LIVEWELL CANADA, INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

Three Months Ended September 30, 2018 and 2017
(In Canadian Dollars)

LiveWell Canada Inc.
Condensed Interim Consolidated Financial Statements
Three months ended September 30, 2018

LIVEWELL CANADA INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(Expressed in CDN $000s)

	Notes	September 30, 2018	June 30, 2018
ASSETS			
Current Assets			
Cash		**$ 1,229**	$ 4,576
Restricted short-term investment	5	**125**	125
Amounts receivable	6	**2,567**	1,881
Other	7	**3,619**	770
Total Current Assets		**7,540**	7,352
Non-Current Assets			
Property, plant and equipment	8	**27,973**	23,717
Other		**2,524**	2,524
Goodwill		**3,542**	3,542
Total Non-Current Assets		**34,039**	29,783
TOTAL ASSETS		**$ 41,579**	$ 37,135
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**$ 6,085**	$ 4,840
Borrowings - current portion	9	**3,933**	3,934
Total Current Liabilities		**10,018**	8,774
Non-Current Liabilities			
Borrowings	9	**6,076**	6,082
Deferred tax liabilities		**548**	610
Total Non-Current Liabilities		**6,624**	6,692
TOTAL LIABILITIES		**16,642**	15,466
Commitments and contingencies	15		
SHAREHOLDERS' EQUITY			
Preferred shares	10(a)	**5,605**	5,605
Common shares	10(b)	**48,332**	44,022
Equity reserves:	10(c)		
Share-based payments		**2,358**	2,146
Warrants		**1,603**	1,003
Other		**(11,186)**	(11,186)
Deficit		**(21,775)**	(19,921)
TOTAL SHAREHOLDERS' EQUITY		**24,937**	21,669
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 41,579**	$ 37,135

See Notes 2(A) "Going Concern" and 19 "Subsequent events"

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

LIVEWELL CANADA INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)
(Expressed in CDN $000s)

	Notes	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Revenue		**$ 351**	$ -
Cost of sales			
Cost of product sales		**258**	-
Cost of sales		**258**	-
Gross profit (loss)		**93**	-
Operating expenses	18		
General and administrative ("G&A")		**1,274**	276
Sales & Marketing ("S&M")		**160**	37
Research and development ("R&D")		**70**	-
Stock-based compensation		**256**	-
Depreciation and amortization		**119**	2
Total operating expenses		**1,879**	315
Loss from operations		**(1,786)**	(315)
Other income/ (expenses)			
Finance income		**9**	1
Finance expense		**(139)**	(3)
Loss before income taxes		**(1,916)**	(317)
Income tax recovery (expense)		**62**	-
NET LOSS AND COMPREHENSIVE LOSS		**$ (1,854)**	$ (317)
LOSS PER SHARE, BASIC AND DILUTED	11		
Net loss per share		**$ (0.01)**	$ (0.01)
Weighted average number of outstanding common shares		**126,769**	46,909

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

LIVEWELL CANADA INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in CDN $000s)

	Number of Shares				Reserves				
(Refer to Note 10)	**Preferred**	**Common**	**Preferred Shares**	**Common shares**	**Share-based Payment**	**Warrants**	**Other**	**Deficit**	**Total Equity**
Balance at July 1, 2017	-	45,490	$ -	$ 5,711	$ 1	$ -	$ (2,022)	$ (1,357)	$ 2,333
Issuance of common shares from share offerings	-	2,597	-	1,114	-	-	-	-	1,114
Share issuance costs	-	-	-	(165)	-	-	-	-	(165)
Net loss	-	-	-	-	-	-	-	(317)	(317)
Balance at September 30, 2017	-	48,088	$ -	$ 6,660	$ 1	$ -	$ (2,022)	$ (1,674)	$ 2,965
Balance at July 1, 2018	5,741	125,641	$ 5,605	$ 44,022	$ 2,146	$ 1,003	$ (11,186)	$ (19,921)	$ 21,669
Issuance of units	-	3,992		4,990	-		-	-	4,990
Issuance of warrants	-	-	-	(603)	-	603	-	-	-
Exercise of warrants	-	11		15		(3)	-	-	12
Share issuance costs	-	-	-	(175)	-	-	-	-	(175)
Share-based compensation	-	-	-	-	256	-	-	-	256
Exercise of stock options	-	106	-	83	(44)	-	-	-	39
Net loss	-	-	-	-	-	-	-	(1,854)	(1,854)
Balance at September 30, 2018	5,741	129,750	**$ 5,605**	**$ 48,332**	**$ 2,358**	**$ 1,603**	**$ (11,186)**	**$ (21,775)**	**$ 24,937**

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

LIVEWELL CANADA INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Expressed in CDN $000s)

