

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and December 31, 2017
(Expressed in US dollars)

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
Consolidated Financial Statements
(Expressed in US Dollars)

December 31, 2018 and 2017

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Next Green Wave Holdings Inc.

Opinion

We have audited the consolidated financial statements of Next Green Wave Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity 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 financial position of the Company as at December 31, 2018, and its financial performance and its 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 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.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of Next Green Wave Holdings Inc. for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 28, 2018.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and 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 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. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the 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.

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 Otto Ehinger.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
April 26, 2019

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in US Dollars)

	December 31,		December 31,
	2018		2017
Assets			
Current			
Cash	\$ 415,020	\$	231,175
Short-term investments (Note 4)	2,408,895		-
Interest and other receivables	56,972		-
Advances given for acquisition	-		66,080
Prepays and deposits	57,592		3,980
	2,938,479		301,235
Non-current			
Land (Note 6)	3,957,912		-
Construction in progress (Note 5)	8,214,374		-
Total assets	\$ 15,110,765	\$	301,235
Liabilities			
Current			
Accounts payable and accrued liabilities (Notes 7 and 13)	\$ 292,092	\$	30,537
Total liabilities	292,092		30,537
Shareholders' equity			
Share capital (Note 8)	14,502,834		4,982
Shares to be issued	-		312,842
Reserves (Notes 9 and 10)	3,632,073		4,982
Accumulated other comprehensive income	(115,844)		8,597
Accumulated deficit	(3,200,390)		(60,705)
Total shareholders' equity	14,818,673		270,698
Total liabilities and shareholder's equity	\$ 15,110,765	\$	301,235

Nature and Continuance of Operations – Note 1
Events After the Reporting Period – Note 16

Approved on behalf of the Board on April 26, 2019

"Paul Chow"
Director

"David Wilson"
Director

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

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

	December 31, 2018	December 31, 2017
Expenses		
Bank charges	\$ 6,258	\$ 318
Director fees (Note 13)	31,811	-
Foreign exchange loss (gain)	(192,702)	649
General office	81,307	1,887
Insurance	96,888	-
Investor relations and communications	975,692	-
Legal, and accounting fees	285,190	24,234
Consulting fees (Note 13)	366,434	-
Outside services	56,524	-
Regulatory and filing fees	33,607	-
Salaries and management fees (Note 13)	301,709	33,493
Stock-based compensation (Notes 9 and 13)	918,674	-
Travel, meals and entertainment	261,261	124
Total expenses	3,222,653	60,705
Net loss before undernoted item	(3,222,653)	(60,705)
Interest income	82,968	-
Net loss for the year	(3,139,685)	(60,705)
Other comprehensive income		
Cumulative translation loss	(124,441)	8,597
Total comprehensive loss for the year	\$ (3,264,126)	\$ (52,108)
Loss per common share, basic and diluted	\$ (0.03)	\$ (0.04)
Weighted average number of common shares outstanding	93,316,461	1,330,633

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

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

	Share Capital						
	Number of common shares	Amount	Reserves	Shares to be issued	Accumulated other comprehensive income	Accumulated deficit	Total
Balance as at December 31, 2016	200,001	\$ 771	\$ -	\$ (750)	\$ -	\$ -	\$ 21
Shares issued for cash at CDN \$0.005 per common share (Note 8)	2,300,000	8,855	-	-	-	-	8,855
Cancellation shares (Note 8)	(1,250,001)	(4,644)	4,982	-	-	-	338
Cash received for common shares to be issued (note 8)	-	-	-	313,592	-	-	313,592
Cumulative translation reserve	-	-	-	-	8,597	-	8,597
Net loss for the year	-	-	-	-	-	(60,705)	(60,705)
Balance as at December 31, 2017	1,250,000	4,982	4,982	312,842	8,597	(60,705)	270,698
Shares issued for cash at CDN\$0.005 per common share (Note 8)	14,866,667	60,296	-	-	-	-	60,296
Shares issued for cash at CDN\$0.02 per common share (Note 8)	9,133,333	148,172	-	-	-	-	148,172
Shares issued for cash at CDN\$0.10 per Share Unit (Note 8)	8,882,880	714,402	-	(312,842)	-	-	401,560
Shares issued for cash at CDN\$0.35 per Share Unit (Note 8)	40,190,382	10,923,777	-	-	-	-	10,923,777
Shares issued for cash at CDN\$0.60 per Share Unit (Note 8)	11,019,171	4,968,813	-	-	-	-	4,968,813
Fair value assigned to the warrants on the issuance of the Share Units (Note 10)	-	(2,446,265)	2,446,265	-	-	-	-
Shares issued for acquisition of Next Green Wave LLC (Notes 3 and 8)	25,000,000	917,949	-	-	-	-	917,949
Performance shares issued to the CEO (Notes 3 and 8)	10,000,000	357,853	-	-	-	-	357,853
Warrants exercised (Note 10)	256,441	140,477	(23,063)	-	-	-	117,414
Shares issued for services at CDN\$0.75 per common share (Note 8)	144,250	82,554	-	-	-	-	82,554
Share issuance costs (Notes 8 and 10)	-	(1,370,176)	285,215	-	-	-	(1,084,961)
Share-based payments (Note 9)	-	-	918,674	-	-	-	918,674
Cumulative translation reserve	-	-	-	-	(124,441)	-	(124,441)
Net loss for the year	-	-	-	-	-	(3,139,685)	(3,139,685)
Balance as at December 31, 2018	120,743,124	\$ 14,502,834	\$ 3,632,073	\$ -	\$ (115,844)	\$ (3,200,390)	\$14,818,673

