value.

NOTE 7 - Property, Plant and Equipment

The Company had no Property, plant and equipment as of December 31, 2017. The Property, plant and equipment as of December 31, 2018 consists of the following:

	Business Acquisition	Additions	Disposals	Reclassi fication	Balance, 12/31/2018
Machinery and Equipment	$220,481	$7,036,435	$-	$(-)	$7,256,915
Furniture and Fixtures	69,972	428,185	-	(157,799)	340,358
Buildings	-	1,512,432	-	(1,512,432)	-
Greenhouse-Agricultural Structure	-	3,589,769	-	-	3,589,769
Leasehold Improvements	226,666	26,031,678	-	(1,064,291)	25,194,053
Software	1,504,218	-	-	-	1,504,218
Construction in Progress	11,833,312	1,222,090	-	(12,009,092)	1,046,309
Autos and Trucks	-	136,434	-	-	136,434
Property not in Service	-	-	-	14,743,614	14,743,614
	$13,854,648	**$39,950,553**	**-**	**-**	**$53,811,671**

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 7 - Property, Plant and Equipment (Continued)

A reconciliation of the beginning and ending balances of accumulated depreciation is as follows:

	Balance, 1/1/2018	Depreciation	Balance, 12/31/2018
Machinery and Equipment	$155,820	$703,970	$859,790
Furniture and Fixtures	10,508	2,676	13,184
Buildings	-	-	-
Greenhouse-Agricultural Structure	-	-	-
Leasehold Improvements	158,775	771,044	929,819
Software	227,602	43,066	270,668
Construction in Progress	-	-	-
Autos and Trucks	1,652	-	1,652
Property not in Service	-	-	-
	$554,357	**$1,520,756**	**$2,075,113**

Depreciation expense of $1,520,756 and $nil was recorded for the years ended December 31, 2018 and 2017, respectively, of which $1,193,833 and $nil, respectively, is included in Production Costs Expensed to Cost of Sales.

NOTE 8 - Consolidation of Certain Entities

Alternative Care Resource Group, LLC
On May 1, 2018, Sea Hunter Holdings, LLC contributed its interest in Alternative Care Resource Group, LLC to Cultivo LLC, a wholly-owned subsidiary. Because the transaction involves entities under common control, the assets and liabilities transferred were at carrying value.

Commonwealth Alternative Care, Inc.
Pursuant to Massachusetts laws, The Board of Director's of Commonwealth Alternative Care, Inc. ("CAC") adopted a plan of conversion by unanimous written consent to convert CAC, a non-profit corporation under Massachusetts law, to a for profit domestic corporation in Massachusetts. The plan of conversion granted Sea Hunter one hundred percent (100%) of the common stock of the Company. The shares of common stock were issued to Sea Hunter in exchange for the forgiveness of outstanding debt owed by the Company to SH Finance Company, LLC, a wholly- owned subsidiary of Sea Hunter in an amount of $25,212,447, in accordance with the terms of an Exchange Agreement to be entered into between the Company, Sea Hunter and SH Finance Company, LLC. The plan of conversion was certified by the Massachusetts Department of Public Health and CAC was approved by the Secretary of the Commonwealth as a duly incorporated for profit domestic corporation on August 29, 2018.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 8 - Consolidation of Certain Entities (Continued)

Commonwealth Alternative Care, Inc. (Continued)
The above described transactions did not result in a change of control over CAC and are considered an equity transaction subject to accounting in accordance with IFRS 10.B96 and recorded at their carrying value. The CAC's equity deficit of $9,520,951 as of August 29, 2018 was recognized directly in equity and attributed to the controlling interest.