	Notes	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Cash flows from operating activities			
Net loss		**$ (1,854)**	$ (317)
Adjustments for non-cash items:			
Income tax recovery		**(62)**	
Depreciation and amortization		**119**	2
Bad debt provision	6	**20**	-
Stock-based compensation	10(c)	**256**	-
Adjustments for net changes in non-cash working capital	17	**(2,318)**	(157)
Net cash used in operating activities		**(3,839)**	(472)
Cash flows from investing activities			
Advances to related party		**9**	-
Investment in greenhouse improvements	8	**(4,383)**	-
Purchase of furniture and equipment		**-**	(36)
Net cash used in investing activities		**(4,374)**	(36)
Cash flows from financing activities			
Proceeds from issuance of common shares	10(b)	**4,387**	1,114
Proceeds from issuance of warrants	10(c)	**603**	-
Exercise of options		**39**	-
Exercise of warrants		**12**	-
Payment of share and warrant issuance costs	10(b)	**(175)**	(165)
Net cash from financing activities		**4,866**	949
Net change in cash		**(3,347)**	441
Cash, beginning of period		**4,576**	317
Cash, end of period		**$ 1,229**	$ 758

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

1. CORPORATE INFORMATION

Livewell Canada Inc. ("LiveWell"), formerly Percy Street Capital Corporation ("Percy Street"), is an innovative Canadian hemp and cannabis company focused on advanced research in cannabidiol ("CBD") and other cannabinoids, as well as in the development and distribution of prescription and consumer health products supported by data, discovery, science and technology. LiveWell is a late stage applicant under The Cannabis Act and is awaiting final approval for its cultivation license from Health Canada.

The former Percy Street was incorporated by articles pursuant to the Canada Business Corporations Act on June 18, 2014 and after completing its initial public offering of common shares on the TSX Venture Exchange ("TSXV") on January 12, 2016, it was classified as a Capital Pool Corporation as defined in policy 2.4 of the TSXV.

On June 19, 2018, Percy Street completed its Qualifying Transaction ("QT") with LiveWell Foods Canada Inc., which was effective pursuant to an amalgamation agreement. After the closing of the QT, Percy Street was renamed as LiveWell Canada Inc. and its trading symbol was changed to "LVWL" on the TSXV (see Note 19(d)).

LiveWell's registered address is 1400-340 Albert Street, Ottawa, Ontario, Canada and its principal address is 179 Promenade du Portage, Suite 300, Gatineau, J8X 2K5, Quebec.

In these consolidated financial statements, "LiveWell", "Company", "we", "us", or "ours" refers to LiveWell Canada Inc. and its wholly-owned subsidiaries.

2. BASIS OF PRESENTATION

A) Going Concern

LiveWell is in the development stage and is currently seeking additional capital, acquisitions, joint ventures, strategic partnerships and other business arrangements to generate and grow its revenues and expand its product offerings in the hemp and cannabis industry.

We have incurred significant operating losses from inception and as of September 30, 2018, we have not generated significant revenues. Our ability to generate and grow future revenue to cover our working capital requirements is contingent on securing our cultivation, processing, and sales licenses for medicinal cannabis from Health Canada. In October 2018, we have submitted our final application to Health Canada for the cultivation license. Management expects to submit LiveWell's processing license application before the end of 2018.

At September 30, 2018, LiveWell has an accumulated deficit of $21,775 (June 30, 2018 - $19,921). The Company incurred a net loss of $1,854 for the three months ended September 30, 2018, $13,624 for the six months ended June 30, 2018 and $5,728 for the twelve months ended December 31, 2017. At September 30, 2018, LiveWell has cash of $1,229 and negative working capital of $2,478. These events or conditions indicate that a material uncertainty exists that casts substantial doubts on LiveWell's ability to continue as a going concern.

LiveWell's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and to obtain the necessary financing to meet its near-term obligations such that it can repay its liabilities when they become due.

For the three months ended September 30, 2018, we have successfully raised equity of approximately $5,041 before commissions and other share issuance costs, $4,990 of which was raised in a non-brokered private placement in September 2018, before commissions and other share issuance costs (see Note 9(b)).

Management has the following plans to maintain liquidity in the event that revenues do not increase as quickly as anticipated and to finance acquisitions over the next 12 months:

- Seek an increase to its mortgage on the Artiva Cannabis Facility located in Ottawa in light of the significant year-to-date capital investment in the property (see Note 8).
- In addition to the private placement closed in November 2018 (see Note 19(c)), raise funds via capital markets from time to time.
- Secure financing from the Government of Québec by the end of 2018.

While management is confident to execute on the above plans, there can be no certainty that such financing will be available on a timely basis and at terms acceptable to LiveWell.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that LiveWell will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, no adjustments to the carrying value of the assets and liabilities have been made in these condensed interim consolidated financial statements, should LiveWell no longer be able to continue as a going concern.

B) Basis of accounting

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The condensed interim consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements. The accounting policies and critical estimates used in preparing these condensed interim consolidated financial statements are the same as those applied in the Company’s annual consolidated financial statements as at and for the six months ended June 30, 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

In the opinion of the management, these condensed interim consolidated financial statements reflect all adjustments considered necessary for a fair presentation of LiveWell’s financial position and results of operations for the periods presented. Further, the results of operations for any interim period are not necessarily indicative of the results for a full year.