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

NEXT GREEN WAVE HOLDINGS INC.
(Formerly, Crossgate Capital Corporation)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

	December 31, 2018	December 31, 2017
Cash flows from (used in) operating activities		
Loss for the year	\$ (3,139,685)	\$ (60,705)
Items not affecting cash:		
Share-based payments	918,674	-
Services paid with shares	82,554	-
Cash flow used in operating activities before changes in non-cash working capital items	(2,138,457)	(60,705)
Changes in non-cash working capital items:		
Interest and other receivables	(56,972)	-
Prepaid and deposits	(53,612)	(3,980)
Accounts payable and accrued liabilities	(288,906)	30,895
Cash flow used in operating activities	(2,537,947)	(33,790)
Cash flows from (used in) investing activities		
Purchased of short-term investments	(2,408,895)	-
Advances given for acquisition	-	(66,080)
Cash obtained from acquisition	45,857	-
Land purchases	(2,417,912)	-
Construction in progress	(7,907,887)	-
Cash flow used in investing activities	(12,688,837)	(66,080)
Cash flows from (used in) financing activities		
Shares issued for cash	16,502,617	8,855
Shares to be issued	-	313,592
Proceeds from exercise of warrants	117,414	-
Share issuance costs	(1,084,961)	-
Cash flow from financing activities	15,535,070	322,447
Foreign exchange on cash	(124,441)	8,597
Increase in cash during the year	183,845	231,174
Cash, beginning of the year	231,175	1
Cash, end of the year	\$ 415,020	\$ 231,175
Non-cash financing and investing activities:		
Fair value assigned to the warrants pursuant to the issued share units	\$ 2,446,265	\$ -
Shares issued for acquisition of Next Green Wave LLC	\$ 917,949	\$ -
Fair value of the performance shares issued on acquisition of Next Green Wave	\$ 357,853	\$ -

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

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

1. Nature and Continuance of Operations

Next Green Wave Holdings Inc. (the “Company”), formerly Crossgate Capital Corporation, was incorporated under the laws of the Province of British Columbia on July 6, 2011. The Company’s registered office address is 1500 Royal Centre - 1055 West Georgia Street, Vancouver, B.C. V6E 4N7. On January 28, 2018, the Company acquired NGW Holdings, LLC (Note 3).

On October 10, 2018, the Company completed its Initial Public Offering (“IPO”) and the Company’s common shares are listed on the Canadian Securities Exchange (“CSE”) under the trading symbol “NGW”.

The consolidated financial statements were authorized by the Board of Directors on April 26, 2019.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company’s continuing operations are dependent upon its ability to raise capital and generate cash flows. At December 31, 2018, the Company had working capital of \$2,646,387, had not generated revenues and had an accumulated deficit of \$3,200,390. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue in existence. The continuation of the Company as a going concern is dependent on generating future cash flows and obtaining necessary financing to fund ongoing operations. These factors indicate the existence of material uncertainties which may cast significant doubt upon the Company’s ability to continue as a going concern.

