C21 INVESTMENTS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED
OCTOBER 31, 2018

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated unaudited interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

VANCOUVER, BC

C21 INVESTMENTS INC.
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian dollars)

	Note	October 31, 2018 (Unaudited) - $ -	January 31, 2018 (Audited) - $ -
ASSETS			
Current assets			
Cash		9,310,631	257,203
Accounts receivable and other	5	552,744	14,921
Biological assets	6	146,050	-
Inventory	7	693,855	-
Prepaid expenses		818,898	12,000
Notes receivable and deposits	8	14,287,487	-
		25,809,665	284,124
Property, plant and equipment	9	2,031,723	-
Goodwill	3	9,153,654	-
Restricted cash	4	60,214	59,517
TOTAL ASSETS		37,055,256	343,641
LIABILITIES			
Accounts payable and accrued liabilities	10 & 15	2,074,135	187,054
Promissory note payable	3	2,260,736	-
Lease liabilities - current portion	11	185,601	-
		4,520,472	187,054
Lease liabilities	11	21,387	-
Consideration payable	3	1,948,738	-
Convertible promissory note	3	1,831,315	-
Reclamation obligation	12	70,300	70,300
TOTAL LIABILITES		8,392,212	257,354
SHAREHOLDERS' EQUITY			
Share capital	13	54,274,334	16,845,466
Reserves - equity component of converible promisorry note	13	771,485	-
Reserves	13	6,986,574	1,000,967
Deficit		(33,369,349)	(17,760,146)
TOTAL SHAREHOLDERS' EQUITY		28,663,044	86,287
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		37,055,256	343,641

Nature of operations (Note 1)
Contingencies (Note 17)
Subsequent events (Note 18, & 19)

On behalf of the Board:

"Robert Cheney" Director *"Michael Kidd"* Director

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars -unaudited)

	Note	Nine months ended		Three months ended	
		October 31, 2018 -$-	October 31, 2017 -$-	October 31, 2018 -$-	October 31, 2017 -$-
Revenue		530,712	-	392,448	-
Inventory expensed to cost of sales		233,177	-	179,787	-
Gross margin before the undernoted		297,535	-	212,661	-
Net effect of fair value changes in biological assets		448,743	-	438,352	-
Gross Profit	9	(151,208)	-	(225,691)	-
Expenses					
Consulting		1,789,358	-	80,064	-
Depreciation Expense		349,555	-	321,542	-
Insurance Expense		645,105	-	645,105	-
Management fees	15	300,000	4,500	108,000	1,500
Marketing and Promotion		2,007,641	-	842,517	-
Office and miscellaneous		213,453	23,006	107,646	6,616
Professional Fees		1,296,728	91,154	568,924	74,147
Rent Expense		312,382	-	195,354	-
Salaries	15	1,343,641	-	1,095,360	-
Shareholders communications		62,458	1,300	22,772	250
Share based compensation	13	5,742,541	334,102	54,285	334,102
Transfer agent & filing fees		39,980	13,836	8,474	3,439
Travel		574,768	12,994	204,874	1,269
Meals and Entertainment		145,142	-	51,839	-
Total expenses		14,822,752	480,892	4,306,756	421,323
Loss before undernoted items		(14,973,960)	(480,892)	(4,532,447)	(421,323)
OTHER ITEMS					
Foreign exchange		96,473	-	65,895	-
Interest Expense	13	747,451	-	106,391	-
Other loss		46,721	-	7,333	-
Interest income		(255,402)	-	(141,861)	-
LOSS AND COMPREHENSIVE LOSS		(15,609,203)	(480,892)	(4,570,205)	(421,323)
Basic and diluted loss per share		(0.66)	(0.02)	(0.19)	(0.07)
Weighted average number of common shares outstanding		23,717,791	4,236,105	23,736,409	5,979,695

See accompanying notes to the condensed consolidated interim financial statements

C21 INVESTMENTS INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED OCTOBER 31, 2018 AND 2017
(Expressed in Canadian dollars - unaudited)