On November 27, 2018, our Board of Directors approved these condensed interim consolidated financial statements and authorized them for issue.

C) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value. Historical cost is the original cost of an asset as recorded in our accounting records and is generally based upon the fair value of the consideration given in exchange for such assets. The expenses within the Statements of Operations and Comprehensive Loss are presented by function. See Note 18 for details of expenses by nature.

D) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is also LiveWell's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are consistent with those disclosed in Note 3 of the audited consolidated financial statements for the year ended June 30, 2018.

Relevant to LiveWell, the following new accounting standards as issued by IASB, have been adopted starting from July 1, 2018.

IFRS 2 Share-based Payment ("IFRS 2")

Amendments to IFRS 2, issued in June 2016, provide clarification on how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for reporting periods beginning on or after January 1, 2018. There is no impact to our condensed interim consolidated financial statements for the period July 1, 2018 to September 30, 2018.

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

IFRS 15 supersedes previous accounting standards for revenue, including IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

To determine the amount and timing of revenue to be recognized, the below mentioned 5-step process is followed:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the direct sale of vegetable produce (and in the future, cannabis and hemp products) for a fixed price is recognized when LiveWell transfers control of the good to the customer.

Given LiveWell has insignificant revenue since its inception in 2015, the adoption of IFRS 15 on July 1, 2018, has not had a material impact on LiveWell's condensed interim consolidated financial statements, except for additional required disclosures.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL").

- **Amortized Cost**

  Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

- **Fair value through other comprehensive income**

  Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

  This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to designate the equity instruments as FVOCI, on an instrument-by-instrument basis, unless the asset is:

  - Held for trading, or

- Contingent consideration in a business combination.

Under this option, only qualifying dividends are recognized in profit and loss. Changes in fair value are recognized in OCI and never reclassified to profit or loss, even if the asset is impaired, sold or otherwise derecognized.

- **Fair value through profit or loss**

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of LiveWell's financial assets and financial liabilities.

	IAS 39 Classification	IFRS 9 Classification
Cash	FVTPL	FVTPL
Restricted short investment	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable & accrued liabilities	Other liabilities	Amortized cost
Borrowings	Other liabilities	Amortized cost
Subscription deposits	Other liabilities	Amortized cost

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ("ECL") model where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, the Company has applied the simplified approach under IFRS 9 and has calculated ECLs based on lifetime expected credit losses taking into considerations historical credit loss experience and financial factors specific to the debtors and general economic conditions.

There is no material impact to LiveWell's condensed interim consolidated financial statements based on adoption of IFRS 9.

IFRS 16 Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, which replaces the existing leases guidance including IAS 17 Leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The new standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16.

The Company is currently assessing the impact of this new standard on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that can have a material impact on the amounts reported in LiveWell's condensed interim consolidated financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 revision affects both current and future periods.

Significant judgements, estimates and assumptions within these condensed interim consolidated financial statements remain the same as those applied to the consolidated financial statements for the year ended June 30, 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

(Expressed in thousands, except per share and acres data)

5. RESTRICTED SHORT-TERM INVESTMENT

Short-term investment consists of a $125 redeemable term deposit that will mature on March 28, 2019, with an annual interest rate of 1.30%. This is used as collateral to secure the office lease (see Note 15).

6. AMOUNTS RECEIVABLE

The breakdown of the amounts receivable was as follows:

	September 30, 2018	June 30, 2018
Amounts receivable:		
Commodity tax receivable	**$ 2,414**	$ 1,775
Trade receivable	**145**	86
Due from employees	**28**	20
Promissory note due from related party	**2,000**	2,000
	4,587	3,881
Provision for doubtful accounts	**(2,020)**	(2,000)
Total amounts receivable	**$ 2,567**	$ 1,881

The promissory note due from related party relates to an advance of a cumulative $2,000 interest free to Delisse Fine Cuisine Inc. ("Delisse"), a family business related to one of the Founders, made in 2017 and early 2018 (see Note 14). While it was our intention to make a significant equity investment in Delisse, in early 2018, to complement our functional food strategy; we modified our strategy to be a dedicated hemp and cannabis company (see Note 1). As a result, we ceased funding Delisse's capital expenditure needs. Our promissory note was secured by a general security agreement ("GSA") over Delisse's assets.

During Q1 2019, Delisse sold the majority of its assets and business to a third party ("Private Co") in exchange for 22% equity ownership in Private Co, an organic and natural food manufacturing company based in Ottawa. We agreed to release the GSA on Delisse's assets to facilitate this transaction in return for a security pledge over Delisse's equity ownership in Private Co. Management has concluded that a provision should remain in place for the full amount of the promissory note.

(Expressed in thousands, except per share and acres data)

7. OTHER

The breakdown of other assets was as follows:

	September 30, 2018	June 30, 2018
Deposits with Vitality (see Note 14)	**$ 3,164**	$ 500
Other Prepaids	**455**	270
Total	**$ 3,619**	$ 770

8. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

The following table provides a summary of our PP&E for the three months ended September 30, 2018.