Due to the timing of the acquisition, the following carrying values assigned to the net assets acquired and liabilities assumed are preliminary and may be revised by the Company as additional information is received:

Inventory	$ 3,401,562
Other current assets	3,160,158
Property, plant and equipment	22,819,150
Non-current assets	217,549
Loan from Sea Hunter Therapeutics, LLC	(25,212,447)
Current liabilities assumed	(13,906,922)
Deficit	**($ 9,520,950)**

NOTE 9 - Intangible Assets

As of December 31, 2018, intangible assets consisted of the following:

	Balance at January 1, 2018	Additions from Acquisitions	Additions	Accumulated Amortization
Customer relationships	$-	$2,500,000	$-	$72,500
Trademarks	-	1,878,000	-	43,214
License rights	-	8,522,279	44,208	2,456
Management agreements	-	-	2,750,000	106,944
Patents and technologies	-	3,404,047	-	96,668
Software	-	800,000	-	189,286
Total Intangible Assets	**$ -**	**$16,304,326**	**$2,794,208**	$321,782

The Company had no intangible assets as of December 31, 2017.

The Company recorded amortization expense of $321,782 and $nil for the years ended December 31, 2018 and 2017, respectively.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 10 - Goodwill

Balance, December 31, 2017	$ -
Additions	503,793,300
Impairment	496,447,782
Balance, December 31, 2018	**7,345,518**

The Company performs goodwill impairment testing at least at each reporting period and whenever impairment indicators are identified. The Company has identified three CGUs for the purposes of performing its impairment analysis. The following are the key assumptions and judgments in making this assessment.

Recoverable amount (Terminal value method):

Management's future projections of its businesses' performance are used to make a best estimate of the projected revenues, earnings before interest, taxes, depreciation, and amortization ("EBITDA") and operating cash flows covering a 7-8 year forecast periods, with a terminal value extrapolated into the future over the estimated useful life of the assets.

Discount rate:

The discount rate applied is a pre-tax rate which reflects the time value of money and risk associated with the business. Management utilized a discount rate of 18.5% for Sante Veritas Holdings Inc., and 17.5% for Baker Technologies Inc. and Briteside Holdings LLC.

Sensitivity Analysis:

Management performs sensitivity analysis on the key assumptions. Sensitivity analysis indicates reasonable changes to key assumption would not result in an impairment loss.

At December 31, 2018, the Company recorded an impairment charge of $132,509,755 for Sante Veritas Holdings Inc., $157,636,258 for Baker Technologies, and $206,301,769 for Briteside Holdings LLC. This reduction reflects the Company's outlook on the medical cannabis industry in Canada as a result of the legalized recreational market. The impairment was determined by comparing the CGU's value-in-use to its carrying value.

This impairment charge was fully allocated to goodwill.

NOTE 11 - Loans Receivable

The Company has several advances to entities with which Company has management agreement or letters of intention to purchase the entity under certain conditions. The Company's intent is to apply outstanding balances toward the purchase price upon acquisition of these entities. The Company changes interest ranging from 0% to 18% on outstanding balances.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 11 - Loans Receivable (Continued)

The summary of the outstanding balances as follows:

Short-Term

Relationship	Outstanding Amount 12/31/2018	12/30/2017	Interest Rate
Management agreement	$ 2,579,138	$ 989,053	18%
Intention to acquire controlling interest	5,348,081	-	0% -12%
	$ 7,927,219	**$ 989,053**	

Long-Term

Relationship	Outstanding Amount 12/31/2018	12/30/2017	Interest Rate
Management agreement	$ 14,317,976	$ -	18%
Intention to acquire controlling interest	3,153,205	-	18%
	$ 17,471,181	**$ -**	

The above balances include $1,553,563 of accrued unpaid interest.

NOTE 12 - Shareholders' Equity

Authorized Share Capital

The authorized share capital of the Company is comprised of the following:

(i) Unlimited Number of Common Shares

The holders of the Common Shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote thereat for each Common Share so held. Holders of Common Shares are entitled to receive as and when declared by the directors of the Corporation, dividends in cash or property of the Company.