Presentation currency

Effective January 1, 2018, the Company changed the presentation currency to U.S. dollars given the increasing prevalence of U.S. dollar-denominated activities of the Company over time. The exchange rates used to translate the statements of financial position to reflect the change in presentation currency as at December 31, 2017 was \$0.77 while the average exchange rate used to translate the consolidated statements of operations and comprehensive loss for the year ended December 31, 2017 was \$0.77. There were no changes to the measurement basis of the financial statement line items as a result of the change in presentation currency.

2. Significant Accounting Policies

(a) Basis of presentation

Statement of Compliance with IFRS

These consolidated financial statements for the year ended December 31, 2018 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These consolidated financial statements are presented on a historical cost basis, except for financial instruments classified as available-for-sale or fair value through profit or loss (“FVTPL”), in U.S. dollars. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

(a) Basis of presentation (continued)

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries listed below:

1. Crossgate Capital U.S Holdings Corp. (registered in the United States)
2. NGW Holdings, LLC (registered in the United States)
3. Next Green Wave, LLC (registered in the United States)

All intercompany balances, transactions, revenues and expenses are eliminated upon consolidation. Certain information and note disclosures which are considered material to the understanding of the Company's consolidated financial statements are provided below.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(c) Financial instruments

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories, based on the purpose for which the asset was acquired: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Cash, short-term investments, interest and other receivables and accounts payable are carried at amortized cost.

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations in the period in which they arise. No financial instruments are classified in this category as at December 31, 2018 and 2017.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in the consolidated statement of operations. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of operations. No financial instruments are classified in this category as at December 31, 2018 and 2017.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of operations unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. No financial instruments are classified in this category as at December 31, 2018 and 2017.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in the consolidated statement of operations.

(d) Cash and cash equivalents

Cash and cash equivalents usually consist of highly liquid investments which are readily convertible into cash with maturity of three months or less and are subject to an insignificant risk of change in value. As at December 31, 2018 and December 31, 2017, the Company had no cash equivalents.

(e) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of operations for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of operations. No impairment was recorded in the year ended December 31, 2018 or year ended December 31, 2017.

(f) Foreign currency translation

The consolidated entities and their respective functional currencies are as follows:

<u>Entity</u>	<u>Functional Currency</u>
Next Green Wave Holdings Inc.	Canadian Dollar
Crossgate Capital U.S Holdings Corp.	U.S. Dollar
NGW Holdings, LLC	U.S. Dollar
Next Green Wave, LLC	U.S. Dollar

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

Translation to functional currency

Foreign currency transactions are translated into U.S. dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the consolidated statements of operations.

Translation to presentation currency

The results and financial position of those entities with a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the Statements of Financial Position;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognized in accumulated other comprehensive loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising on translation of foreign operations are recognized in accumulated other comprehensive loss. On disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified from accumulated other comprehensive income/loss to net income/loss for the period.

(g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(h) Share capital

Common shares are classified as equity. Finders fees and other related share issue costs, such as legal, regulatory, and printing, on the issue of the Company's shares are charged directly to share capital, net of any tax effects.

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

(i) Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net income/loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect to previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits, and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(j) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to critical accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

NEXT GREEN WAVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in US Dollars)

2. Significant Accounting Policies (continued)

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the inputs used in the Black-Scholes Option Pricing Model to measure stock-based compensation and warrant valuation, determination of the useful life of equipment, and the provision for income taxes.

Critical accounting judgments

- i. the assessment of the carrying value of the construction in progress assets included in the consolidated statements of financial position for indicators of impairment;
- ii. the determination of categories of financial assets and financial liabilities;
- iii. the determination of the functional currency of each entity within the consolidated group;
- iv. the Company's ability to continue as a going concern (Note 1).

(k) Share-based payment transactions

The Company grants share-based awards to certain officers, employees, directors and other eligible persons. For equity-settled awards, the fair value is charged to the consolidated statement of operations and credited to the share-option reserve account, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest.

The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value is determined by using the Black-Scholes Option Pricing Model. At each financial reporting date, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statements of operations with a corresponding entry against the related equity settled share-based payments reserve account. No expense is recognized for awards that do not ultimately vest. If the vested awards expire unexercised, the related amount remains in share-option reserves.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statements of operations, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of valuation model.

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2. Significant Accounting Policies (continued)

(l) Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

(m) Adoption of accounting standards

The Company has not adopted any new or renewed standard including any of the consequential amendments thereto which are effective January 1, 2019 and thereafter.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 - Leases which replaces IAS 17 - Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. Management is currently assessing the impact of this accounting standard.