COST

	June 30, 2018	Additions	Disposals	September 30, 2018
Computer equipment	$ 12	$ -	$ -	$ 12
Furniture and fixtures	40	-	-	40
Production equipment	250	-	-	250
Greenhouse and improvements	7,750	-	-	7,750
Vehicles and trailers	138	-	-	138
Land	6,358	-	-	6,358
Construction in progress	9,419	4,383	-	13,802
Total	$ 23,970	$ 4,383	$ -	$ 28,353

(Expressed in thousands, except per share and acres data)

ACCUMULATED DEPRECIATION

	June 30, 2018	Additions	Disposals	September 30, 2018
Computer equipment	$ 1	$ 1	$ -	$ 2
Furniture and fixtures	9	2	-	11
Production equipment	25	13	-	38
Greenhouse and improvements	207	103	-	310
Vehicles and trailers	11	8	-	19
Leasehold Improvements	-	-	-	-
Land	-	-	-	-
Construction in progress	-	-	-	-
Total	$ 253	$ 127	$ -	$ 380
Net Carrying Values	**$ 23,717**	**$ 4,256**	**$ -**	**$ 27,973**

Most of the additions relates to our retrofitting effort for a section of the existing Dutch-engineered greenhouses acquired in 2017 for the Artiva Cannabis Facility as well as the setting up of a Research and Innovation Center at the Litchfield facility in the Pontiac region of Quebec. For the three months ended September 30, 2018(June 30, 2018- $162), we capitalized $55 of borrowing costs associated with the construction of the Artiva Cannabis Facility (Note 9).

9. BORROWINGS

The following is breakdown of LiveWell's borrowings:

	Maturity Date	September 30, 2018	June 30, 2018
Mortgage payable with a two year term, interest only monthly payment at an annual interest rate of 7.99%; bullet principal payment due at maturity	November 1, 2019	**$ 6,000**	$ 6,000
Mortgage payable with a one year term, interest only monthly payment at an annual interest rate of 8%; bullet principal payment due at maturity	April 23, 2019	**3,920**	3,920
Vehicle loan payable with a seven year term bearing an annual interest rate of 5.49%	October 20, 2024	**89**	96
Total borrowings		**10,009**	10,016
Less: current portion		**(3,933)**	(3,934)
		$ 6,076	$ 6,082

As part of the acquisition of Sole Produce in 2017, we assumed a $6,000 mortgage which is secured by a first charge on Sole Produce land and a general security agreement on all of Sole Produce's assets. At the maturity of the mortgage, we may renew it for an additional two years at an annual interest rate of prime + 5%. Additionally, as part of this acquisition, we assumed a $100 vehicle loan which is secured by a first lien on the vehicle.

(Expressed in thousands, except per share and acres data)

In May 2018 we entered a binding term sheet with the Bank of Montreal for the following credit facilities ("BMO Credit Facilities"):

- $400 letter of credit facility;
- $100 foreign exchange contract facility; and
- $50 corporate Mastercard facility.

The credit facilities are secured by LiveWell's cash for the amount outstanding. At September 30, 2018(June 30, 2018- nil), we had no outstanding amount under the BMO Credit Facilities. During the three months ended September 30, 2018, we issued a $175 letter of credit to Hydro Québec for a substation project at Litchfield, Québec in connection with the construction of our Global Innovation Center.

10. SHARE CAPITAL

a) Preferred Shares

The preferred shares consist of an unlimited number of preferred shares Series 1, 2, and 3, without par value.

	September 30, 2018			June 30, 2018		
	# of shares		**Value**	# of shares		Value
Preferred Shares - Series 1	**1,068**	**$**	**1,000**	1,068	$	1,000
Preferred Shares - Series 2	**1,068**		**1,000**	1,068		1,000
Preferred Shares - Series 3	**3,605**		**3,605**	3,605		3,605
Total preferred shares	**5,741**	**$**	**5,605**	5,741	$	5,605

Convertible Preferred shares

The significant terms of the convertible preferred shares are as follows:

- At the holder's sole discretion, Series 1 Preferred Shares may be converted to Livewell common shares at a rate of $0.23399 per share on or before January 1, 2023. Accordingly, if fully converted, a total of 4,273 common shares would be issued.
- At the holder's sole discretion, Series 2 Preferred Shares may be converted to Livewell common shares at a rate of $0.43055 per share on or before January 1, 2023. Accordingly, if fully converted, a total of 2,323 common shares would be issued.
- Not entitled to dividends and no voting rights.

Redeemable Preferred shares

The significant terms of the redeemable Series 3 preferred shares are as follows:

- Not entitled to dividends and no voting rights.
- At LiveWell's sole discretion, it may redeem the Series 3 preferred shares at $1.00 per share.

In the event of liquidation, dissolution, or wind-up of LiveWell, the holders of convertible and redeemable preferred shares shall be paid in preference to the common shareholders.

b) Common Shares

The share capital of LiveWell consists of an unlimited number of common shares, without par value.