(ii) Unlimited Number of Compressed Shares

The holders of Compressed Shares (the "Compressed Shareholders") have the right to one vote for each Common Share into which such Compressed Shares are convertible (disregarding the Conversion Limitations set forth), and with respect to such vote, Compressed Shareholders have voting rights and powers equal and identical to the voting rights and powers of the holders of Common Shares.

NOTE 12 - Shareholders' Equity (Continued)

Conversion Limitation

The Company uses commercially reasonable efforts to maintain its status as a "foreign private issuer" ("Foreign Private Issuer", as determined in accordance with Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act")). Accordingly:
(1) 40% Threshold. The Company shall not affect any conversion of Compressed Shares, and the Compressed Shareholders shall not have the right to convert any portion of the Compressed Shares, to the extent that after giving effect to such issuance after conversions, the aggregate number of Common Shares and Compressed Shares held of record, directly or indirectly, by residents of the United States would exceed forty percent (40%) (the "40% Threshold") of the aggregate number of Common Shares and Compressed Shares issued and outstanding (the "FPI Protective Restriction").

(2) Conversion Limitations. In order to effect the FPI Protective Restriction, each Compressed Shareholder will be subject to the 40% Threshold based on the number of Compressed Shares held by such Compressed Shareholder as of the date of the initial issuance of any Compressed Shares and, thereafter, at the end of each of the Company's subsequent fiscal quarters (each, a "Determination Date") for the current fiscal quarter (the "Relevant Fiscal Quarter").

Subject to the Conversion Limitations, Compressed Shareholders have the right to convert Compressed Share into Common Shares by multiplying the number of Compressed Shares by the Conversion Ratio in effect on the applicable date the Compressed Shares are surrendered for conversion. In accordance with the initial "Conversion Ratio", each Compressed Share shall be convertible into 100 Common Shares.

The Company may require (a "Mandatory Conversion") by giving a ("Mandatory Conversion Notice") at least 20 days prior to the record date of the Mandatory Conversion

The Compressed Shareholders are entitled to receive dividends and distributions payable in respect of Common Shares, out of any cash or other assets legally available therefor, received by shareholders, distributed among the Compressed Shareholders and the holders of Common Shares based on (i) the number of Common Shares and (ii) the number of Compressed Shares (on an as converted basis, assuming conversion of all Compressed Shares into Common Shares at the applicable Conversion Ratio, disregarding the Conversion Limitations.

Capital Raise

In addition to the capital raises described in Note 3 – Business Combination and Reverse Takeover, the Company completed an additional private placement of 1,734,194 units on December 13, 2018 and received a proceed for 128,476 units on December 21, 2018 ("Units"), at subscription price of C$5.25 per Unit with the total proceeds of $7,313,944. Each Unit is comprised of one Common Share of the Company

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 12 - Shareholders' Equity (Continued)

Capital Raise (Continued)

and one Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one Common Share ("Warrant Share") at a price of C$5.25 per Warrant Share during the period of 12 months from the closing of the private placement. As of December 31, 2018, the Company recorded $495,000 as subscriptions received.

Warrants

Each whole warrant entitles the holder to purchase one Common Share of the Company. A summary of the status of the warrants outstanding is as follows:

	Number of Warrants	Weighted-Average Exercise Price
Balance as of January 1, 2018	-	N/A
Replacement warrants (SVH acquisitions – see Note 3)	396,651	$0.43
Replacement warrants (SVH acquisitions – see Note 3)	418,795	$2.14
Replacement warrants (SVH acquisitions – see Note 3)	1,678,949	$0.86
Issued:		
Capital Raise	1,734,194	$5.25
Service Providers (*)	2,724,694	$5.25
Exercised		
Balance as of December 31, 2018	**6,953,283**	**$3.73**

(*) During the year ended December 31, 2018, the Company recorded warrant compensation expense for consulting services rendered of $61,485 issued with a fair value of $0.18 per warrant.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 12 - Shareholders' Equity (Continued)