3. Acquisition of NGW Holdings LLC

On January 28, 2018, the Company, through its wholly-owned US subsidiary, Crossgate Capital US Holdings Corp. entered into a Securities Exchange Agreement ("SE Agreement") to acquire 100% of the issued and outstanding shares of NGW Holdings, LLC ("NGW") by issuing 25,000,000 common shares (the "Common Shares") and 10,000,000 escrow performance shares (the "Performance Shares") to the NGW shareholder. The release of the Performance Shares is based on NGW achieving certain milestones, including:

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3. Acquisition of NGW Holdings, LLC (continued)

- i) 2,000,000 Performance Shares on NGW's receipt of Certificate of Occupancy issued by the City of Coalinga, California (the "**First Target**");
- ii) 3,000,000 Performance Shares on NGW achieving the Operating Budget (the "**Second Target**") starting on the January 1st of the following year in which NGW achieves the First Target and ending twelve (12) months thereafter; and
- iii) 5,000,000 Performance Shares on NGW achieving the Operating Budget (the "**Third Target**") for second year.

Any Performance Shares that do not satisfy the applicable Target and Pro-Rata share issuances will be returned to treasury.

Purchase Price Allocation		
Common Shares	\$	917,949
Performance shares		357,853
Loan forgiven		605,000
Acquisition Costs		25,901
Purchase Price	\$	1,906,703
Tangible Net Assets Purchased:		
Monetary assets	\$	71,758
Land		1,540,000
Development costs		306,487
Monetary liabilities		(11,542)
Total	\$	1,906,703

The fair value attributed to the Common Shares and the Performance Shares was based on the fair value of the assets acquired as of the acquisition date. Management determined that NGW Holdings, LLC did not have the inputs and processes capable of producing outputs that are necessary to meet the definition of a business as defined by IFRS 3. Accordingly, the acquisition was accounted for as a share-based payment, whereby the Company acquired the net assets and liabilities of NGW Holdings, LLC.

On April 4, 2018, all subjects under the SE Agreement were removed and the transaction closed with the issuance of 25,000,000 common shares and 10,000,000 escrow performance shares to the NGW shareholders.

4. Short-term Investments

Short-term investments are comprised of term deposits held with a Canadian chartered bank with maturities greater than 91 days, but less than one year from date of purchase and bearing interest at 2.75% per annum

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5. Construction in Progress

During year ended December 31, 2018, the Company incurred architectural, engineering and site development expenditures on its property in Coalinga, California.

	December 31, 2018	December 31, 2017
Heating, ventilation and air conditioning	\$ 1,896,473	\$ -
Building related materials	1,956,549	-
Architects, engineers and other services	528,304	-
Underground, foundation and utilities	2,116,455	-
Miscellaneous/Other	903,541	-
Electrical backbone	813,052	-
	\$ 8,214,374	\$ -

Because the construction in progress was not available for use, as at December 31, 2018, no amortization has been recorded for the year ended December 31, 2018. When the facility is complete and is available for use, amortization will commence.

6. Land

	Land
Balance, December 31, 2017	\$ -
Land acquired as part of NGW Holdings, LLC acquisition (Note 3)	1,540,000
Additions during the year	2,417,713
As at December 31, 2018	\$ 3,957,912

During the year ended December 31, 2018, the Company purchased several parcels of land in the township of Coalinga, California (Note 3) which are zoned for production of cannabis products.

7. Accounts payable and accrued liabilities

	December 31, 2018	December 31, 2017
Trades accounts payable	\$ 248,112	\$ 15,867
Accrued liabilities	43,980	14,670
	\$ 292,092	\$ 30,537

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8. Share Capital

Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Issued

During the year ended December 31, 2018:

The Company completed a private placement of 14,866,667 common shares at a subscription price of CDN\$0.005 per share for gross proceeds of \$60,296.

The Company completed a private placement of 9,133,333 common shares at a subscription price of CDN\$0.02 per share for gross proceeds of \$148,172 and incurred \$1,373 in share issuance costs.

The Company completed a private placement of 8,882,880 common shares at a subscription price of CDN\$0.10 per share for gross proceeds of \$714,402 and incurred \$6,393 in share issuance costs.