The following table provides a summary of the common share activities for the three months ended September 30, 2018.

	# of Common Shares ('000s)	Value
Balance at July 1, 2018	**125,641**	**$ 44,022**
Share issuance:		
Exercised warrants	11	15
Exercised stock options	106	83
Issuance of units	3,992	4,387
Total share issuances	4,109	4,485
Share issue costs	-	(175)
Balance at September 30, 2018	**129,750**	**$ 48,332**

The following table provides a summary of the common share activities for the three months ended September 30, 2017.

	# of Common Shares ('000s)	Value
Balance at July 1, 2017	**45,490**	**$ 5,711**
Share issuance:		
Equity raises during the period	2,597	1,114
Total share issuances	2,597	1,114
Share issue costs	-	(165)
Balance at September 30, 2017	**48,088**	**$ 6,660**

Share Issuances

Non-brokered private placements

On September 5, 2018, we closed a non-brokered private placement of 3,992 Units at $1.25 each for total gross proceeds of $4,990, before $175 commissions and other share issuance costs.

Each Unit consists of one common share of LiveWell Canada and one common share purchase warrant of LiveWell Canada (a "Warrant"). Each Warrant will be exercisable into one common share at a price of $1.50 per Warrant for a period of two years (see below – part (c) Equity Reserves - Warrants). Accordingly, we have issued 3,992 common shares on September 5, 2018.

(Expressed in thousands, except per share and acres data)

For the three months ended September 30, 2017, we held several non-brokered private placements resulting in the issuance of 2,431 (adjusted to 2,597 after QT) common shares for total proceeds of $1,114, before $165 commissions and other share issuance costs.

c) Equity Reserves

The following table provides a summary of the changes to LiveWell's stock option plan for the three months ended September 30, 2018.

	Three Months Ended September 30, 2018		
	Number of Options		Weighted Average Exercise Price
Outstanding, end of period	**16,446**	**$**	**0.43**
Granted	**-**	**$**	**-**
Exercised	**(106)**	**$**	**0.36**
Forfeited	**-**	**$**	**-**
Expired	**-**	**$**	**-**
Outstanding, end of period	**16,340**	**$**	**0.46**
Exercisable options	**8,170**	**$**	**0.42**

The following is a summary of the outstanding stock options at September 30, 2018:

Options Outstanding			Options Exercisable	
Number Outstanding at September 30, 2018	Weighted Average Remaining Contractual Life	Range of Exercise Prices	Number Exercisable at September 30, 2018	Range of Exercise Prices
16,023	4.27	0.43	7,853	0.43
317	2.23	0.30	317	0.30
16,340	4.23		8,170	

Warrants

As previously noted under part (b) – *Share Issuances: Non-brokered private placements*, we issued one warrant for each Unit, or 3,992 warrants on September 5, 2018. Each warrant is exercisable into one common share at $1.50 each for a period of two years.

The fair value of one warrant at the date of the closing was estimated at $0.15 each, based on the following key assumptions used in the Black Scholes valuation model:

Exercise price	**$1.50**
Expected life	1 year
Dividends	Nil
Volatility	60%
Risk free interest rate	2%

(Expressed in thousands, except per share and acres data)

11. NET LOSS PER SHARE

The following securities could potentially dilute basic net loss per share in the future but have not been included in diluted per share because their effect was anti-dilutive.

	September 30, 2018	June 30, 2018
Convertible preferred shares - Series 1	**4,273**	4,273
Convertible preferred shares - Series 2	**2,323**	2,323
Stock options per Option Plan	**16,340**	16,446
Warrants	**9,751**	5,770
Potential additional common shares	**32,686**	28,811

Refer to Note 10 for further details on the above securities.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Management Objectives and Policies

In the normal course of business, we are exposed to a variety of financial risks: credit risk, liquidity risk, and interest rate risk. These financial risks are subject to normal credit standards, financial controls, risk management as well as monitoring. LiveWell's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk arises from cash and term deposit held with banks and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. We minimize the credit risk of cash and term deposit by depositing with only reputable financial institutions. We also assess the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash consists of bank balances. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are held with reputable financial institutions.

Credit risk on trade receivable of $145 is also managed actively by monitoring regularly, its aging and concentration by customer. Amounts due from related parties are viewed as having low credit risk based on the relationship we have with the related parties and management's understanding of the counterparty's business.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet LiveWell's financial obligations as they fall due. We manage liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

(Expressed in thousands, except per share and acres data)

The following table reflects the maturities of our financial liabilities at September 30, 2018.

Payment due:	**Total**	**Within 1 Year**	**1 to 3 years**	**3 to 5 years**	**> 5 years**
Borrowings	**$ 10,009**	$ 3,933	$ 6,027	$ 30	$ 19
Accounts payable & accrued liabilities	**6,085**	6,085	-	-	-
Total financial liabilities	**$ 16,094**	$ 10,018	$ 6,027	$ 30	$ 19

Refer to Note 2(a) for management current plan to raise additional liquidity in the near term.