Warrants (Continued)

The following table summarizes the warrants that remain outstanding as of December 31, 2018:

Security Issued	Exercise Price	Number of Warrants	Expiration Date
SVH replacement warrants	C$ 0.42	396,651	January 25,2019
SVH replacement warrants	C$ 2.14	418,795	December 19, 2019
SVH replacement warrants	C$ 0.86	1,678,949	October 20, 2020
TILT capital raise	C$ 5.25	1,734,194	December 13, 2019
TILT service providers	C$ 5.25	2,724,694	December 13, 2019
		6,953,283	

The fair value of warrants issued was determined using the Black-Scholes option- pricing model with the following assumptions at the time of issuance:

	2018	2017
Risk-Free Annual Interest Rate	1.51 – 2.10%	N/A
Expected Annual Dividend Yield	0%	N/A
Expected Stock Price Volatility	80%	N/A
Expected Life of Warrants	0.2 – 1.81 years	N/A

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that warrants issued are expected to be outstanding.

As of December 31, 2018, warrants outstanding have a weighted-average remaining contractual life of 1.11 years.

There were no warrants issued during the year ended December 31, 2017 or outstanding as of December 31, 2017.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 12 - Shareholders' Equity (Continued)

Warrants (Continued)

During 2018, prior to the amalgamation, the Company's parent (Sea Hunter Holdings) Board of Managers ratified the issuance of incentive units of Sea Hunter Holdings to certain service providers of the Company totaling 1,710 preferred units and 16,618 class A units. Equity-based compensation to the Company's service providers totaling $2,374,000 for the year ended December 31, 2018 is based upon $333.33 per Preferred Units and $95.24 per Class A Unit and is included in share-based payments in the Consolidated Statement of Operations.

During 2018, prior to the amalgamation, the Company's parent (Sea Hunter Holdings) Board of Managers ratified the issuance of 21,991 incentive class A units of Sea Hunter to certain individuals of the Company totaling $3,144,439 based upon $95.24 per Class A Unit. $573,523 of this amount is included in payroll and related benefits in the Consolidated Statement of Operations for the year ended December 31, 2018. The remaining units vested upon issuance and contain employment contingency rules as follows:

Year ending December 31		
2019	10,310 units	$ 981,865
2020	5,126 units	486,849
2021	3,869 units	130,703
2022	1,007 units	96,206
Total		**$ 1,695,623**

Stock Options

A summary of the status of the options outstanding follows:

	Number of Stock Options		**Weighted-Average Exercise Price**
	Common Shares	**Compressed Shares**	
Balance as of January 1, 2018	-	-	N/A
Granted			
Replacement options- Baker (**)	-	16,426	C$ 525.00
Replacement options- Briteside (**)	-	27,299	C$ 157.88
Replacement options- SVH (**)	699,562		C$ 1.79
Management compensation	13,709,883	548,435	C$ 5.25 US$398
Compensation options	1,157,085	-	C$ 5.25
Balance as of December 31, 2018	**15,566,530**	**592,160**	

(**) See Note 3 – Business Combination and Reverse Takeover

During the year ended December 31, 2018, the Company recorded $22,658,135 of share-based compensation for stock options granted and vested during the period.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 12 - Shareholders' Equity (Continued)

Stock Options (Continued)

There were no stock options issued during the year ended December 31, 2017 or outstanding as of December 31, 2017.