The Company completed a private placement for a total of 40,190,382 units at a price of CDN\$0.35 per unit for gross proceeds of \$10,923,777. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of CDN\$0.60 per share for 18 months after issuance. The Company issued 20,203,768 common share purchase warrants (Note 10), and incurred \$903,313 in share issuance costs, including \$736,929 in finder's fees.

The Company completed a private placement for a total of 11,019,171 units at a price of CDN\$0.60 per unit for gross proceeds of \$4,968,813. Each unit consisted of one common share and one half of one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of CDN\$1.00 per share for 18 months after issuance. The Company issued 5,509,587 common share purchase warrants (Note 10) and incurred \$459,097 in share issuance costs, including \$348,032 in finder's fees.

The Company, through its wholly-owned US subsidiary, Crossgate Capital US Holdings Corp. completed the acquisition of 100% of the issued and outstanding shares of NGW by issuing 25,000,000 common shares at a fair value of \$917,949 and 10,000,000 escrow performance shares at a fair value of \$357,853 to the NGW shareholder (Note 3).

The Company issued 144,250 common shares at CDN\$0.75 for management, investor relations and consulting services with a fair value of \$82,554.

During the year end December 31, 2017:

The Company issued 2,300,000 common shares at CDN\$0.005 per share for cash proceed of \$8,855.

Pursuant to a Settlement and Release Agreement dated December 18, 2017, 1,250,001 common shares of the former CEO with a value of \$4,644 were cancelled. The CEO forgave the repayment of the value of the common shares cancelled. As a result, the Company recognized an amount of \$4,982 as contributed surplus in the statement of financial position for the year ended December 31, 2017.

The Company received a cash proceeds of \$312,842 in 2017 and 4,502,243 common shares were issued during the year ended December 31, 2018.

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8. Share Capital (continued)

Escrowed shares

During year ended December 31, 2018, the Company entered into an escrow agreement whereby 60,305,000 common shares will be held in escrow and are scheduled for release according to the following schedule:

Date	Quantity
On October 10, 2018, the date the Issuer's securities are listed on a Canadian exchange (the listing date)	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	the remaining escrow securities

As at December 31, 2018, the Company had 53,274,500 shares held in escrow (December 31, 2017 – nil).

9. Stock Options

The Company has an incentive stock option plan (the "Plan") whereby it may grant options to directors, officers, employees, and consultants of the Company. On April 6, 2018 and subsequently amended on October 18, 2018 to conform to CSE guidelines, the Directors approved the Plan whereby a maximum of 10% of the Company's issued and outstanding common shares will be reserved for issuance.

The following incentive stock options are issued and outstanding at December 31, 2018:

Expiry Date	CDN\$ Exercise Price	<i>Incentive Stock Options</i>				Balance December 31, 2018
		Balance December 31, 2017	Granted	Exercised	Forfeited	
October 17, 2021	\$ 0.75	-	1,578,000	-	-	1,578,000
April 17, 2023	\$ 0.35	-	4,625,000	-	-	4,625,000
July 23, 2023	\$ 0.60	-	350,000	-	-	350,000
October 17, 2023	\$ 0.75	-	250,000	-	(50,000)	200,000
Total outstanding		-	6,803,000	-	(50,000)	6,753,000
Total exercisable		-				1,156,250
Weighted average exercise price		\$ -	\$ 0.42		\$ 0.75	\$ 0.47
Weighted average life						4.5 years

On April 18, 2018, the Company granted 4,625,000 options to employees, directors and consultants with an exercise price of CDN\$0.35 per share which vest 25% at the end of every 6 months for a period of 24 months with a term of 5 years (Note 13).

On July 24, 2018, the Company granted 350,000 options to an employee at an exercise price of CDN\$0.60 per share which vest 25% at the end of every 6 months for a period of 24 months with a term of 5 years.

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9. Stock Options (continued)

On October 18, 2018, the Company granted:

- 1,378,000 options to consultants and with an exercise price of CDN\$0.75 per share which vest 25% at the end of every 3 months for a period of 12 months, with a term of three years.
- 200,000 options to a consultant and with an exercise price of CDN\$0.75 per share which vest 50% after 9 months and then 50% after 18 months, with a term of three years.
- 250,000 options to employees with an exercise price of CDN\$0.75 per share which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.

During the year ended December 31, 2018, 50,000 options were forfeited.