Interest rate risk

Our exposure to interest rate risk is limited to any investments of surplus cash and borrowings. We may invest surplus cash in highly liquid investments with short term maturities.

Interest rate risk on borrowings is limited due to fixed interest rate financing.

Capital Management

Our key objectives when managing capital are to maintain a strong capital base in order to:

- Maintain investor, creditor, and market confidence;
- Advance LiveWell's corporate strategies to generate attractive risk-adjusted return over the long-term for our shareholders; and
- Sustain LiveWell's operations and growth though all cycles.

The Board and senior management monitor LiveWell's capital and capital structure on a regular basis to ensure it is sufficient to achieve LiveWell's short-term and long-term objectives. The capital structure may vary from time to time based on changes in economic conditions.

Our capital resources consisted of the following:

	September 30, 2018	June 30, 2018
Borrowings (drawn)	**$ 10,009**	$ 10,016
Preferred shares	**5,605**	5,605
Common shares	**48,332**	44,022
Share-based payments	**2,358**	2,146
Warrants	**1,603**	1,003
Reserve- other	**(11,186)**	(11,186)
Less: deficit	**(21,775)**	(19,921)
Total capital resources	**$ 34,946**	$ 31,685

Given the lack of earnings, LiveWell has no intention of declaring dividends in the next 12 months.

(Expressed in thousands, except per share and acres data)

13. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of LiveWell's financial assets and financial liabilities:

	September 30, 2018	June 30, 2018
Financial assets:		
Fair value through profit or loss		
Cash	**$ 1,229**	$ 4,576
At amortized cost		
Loans and receivables		
Restricted short-term investment	**125**	125
Amounts receivable	**2,567**	1,881
Total financial assets	**$ 3,921**	$ 6,582
Financial liabilities:		
At amortized cost		
Accounts payable	**$ 6,085**	$ 4,840
Borrowings	**10,009**	10,016
Total financial liabilities	**$ 16,094**	$ 14,856

Fair Values

The carrying values of cash, amounts receivable, accounts payable, subscription deposits, and short-term borrowings approximate their fair values due to their relatively short periods to maturity. The carrying value of the long-term borrowings also approximate fair value as the prime rate has not changed significantly since entering into these borrowings.

14. RELATED PARTIES

a) Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of LiveWell. The key management personnel of LiveWell are the executive management team and Board of Directors, who collectively control approximately 30% of the outstanding and issued common shares of LiveWell at September 30, 2018.

Compensation (including benefits) provided to the key management personnel is as follows:

	September 30, 2018	September 30, 2017
Management cash compensation	**$ 250**	$ 90
Share-based compensation	**240**	-
Directors cash compensation	**54**	15
	$ 544	$ 105

(Expressed in thousands, except per share and acres data)

b) Transactions with other related parties [6]:

	September 30, 2018	**September 30, 2017**
Financing		
Advances to Delisse [1]	**-**	434
Purchase of goods and services		
Rent[2]	**-**	3
Legal fees[3]	**39**	7
Prepaid royalty payments to Relief Effects[4]	**22**	-
Purchase of equipment for cannabis facility[5]	**8**	-

(1) Delisse Fine Cuisine ("Delisse") is a related party as it is owned by Mr. Peter Abboud, Co-Founder, Special Advisor and Director of LiveWell. Additionally, Mr. Abboud's brother owns certain preferred shares of LiveWell as a result of the sale of Sole Produce to LiveWell on December 31, 2017.
(2) We had rented accommodation for visiting executives from a party related to Mr. Peter Abboud, Co-Founder and Director.
(3) LiveWell's Chairman is a partner with the law firm, Perley-Robertson, Hill & McDougall LLP in which we have received corporate, M&A and listing legal services.
(4) See Note 15.
(5) We have purchased equipment from a party related to Mr. Michel Lemieux, Chief Administrative Officer of LiveWell.
(6) Unless otherwise stated, none of the above transactions incorporate special terms and conditions. Outstanding balances are settled in cash.

c) Breakdown of amounts due from (to) related parties:

		September 30, 2018		June 30, 2018
Included in Amounts receivable:				
Due from officers	**$**	**28**	$	19
Delisse Fine Cuisine Inc. ("Delisse")				
Amount due from Delisse	**$**	**2,000**	$	2,000
Provision for doubtful account		**(2,000)**		(2,000)
	$	**-**	$	-
Included in Other assets:				
Prepaid royalties to Relief Effects Inc.	**$**	**185**	$	156
Deposits with Vitality (see Note 15)		**3,164**		500
	$	**3,349**	$	656
Included in Accounts payable and accrued liabilities:				
Perley-Robertson, Hill & McDougall LLP (law firm)	**$**	**115**	$	273
Due to directors		**29**		28

All amounts due from (to) related parties bear no interest, were unsecured and had no fixed terms of repayment.