The following table summarizes the stock options that remain outstanding as of December 31, 2018:

Security Issuable	Number of Options	Exercise Price	Expiration Date	Options Exercisable
Common Shares	13,709,883	C$ 5.25	November 21, 2028	-
Compressed Shares	37,590	C$ 525.00	November 26, 2028	-
Compressed Shares	37,590	C$ 525.00	December 18, 2028	-
Common Shares	699,562	C$ 5.25	December 18, 2028	699,562
Compressed Shares	43,777	C$ 525.00	December 18, 2028	43,725

The fair value of stock options granted was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	2018	2017
Risk-Free Annual Interest Rate	1.95%-2.29%	N/A
Expected Annual Dividend Yield	0%	N/A
Expected Stock Price Volatility	80%	N/A
Expected Life of Stock Options	10 years	N/A
Forfeiture Rate	0%	N/A

Volatility was estimated by using the average historical volatility of comparable companies from a representative peer group of publicly traded cannabis companies. The expected life in years represents the period of time that options issued are expected to be outstanding. The risk-free rate is based on U.S. Treasury bills with a remaining term equal to the expected life of the options.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 13 - Earnings (loss) per Share

The following is a reconciliation for the calculation of basic and diluted earnings (loss) per share for the year ended December 31, 2018:

	2018
Net Loss	$ (552,119,036)
Weighted-Average Number of Shares and Units Outstanding	30,070,452
Earnings (Loss) Per Share - Basic and Diluted	$(18)
Attributable to TILT Holdings, Inc. Shareholders	$(18)
Attributable to Non-Controlling Interest	$(.15)

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the issuance of shares on the decompression of compressed shares, exercise of warrants and share options is anti-dilutive.

NOTE 14 - Income Taxes

The provision for income tax consists of the following for the years ended December 31, 2018 and 2017:

	2018	**2017**
Current:	$ -	$ -
Federal	-	-
State	**93,306**	-
Deferred	-	-
Federal	(119,608)	-
State	74,047	-
Total provision for income taxes	**$ 47,744**	**$ -**

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 14 - Income Taxes (Continued)

As of December 31, 2018 and 2017, the components of deferred tax assets and liabilities were as follows:

	2018	2017
Property & Equipment	743,588	-
Financing costs and others	438,948	-
Net operating loss carry-forwards	8,247,630	1,405,289
Biological Assets / Inventory	(64,574)	-
Unrecognized deferred tax asset	(7,081,150)	(1,405,289)
Subtotal	2,284,441	-
Intangible and fixed assets	(3,995,612)	-
Net deferred tax asset (liability)	(1,711,171)	-

On December 22, 2017, the U.S. enacted the “Tax Cuts and Jobs Act” (“Tax Act”), which lowered the U.S. statutory tax rate from 35% to 21% effective January 1, 2018.

The reconciliation between the effective tax rate on income from continuing operations and the statutory tax rate is as follows:

	2018	2017
Loss before income taxes	(552,071,292)	(4,133,202)
	27%	34%
Pre-tax loss at federal statutory rate	(149,059,249)	(1,405,289)
Permanent differences	119,987,965	-
Income taxed in foreign jurisdictions	25,287,733	-
Other	(21,669)	-
Change in unrecognized deferred tax assets	3,852,964	1,405,289
Income tax expense	47,744	-

NOTE 14 - Income Taxes (Continued)

As of December 31, 2018, the Company had federal net operating losses of approximately $18,215,374 of U.S. federal net operating losses, state net operating loss carryforwards of approximately $942,757 and various states net operating loss carryforwards of approximately $24,592,695 that collectively will expire beginning in 2035. These tax attributes are subject to an annual limitation from equity shifts, which constitute a change of ownership as defined under Internal Revenue Code ("IRC") Section 382, which will limit their utilization. As of December 31, 2018, the Company has not determined the effect of these limitations but does expect these losses to be limited.

As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E for U.S. federal and New York state income tax purposes under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. However, the State of California does not conform to IRC Section 280E and, accordingly, the Company deducts all operating expenses on its California Franchise Tax Returns.

NOTE 15 - Commitments and Contingencies

Operating Leases

Sea Hunter has several operating leases in Florida commencing in 2018 and ending in February 2021 and March 2023. The Company has several operating leases in Massachusetts commencing in 2017 and 2018 and ending through September 2028. The Company has one operating lease in Maryland commencing in October 2018 and ending October 2028.