The stock-based compensation for the year ended December 31, 2018 was \$918,674 (2017: Nil) and the following weighted-average assumptions were used for the Black-Scholes Option Pricing Model of stock option grants for the year ended December 31, 2018:

Share price on grant date	CDN\$0.35 - \$0.75
Exercise price	CDN\$0.35 - \$0.75
Risk-free interest rate	2.00% - 2.13%
Expected life of options	3 to 5 years
Annualized volatility ⁽¹⁾	120%
Dividend rate	nil

⁽¹⁾ Expected volatility was determined by reference to historical volatility of similar entities following a comparable period of lives

10. Warrants

As at December 31, 2018, the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

Expiry Date	CDN\$ Exercise Price	Warrants				Balance December 31, 2018
		Balance December 31, 2017	Granted	Exercised	Forfeited	
August 27, 2019	\$ 0.60	-	2,596,621	(256,441)	(108,571)	2,231,609
September 28, 2019	\$ 0.60	-	14,179,640	-	-	14,179,640
October 17, 2019	\$ 0.60	-	3,142,436	-	-	3,142,436
December 25, 2019	\$ 0.60	-	275,071	-	-	275,071
December 25, 2019	\$ 1.00	-	5,509,587	-	-	5,509,587
February 13, 2020	\$ 0.60	-	10,000	-	-	10,000
Total outstanding		-	25,713,355	(256,441)	(108,571)	25,348,343
Weighted average exercise price			\$ 0.69	\$ 0.60	\$ 0.60	\$ 0.69
Weighted average life						1.5 years

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10. Warrants (continued)

Between February 27, 2018 and August 26, 2018, the Company issued 20,203,768 warrants with a fair value of \$1,527,604 pursuant to the CDN\$0.35 Private Placement of Share Units (Note 8). The warrants are subject to an acceleration provision at the option of the Company to accelerate the expiry of the warrants if the trading price of the shares is greater than \$1.00 for a period of 10 consecutive trading days.

On June 26, 2018, 5,509,587 warrants were issued with a fair value of \$918,661 pursuant to the CDN\$0.60 Private Placement of Share Units (Note 8). The warrants are subject to an acceleration provision at the option of the Company to accelerate the expiry of the warrants if the trading price of the shares is greater than \$1.40 for a period of 10 consecutive trading days.

During the year ended December 31, 2018:

- 256,441 warrants were exercised at a price of CDN\$0.60 for gross proceeds of \$117,414 (CDN\$153,865)
- 108,571 warrants at a price of CDN\$0.60 were forfeited.

As at December 31, 2018, the Company had outstanding finders warrants, enabling the holders to acquire common shares as follows:

Expiry Date	CDN\$ Exercise Price	<i>Finders Warrants</i>				Balance December 31, 2018
		Balance December 31, 2017	Granted	Exercised	Forfeited	
August 27, 2019	\$ 0.60	-	238,687	-	-	238,687
September 28, 2019	\$ 0.60	-	1,525,517	-	-	1,525,517
October 17, 2019	\$ 0.60	-	95,178	-	-	95,178
December 25, 2019	\$ 1.00	-	604,765	-	-	604,765
Total outstanding		-	2,464,147	-	-	2,464,147
Weighted average exercise price			\$ 0.70			\$ 0.70
Weighted average life						1.5 years

During the year ended December 31, 2018, 2,464,147 finders' fee warrants were issued with a fair value of \$285,215 pursuant to the CDN\$0.35 and CDN\$0.60 Private Placement of Share Units (Note 8). The warrants with the CDN\$0.60 and CDN\$1.00 exercisable price are subject to an acceleration provision at the option of the Company to accelerate the expiry of the warrants if the trading price of the shares is greater than CDN\$1.00 and CDN\$1.40, respectively, for a period of 10 consecutive trading days.

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10. Warrants (continued)

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model of warrants and finders' warrants granted with the Share Units:

Share price on date of issuance – \$0.35 Private Placement	CDN\$0.35
Share price on date of issuance – \$0.60 Private Placement	CDN\$0.60
Risk-free interest rate	1.7% - 2.09%
Expected life of warrants	1.5 years
Annualized volatility ⁽¹⁾	120%
Dividend rate	nil

- (1) Expected volatility was determined by reference to historical volatility of similar entities following a comparable period of lives

11. Financial Instruments

The Company's financial instruments consist of cash, short term investments, receivables and accounts payable.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3: Inputs that are not based on observable market data

The Company does not currently hold any financial instruments measured at fair value on the consolidated statements of financial position.