(Expressed in thousands, except per share and acres data)

d) Incorporation of LiveWell Québec

LiveWell Québec was incorporated on September 5, 2017, in which LiveWell was initially a 55% shareholder and then later on acquired the remaining 45% minority interest on December 31, 2017. The majority of the 45% selling shareholders were also executives of LiveWell.

e) Licensing Agreement with Relief Effects Inc. ("Relief Effects")

As disclosed in Note 15, we have entered into a licensing agreement with Relief Effects, which is a related party because certain directors and officers of LiveWell collectively own over 90% of the voting common shares of Relief Effects Inc. For the three months ended September 30, 2018, we prepaid royalties to Relief Effects.

f) Personal Use of Company Vehicle

As part of the acquisition of Sole Produce on December 31, 2017, we assumed a high-end vehicle and related loan financing (see Note 9). During the three months ended September 30, 2018, Mr. Peter Abboud used the company vehicle for personal use and assumed all associated costs including the loan payments.

15. COMMITMENTS AND CONTINGENCIES

Commitments

For the three months ended September 30, 2018, we entered into the following commitments:

Office Lease Commitment
On March 14, 2018, we entered an office lease agreement in Gatineau, Québec, for two years with the right of renewal. The future minimum lease payments due in each of the next five years are as follows:

2019	$	215
2020		215
2021		-
2022		-
2023 and thereafter		-
Total	**$**	**430**

The office lease agreement is collateralized by a $125 letter of credit. The letter of credit is secured by a one-year redeemable term deposit (Note 5).

Purchase Commitments

a) Cannabis Facilities

We have entered purchase commitments amounting to $286 for the cannabis facility project in Ottawa, Ontario and $827 for the global innovation center project in Litchfield, Québec. We expect the equipment to be delivered in 2018 and payable shortly after delivery.

b) Purchase of Industrial Hemp Biomass

On August 2, 2018, and further amended on September 10, 2018, we entered into an agreement with Vitality CBD Natural Health Products Inc. ("Vitality") to purchase 1,000 acres of industrial hemp biomass to be harvested from farmland located in Alberta for total cash consideration of USD$10,000, payable over a payment schedule as defined in the agreement. To date, total payment of USD$2,500 have been made and we intend to make the remaining payments upon closing our financing in the last quarter of 2018.

With the extraction and isolation technology licensed from Relief Effects Inc. (Note 15), we will process the industrial hemp biomass to produce cannabidiol (CBD) products for sale in 2019.

Vitality is a related party as its CEO is also LiveWell's Chief Science and Innovation Officer. Further, certain LiveWell directors and officers collectively own, personally, 35% of the total outstanding common shares of Vitality. Additionally, LiveWell's Chairman and Chief Science and Innovation Officer are board members of Vitality. The above transaction was negotiated at arm's length.

Contingencies

a) Trademark Infringement

On April 20, 2018, we received a letter on behalf of a Colorado-based cannabis company, asking us to cease all use of LIVEWELL in the marijuana business. We note that both parties have pending trademark applications before the Trademarks Office. The Colorado-based company is not licensed to sell cannabis in Canada and to our knowledge has not used their LIVWELL trademark in Canada. We have replied asking the Colorado-based company to confirm if they have used their trademark in Canada, and if so, to provide us with evidence of use and their date of first use. Based on the evidence that we have been provided with to date, we do not believe that the Colorado-based company has any significant goodwill or reputation in Canada in association with the LIVWELL mark, or any use of the LIVWELL mark in Canada.

In September 2018, we met with LIVWELL management to resolve this dispute out of court. While no settlement was reached, both parties agreed to continue discussions and potentially consider a strategic partnership.

b) *Cannabis Purchase and Sale Transaction with Canopy Growth and Canopy Rivers ("Canopy Transaction")*

On November 22, 2017, LiveWell entered into an arrangement with Canopy Growth Corporation ("Canopy") and Canopy Rivers ("Rivers") consisting of three agreements: an Investment Agreement, a Royalty Agreement and an Offtake Agreement, (which agreements were amended on April 2, 2018) which provide as follows:

(i) Canopy shall provide strategic and logistical support to LiveWell including regulatory support to further ACMPR license at both the Artiva location and LiveWell Québec location;

(ii) In return, LiveWell shall issue 15% of LiveWell's fully diluted total common shares at March 31, 2018 and effective April 15, 2018 with 5% to be held in escrow pending licensing at each location (Artiva and Litchfield sites);

(iii) Rivers has offered a $20 million convertible financing facility to LiveWell. LiveWell declined this financing offer as the conversion term was no longer in the best interest of LiveWell as result of LiveWell's stock price being much higher than the conversion rate;

(Expressed in thousands, except per share and acres data)

(iv) Canopy has the option to purchase up to a maximum fixed percentage of the annual cannabis production at the Artiva facility for a period of 20 years at certain set prices (based on agreed formulas); and

(v) Rivers shall also receive a nominal royalty on cannabis purchased by Canopy.

c) Licensing Agreement with Relief Effects Inc.