Some of these leases require minimum monthly with lease payment escalations each year and contain certain renewal provisions.

Rent expense amounted to $1,406,447 for the year ended December 31, 2018, $709,559 of which was included in Production Costs Expensed to Cost of Sales on the consolidated statement of operations and comprehensive loss for the year ended December 31, 2018.

In October 2017, Baker executed an operating lease with monthly payments escalating from $14,850 to $21,229 for office space in Denver, Colorado, commencing in December 2017 and expiring in November 2020.

Rent expense was $60,785 since Baker acquisition (November 13, 2018) to December 31, 2018.

Briteside entered into a lease agreement in December 2017 for office space. The lease provided for monthly payments of $2,013, and expired in December 2018. Rent expense was $2,523 since Briteside acquisition (November 13, 2018) to December 31, 2018. This lease agreement was not renewed as of December 31, 2018.

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 15 - Commitments and Contingencies (Continued)

In January 2019, Briteside executed an operating lease with monthly payments escalating from $4,625 to $5,550 for office space in Nashville, TN, commencing in January 2019 and expiring in December 2021.

On November 15, 2016, SVH signed a lease with the City of Powell River, British Columbia to rent a vacant building at 6270 Yew Street, Powell River, British Columbia for an annual rent of $180,000 per year for ten (10) years. Under the terms of the lease, the Company can renew the lease for an additional ten (10) years on the same terms and conditions as the original lease.

On July 7, 2017, the lease agreement was amended to add a purchase option allowing the Company to buy the building at an appraised value less 30% of annual base rent.

The future minimum rental payments for each of the next five years and thereafter are:

Year ending December 31		
2019	$	2,406,620
2020		2,527,164
2021		2,369,307
2022		2,358,842
2023		2,271,844
2024 and thereafter		9,500,683
Total	**$**	**21,434,460**

Guarantees

Sea Hunter is a guarantor in the lease agreement of one of the Massachusetts dispensaries with which the Company has management agreement. The Company might be liable for the future minimum rental payments under this lease as follows:

Year ending December 31		Amount
2019	$	380,666
2020		397,969
2021		414,159
2022		433,981
2023		449,878
2024 and thereafter		2,460,116
Total	**$**	**4,536,769**

(Expressed in United States Dollars Unless Otherwise Stated)

NOTE 16 - Related Party Transactions

Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

		2018		201
Management compensation	$	2,752,594	$	1,450,000
Share-based payments		179,049		-
	$	**2,931,642**	**$**	**1,450,000**

Related party balances

		2018		2017
Loan to shareholders	$	470,443	$	-
Payables to key management		(107,682)		-
Loans from related parties		(49,102)		(4,739,994)
Earnout liability with related company		(159,467)		-
	$	**154,192**	**$**	**(4,739,994)**

Sea Hunter Holdings, LLC

As of December 31, 2018 and 2017, Sea Hunter Holdings, LLC, ("SHH") advanced to the Company $- and $4,739,994, respectively. The loan is without interest and repayment terms. The loan has been classified as non-current as SHH has indicated it will not require repayment of the amounts advanced in the next twelve months.

As of December 31, 2018, the Company has a payable of $107,682 to one of the directors of the Company. This liability was incurred prior to the business combination.

The Company has a promissory note receivable of $152,975 from its shareholder and officer at December 31, 2018. The promissory note bears interest at a fixed rate of 3.06%, payable in full upon the earlier of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of such shares to another party.

The Company has promissory notes receivable of $317,467 from two of its shareholders at December 31, 2018. The promissory notes bear interest at a fixed rate of 3.06%, payable in full upon the earlier of the tenth anniversary date of the note or one year from the sale, conveyance, assignment or other transfer of such shares to another party.