The fair value of these financial instruments approximates their carrying value, unless otherwise noted, due to their short-term nature.

Overview

The Company has exposure to the following financial instrument related risks.

Credit risk

The Company's exposure to credit risk is on its cash and short-term investments. Cash and short term investments consist of bank balances held with major Canadian financial institutions with a high credit quality and therefore the Company is exposed to minimal credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in liquid instruments and is available on demand. The Company will continue to rely on additional financings to further its operations and to meet its capital requirements.

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11. Financial Instruments (continued)

Market risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange. The Company believes interest rate risk is not material.

The Company is exposed to foreign exchange risk as it conducts business in both the United States and Canada. Management monitors its foreign currency balances and the Company does not engage in any hedging activities to reduce its foreign currency risk.

At December 31, 2018, the Company was exposed to currency risk through the following monetary assets and liabilities in CDN Dollars.

	CDN \$
Cash	\$ 30,451
Short-term investments	\$ 530,000
Accounts payable and accrued liabilities	\$ (126,383)

Based on the net exposure and assuming all other variables remain constant, a 10% change in the appreciation or depreciation of the Canadian dollar relative to the US dollar would result in a change of approximately \$43,406 to loss for the year.

12. Capital Management

As the Company is building its business and facility, its principal source of capital is from the issuance of common shares. The Company's capital management objective is to obtain sufficient capital to develop new business opportunities for the benefit of its shareholders. To meet the objectives, management monitors the Company's ongoing capital requirements on specific business opportunities on a case-by-case basis. The capital structure of the Company consists of cash and equity attributable to common shareholders, consisting of issued share capital and deficit. There was no change to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

13. Related Party Transactions

A summary of compensation for directors, officers and key management personnel is as follows:

	Years ended	
	December 31, 2018	December 31, 2017
Management fee (1)	\$ 110,000	\$ -
Director and consulting fees (2)	194,498	19,392
Stock based compensation (3)	494,960	-
Total	\$ 799,458	\$ 19,392

- 1) The CEO's management fee is included in Management fees on the consolidated statements of operations and comprehensive loss for each of the years.
- 2) Director and consulting fees are paid to the directors and officers of the Company to provide accounting, management consulting and director services. These fees are included on the consolidated statements of operations and comprehensive loss for each of the years.

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13. Related Party Transactions (continued)

- 3) Amounts recognized for related party stock-based compensation are included in Share-based payments on the consolidated statements of operating and comprehensive loss for each of the years.

As at December 31, 2018, \$4,959 (2017 - \$nil) is included in accounts payable owing to a director and officer for consulting and director fees.

14. Income Taxes

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate for the full financial year applied to the pre-tax income of the reporting period. The Company's effective tax rate for the years ended December 31, 2018 was 27% and December 31, 2017 was 26.5%.

The difference between tax expenses for the years and the expected income taxes based on the statutory rate are as follows:

	2018	2017
Net loss for the year	\$ (3,139,685)	\$ (60,705)
Statutory income tax rate	27%	26.5%
Income tax benefit computed at statutory tax rate	847,715	16,087
Share issuance cost	292,939	-
Other	304	-
Permanent differences – Stock based compensation	(248,042)	-
Unrecognized benefit of deferred income tax assets	(892,916)	(16,087)
Income tax recovery	\$ -	\$ -

Deferred tax assets are recognized for the carry-forward or unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized. The following represent the deductible temporary differences which have not been recognized in the financial statements

	2018	2017
Non-capital losses	\$ 669,135	\$ 16,087
Share issuance cost	223,781	-
Net deferred tax assets	\$ 892,916	\$ 16,087

As at December 31, 2018, the Company has approximately \$2,458,000 (2017: \$60,705) of non-capital losses carry forwards available to reduce Canadian and US taxable income for future years, respectively. The losses expire between 2037 and 2038 if unused. The potential benefits of these carry-forward non-capital losses has not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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15. Segmented Information

The Company operates in one reportable operating segment, being the cultivation and distribution of cannabis. As at December 31, 2018 and December 31, 2017 the majority of the Company's non-current assets, being land and construction in progress, are located in the U.S.A.