On September 1, 2017, we entered into an exclusive licensing agreement with Relief Effects Inc. for the intellectual property surrounding extraction, isolation, and infusion technologies in Canada only. These technologies will enable us to process cannabis and hemp extracts and isolates that will be used in the formulation of numerous functional food products, edibles, and infusions. In return for accessing these technologies, we agreed to pay a 10% royalty based on LiveWell's future gross processed products revenue.

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Amounts receivable	**$ (714)**	$ (31)
Inventory	**-**	(96)
Other assets	**(2,849)**	(17)
Accounts payable & accrued liabilities	**1,245**	(13)
Changes in non-cash working capital	**$ (2,318)**	$ (157)

17. SEGMENTED INFORMATION

For the three months ended September 30, 2018, we operated only in one segment, that is the production and sale of agricultural products. All revenues were generated in Canada for these periods.

All the property, plant and equipment and intangible assets are located in Canada.

(Expressed in thousands, except per share and acres data)

18. EXPENSES BY NATURE

We have presented operating expenses on the face of the Consolidated Statements of Net Loss and Comprehensive Loss using a classification based on the following functions: "Cost of sales", "G&A", "S&M", and "R&D". We also presented other material other operating expenses separately as they were deemed to be items of dissimilar function.

The following table provides a breakdown of LiveWell's operating expenses for the three months ended September 30, 2018 and September 30, 2017.

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
G&A:		
Professional fees	$ 453	$ 131
Employee compensation and benefits	387	110
Office expenses	241	13
Insurance expense	92	2
Travel and other employee expenses	76	18
Bad debt	20	-
Other	6	1
Total G&A	1,274	276
R&D		
Employee compensation and benefits	$ 69	-
Other	1	-
Total R&D	70	(0)
Sales & Marketing:		
Professional fees	$ 75	$ 7
Employee compensation and benefits	62	30
Travel and other employee expenses	19	-
Advertising promotions	3	-
Office expenses	1	-
Total S&M	160	37
Share-based compensation	256	-
Depreciation	119	2
Total operating expenses	$ 1,879	$ 315

(Expressed in thousands, except per share and acres data)

19. SUBSEQUENT EVENTS

a) Acquisition of Acenzia Inc. ("Acenzia")

On October 4, 2018, we signed a binding letter of intent to acquire 100% of Acenzia, a leading developer and manufacturer of next-generation natural health products (the "Transaction"). The total purchase consideration is $20,000, $2,000 cash paid at closing and $18,000 in common shares of LiveWell based on the 20-day weighted average immediately prior to the date of the definitive agreement. Further, $8,000 of the $18,000 in common shares will be held in escrow and will be released subject to achieving profitability milestone for calendar 2019.

The following is a summary of the unaudited financial position of Acenzia at October 31, 2018 as prepared by its management:

Assets	**As At Oct 31, 2018**
Current	$ 3,337
Non-current	3,060
Total Assets	6,397
Liabilities	
Current	4,656
Non-current	2,137
Total Liabilities	6,793
Shareholders' equity	(396)

Based on unaudited figures, for the period May 1, 2018 to October 31, 2018, Acenzia had revenues of $3,879 (Year ended April 30, 2018 **-** $5,616) and incurred a net loss of $218 (Year ended April 30, 2018 – Net Loss $2,205). The lower net loss during the period May 1, 2018 to October 31, 2018 is primarily due to restructuring of operations by Acenzia to streamline its operations and costs.

Upon completion of the acquisition, management will allocate the $20,000 purchase consideration to the net assets acquired based on fair value and the residual balance will be allocated to goodwill.

LiveWell's Board has unanimously approved this arm's length Transaction subject to due diligence, standard closing conditions, and TSXV approval. No approval of shareholders from either Acenzia or LiveWell is required in connection with this Transaction. This Transaction is expected to close on or before December 31, 2018.

b) Unsecured borrowings

In October 2018, we entered unsecured borrowings of $125 with one employee. The borrowing bears interest at 12% per annum and matures in one year. LiveWell may prepay at any time, subject to payment of accrued interest for a minimum three months.

c) Non-Brokered Private Placement

On November 21, 2018, LiveWell announced the closing of a non-brokered private placement of 1,937,500 Units at $0.80 each for total gross proceeds of $1,550 before commissions and other share issuance costs. A total of $11 in finder fees is payable under this Offering.

Each Unit consists of one common share of LiveWell and one common share purchase warrant of LiveWell (a "Warrant"). Each Warrant will be exercisable into one common share at a price of $1.00 per Warrant for a period of 24 months from the date of closing. After March 20, 2019, if the volume weighted average price of the Common Shares on the TSX Venture Exchange is equal to or greater than $1.50 for 10 consecutive trading days, LiveWell may accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. All securities issued will be subject to a four-month hold period.

LiveWell intends to use the net proceeds of the Offering for working capital purposes.

d) Canadian Securities Exchange ("CSE") Listing

On November 23, 2018, we received approval to list LiveWell common shares on the CSE, with the first trading date on November 26, 2018. We expect to voluntarily delist LiveWell common shares from the TSX-V in the near term.