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NOTE 17 - Segment Information

The Company operates in two reportable segments: cannabis segment (SVH and Sea Hunter) and technology and infrastructure segment (Baker and Briteside). The cannabis segment includes production, cultivation and retail of cannabis products; technology and infrastructure segment delivers range of products and services across the cannabis industry.

Operating Segments

Year ended December 31, 2018	Cannabis	Technology	Corporate	Total
Revenue	$2,865,926	$636,409	$2,154,797	$5,657,132
Gross profit	(315,430)	608,733	2,154,797	2,448,100
Net income (loss)	$(4,647,059)	$(1,442,072)	$(543,874,305)	$(549,963,436)

Year ended December 31, 2017	Cannabis	Technology	Corporate	Total
Revenue	$-	$-	$-	$-
Gross profit	-	-	-	-
Net income (loss)	-	-	$(4,133,202)	$(4,133,202)

Geographic Segments

Year ended December 31, 2018	Canada	USA	Total
Non-current assets	$13,393,156	$74,915,205	$88,308,361
Revenue	-	5,657,132	
Gross profit	-	2,448,100	

Year ended December 31, 2017	Canada	USA	Total
Non-current assets	$-	$5,442,799	$5,442,799
Revenue	-	-	-
Gross profit	-	-	-

NOTE 17 - Segment Information (Continued)

Geographic Segments (Continued)
These segments operate in different jurisdictions with distinct operating and regulatory considerations. The Company's management regularly reviews internal financial reporting and makes decisions based on these segments.

The Corporate segment is comprised of items not separately identifiable to the other four operating segments and are not part of the measures used by the Company when assessing the operating segments' results.

NOTE 18 - Financial Instruments and Capital Risk Management

Financial Instruments

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the year.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments measured at fair value consist primarily of cash and cash equivalents. The Company classifies its cash with Level 1 as the valuation inputs are based on quoted prices in active markets for identical assets.

Financial and Capital Risk Management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, liquidity risk, currency risk, and credit risk. Where material, these risks are reviewed and monitored by the Board of Managers.

NOTE 18 - Financial Instruments and Capital Risk Management (Continued)

Financial and Capital Risk Management (Continued)

The Board of Managers has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is limited to potential changes on the cash held with financial institutions. As interest on these balances is negligible, the Company considers interest rate risk to be immaterial.

Currency Risk
The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company's exposure to currency risk is minimal.

As of December 31, 2018 and 2017, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company does not have significant credit risk with respect to its customers. Financial instruments, which are potentially subject to credit risk for the Company, consist of cash and cash equivalents. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand. The Company maintains its cash accounts at various financial institution in the United States and Canada. Federal Deposit Insurance Corporation ("FDIC") provides insurance of up to $250,000 for cash accounts held in the banks in the United States. Canadian Deposit Insurance Corporation ("CDIC") provides insurance of up to C$100,000 for cash accounts held in the banks in Canada. From time to time, the Company's balances may exceed this limit. As of December 31, 2018, uninsured balance of the accounts totaled $5,806,036. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

NOTE 18 - Financial Instruments and Capital Risk Management (Continued)

Financial and Capital Risk Management (Continued)

Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products, to fund operations and expansion activities. As of December 31, 2018, the Company is not subject to externally imposed capital requirements.

NOTE 19 - Subsequent Events

On December 4, 2018 the Company announced entry into a definitive agreement regarding the acquisition of Standard Farms, LLC ("Standard Farms"). Standard Farms is a multi-state medical cannabis operator focused on greenhouse cultivation and CO^2 extraction. Standard Farms is in over 95% of the Pennsylvania's dispensaries and has shipped over 200,000 units of product. On January 28, 2019, TILT announced the closing of the acquisition of Standard Farms. Consideration paid for the acquisition was approximately $40 million, consisting of $12 million cash and $28 million security based consideration comprised of 11,090,427 Common Shares at a deemed issue price of $2.52 per Common Share.