16. Events After the Reporting Period

On February 5, 2019, the Company granted:

- 500,000 options to consultants and with an exercise price of CDN\$0.57 per share which vest 25% at the end of every 3 months for a period of 12 months, with a term of three years.
- 2,450,000 options to employees, directors and consultants with an exercise price of CDN\$0.57 per share which vest 25% at the end of every 6 months for a period of 24 months, with a term of five years.

On March 7, 2019, the Company granted 1,000,000 options to a consultant and with an exercise price of CDN\$0.60 per share which vest 100% on the grant date, with a term of three years.

On March 29, 2019, 200,000 options were exercised at a price of CDN\$0.60 for gross proceeds of CDN\$120,000 and 223,880 common shares were issued at CDN\$0.67 in exchange for investor relation services.

During the month of March 2019, 1,023,563 warrants were exercised at a price of CDN\$0.60 for gross proceeds of CDN\$614,138.

On March 12, 2019, the Company announced that it acquired 100% of California-based SDC Ventures, LLC ("SDC") (the "Transaction"). SDC is a premium cannabis consumer products goods, manufacturing and extraction leader, having 8 leading cannabis brands with 45 CBD and THC products.

The total value of the Transaction is a maximum of \$20.6 million in cash, shares and performance shares to be earned over the next three years and will be payable as follows:

- \$600,000 on closing of the Transaction, to be satisfied by either, at the sole discretion of the SDC Securityholders, (i) cash to be fully paid within the sixty (60) days of CSE approval of the Transaction; or (ii) Next Green Wave Shares each at an agreed price of the volume weighted average price of the Company's shares as traded on the CSE for the 20 day period (the "20 Day VWAP") prior to the Closing Date; and
- \$4,000,000 on completion of the transfer of all rights and titles of the assets of SDC, to be satisfied by the issuance of Next Green Wave Shares each at an agreed price of the 20 Day VWAP prior to the date of completion.

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16. Events After the Reporting Period (continued)

In addition, to the above, if certain performance metrics are met, additional consideration will be paid as follows:

- \$750,000 on execution of the reassignment of each of the eight (8) definitive partnership agreements to a maximum of \$6,000,000 to be satisfied by the issuance of Company shares each at an agreed price of the 20 Day VWAP on the date of execution of each such partnership agreement;
- \$5,000,000 at the end of the period beginning one-hundred and twenty (120) days after Closing ("Year 1") on achieving net sales targets, to be satisfied by the issuance of Company shares each at an agreed price of \$1.00 per Next Green Wave Share; and
- \$5,000,000 at the end of the twelve (12) month period immediately following Year 1 on achieving year 2 net sales targets, to be satisfied by the issuance of Company shares each at an agreed price of \$1.00 per Company share.

Each of the above performance metrics allow for a pro-rata amount to be paid for partial completion of the metric. In the case of the performance metrics relating to net sales, in order for the 10,000,000 shares to be issued under the above, SDC will be required to achieve \$50,000,000 in net sales. This transaction is an arm's length transaction.

As of the date of financial statement approval, goodwill on the acquisition of SDC is indeterminable as the valuation of the assets acquired and liabilities assumed is in progress.

On March 15, 2019, the Company announced the signing of a definitive agreement (the "Investment Agreement") to take a strategic investment in Organic Medical Growth OMG3 INC. ("OMG"), a Canadian based company focused on producing and commercializing CBD products derived from medicinal and industrial cannabis in Colombia.

Under the terms of the Investment Agreement, the Company will participate as follows:

- Invest in 2,000,000 common shares of OMG at CAD\$0.25 per share for a total amount of CAD\$500,000 under a subscription agreement with OMG
- Receive an additional 4,300,600 common shares representing 10% of the share capital of OMG post it's first round of financing, in exchange for NGW's provision of collaborative and commercial strategic support services under a services agreement.
- Receive an option to purchase 2,395,000 shares of OMG CAD\$0.50 per share, or such other number of shares equivalent to 5% of the share capital following its first round of financing.

The Investment Agreement is based on the expectation that OMG will complete its Initial Public Offering (IPO) in 2019 and is also subject to the approval of the CSE.

In April 2019, the Company issued 1,884,317 common shares at CDN\$0.55 for contractor services related to the completion of construction on its facility (Note 5).

On April 25, 2019, the Company announced that it intends to conduct a non-brokered private placement of 6,000 unsecured convertible notes at the price of CDN\$1,000 per convertible note totaling CDN\$6,000,000.