On December 6, 2018, the Company announced entry into a definitive agreement for the acquisition of Blackbird Holdings Corp. ("Blackbird"), a distribution company providing logistics operations and software solutions throughout each touchpoint in the cannabis supply chain. Blackbird works with more than 250 wholesale and retail cannabis operators in Nevada and California to transport an average of $30 million in wholesale cannabis products every 30 days. With involvement in 95% of the cannabis sold in Nevada, Blackbird plans to expand its capabilities in Massachusetts, Arizona and California. In addition to back-end delivery and operations solutions for cannabis dispensaries, Blackbird also includes a consumer marketplace for cannabis delivery and pick-up called BlackbirdGo. The marketplace, which is currently operational in California, connects dispensaries and brands with access to more than 95,000 legal consumers. On January 16, 2019, the Company announced the closing of the acquisition of Blackbird. Consideration paid for the acquisition was approximately $50 million, consisting of $5 million of cash and $45 million security based consideration comprised of 161,543 Compressed Shares at a deemed issue price of $278.48 per Compressed Share.

NOTE 19 - Subsequent Events (Continued)

On January 3, 2019, the Company announced the entry into a definitive agreement to acquire Jupiter Research ("Jupiter"), an inhalation and vaporization technology company. On January 14, 2019, the Company announced the closing of the Jupiter acquisition for gross consideration of $207 million consideration consisting of $70 million cash and 54,914,224 limited partnership units in the capital of Jimmy Jang, L.P. (each, a "LP Unit") and 54,914,224 rights in the capital of TILT (each, a "Right"), with one LP Unit and one Right being convertible together, at the request of the holder, into one Common Share at a deemed issue price of $2.4948.

On January 4, 2019, the Company announced that on December 18, 2018, holders of Compressed Shares unanimously approved the automatic conversion of all issued and outstanding Compressed Shares into Common Shares. Accordingly, 12.5% of Compressed Shares were immediately converted, with the remaining conversions taking place on: March 31st, 2019 (12.5%); June 30, 2019 (25%); September 30, 2019 (25%); and December 31st, 2019 (25%).

On December 13, 2018, the Company signed a letter of intent with Medical 420 ("M420"), a large-scale vertical cannabis company, to provide cannabis processing, logistical support and supply chain management to the European Union. Consideration for the M420 joint venture consists of $10 million in cash. The Company is still working on the terms of an acceptable arrangement with M420.

Pursuant to certain promissory notes dated March 4, 2019, JJLP loaned to Pharma EU, LLC ("Pharma EU") an aggregate amount of $1.4 million in connection with the negotiation of a potential joint venture between the parties in Macedonia. The maturity date for the notes (assuming no event of default allows for acceleration of payment) is December 31, 2020. On April 2, 2019, TILT terminated its discussions with Pharma EU with respect to the potential Macedonia joint venture and is currently negotiating an early repayment plan for the notes with Pharma EU.

On March 15, 2019, the Company announced that its Common Shares were approved to begin trading on the OTCQB Venture Market ("OTCQB"). OTCQB is considered by the U.S. Securities and Exchange Commission ("SEC") as an "established public market" for the purpose of determining the public market price when registering securities for resale with the SEC. It is anticipated that the ability to trade on OTCQB will lead to improved market liquidity and broader public awareness.

The Company has retroactively corrected an error related to the 2017 acquisition of Ermont Inc. Management has evaluated the control relationship between the Company and previously presented subsidiaries and has determined that it did not meet the control criteria over these entities as defined by IFRS 10 – Consolidation. As a result, net assets of $706,553 and offsetting non-controlling interest and expenses of $706,553 have been removed from the presentation of the 2017 financial statements.

NOTE 19 - Subsequent Events (Continued)

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

2017	Increase/(Decrease)		2017 Restated
Equity	4,839,754	(706,553)	4,133,201
Net income	4,839,754	(706,533)	4,133,201