	Share capital		Reserves			
	Number of shares	Amount	Share based compensation	Equity Component of Convertible Debenture	Deficit	Total
Balance at January 31, 2017	**1,979,695**	**15,856,333**	**666,865**	**-**	**(16,986,534)**	**(463,336)**
Shares issued for cash	3,640,000	910,000	-	-	-	910,000
Shares issued for debt settlement	360,000	90,000	-	-	-	90,000
Share issue cost	-	(15,367)	-	-	-	(15,367)
Share based compensation	-	-	334,102	-	-	334,102
Comprehensive loss for the period	-	-	-	-	(480,892)	(480,892)
Balance at October 31, 2017	**5,979,695**	**16,840,966**	**1,000,967**	**-**	**(17,467,426)**	**374,507**
Balance at January 31, 2018	**5,979,695**	**16,845,466**	**1,000,967**	**-**	**(17,760,146)**	**86,287**
Shares issued on convertible debenture subscription receipts, net	33,500,000	32,022,705	-	-	-	32,022,705
Bonus shares issued on conversion of debenture	3,350,000	-	-	-	-	-
Shares issued for cash, net	2,082,000	5,193,468	-	-	-	5,193,468
Share issue costs	-	(29,929)	-	-	-	(29,929)
Share based compensation - broker's warrants	-	-	304,590	-	-	304,590
Share based compensation - option issuance	-	-	3,842,984	-	-	3,842,984
Share based compensation - warrant issuance	-	-	1,838,033	-	-	1,838,033
Shares issued on settlement of loan	50,000	110,000	-	-	-	110,000
Shares issued on exercise of warrants	2,750	2,750	-	-	-	2,750
Shares issued on exercise of options	100,000	129,874	-	-	-	129,874
Equity component of convertible note	-	-	-	771,485	-	771,485
Comprehensive loss for the period	-	-	-	-	(15,609,203)	(15,609,203)
Balance at October 31, 2018	**45,064,445**	**54,274,334**	**6,986,574**	**771,485**	**(33,369,349)**	**28,663,044**

C21 INVESTMENTS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 31,
(Expressed in Canadian dollars - unaudited)

	2018	2017
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss	(15,609,207)	(480,892)
Depreciation of property plant & equipment	349,555	-
Loss on fair value of biological assets	448,743	-
Share based compensation	5,742,541	334,102
Other non-cash transactions	182,596	-
Changes in working capital items		
Inventory	(252,548)	-
Receivables	(378,754)	(6,831)
Deposits	(216,150)	-
Accounts payable and accrued liabilities	1,151,433	(306,423)
Prepaid expenses	(362,098)	-
Cash used in operating activities	(8,943,889)	(460,044)
INVESTING ACTIVITIES		
Change in restricted cash	-	(386)
Purchases of property, plant & equipment	(124,559)	-
Deposits on property, plant & equipment	(70,120)	-
Loans to acquisition targets	(5,294,001)	-
Deposits on acquisitions	(8,993,486)	-
Net cash outflow on acquisition of subsidiary	(4,744,582)	-
Cash used in investing activities	(19,226,748)	(386)
FINANCING ACTIVITIES		
Issuance of common shares	37,253,994	910,000
Share issuance cost	(29,929)	(15,367)
Cash provided by financing activities	37,224,065	894,633
Increase in cash during the period	9,053,428	434,203
Cash, beginning of period	257,203	85
Cash, end of period	9,310,631	434,288

NON-CASH TRANSACTIONS:

During the nine months ended October 31, 2018, the Company issued 765,795 non-transferable share purchase warrants as finders' fees valued at $304,590.

There were no significant non-cash transactions for the nine months ended October 31, 2018.

During the period ended October 31, 2018 and 2017, there were no income taxes paid.

During the period ended October 31, 2018, there were interest payments of $679,642 (2017 - $nil).

1. NATURE OF OPERATIONS

C21 Investments Inc. (the “Company” or “C21”) was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publicly traded company with its corporate office and principal place of business is Suite 303, 595 Howe Street, Vancouver, British Columbia, Canada.

Effective November 24, 2017, the Company changed its name to “C21 Investments Inc.”. On June 15, 2018, the Company’s common shares were delisted from the TSX Venture Exchange (“TSX-V”) exchange at the Company’s request and on June 18, 2018 the Company commenced trading on the Canadian Securities Exchange (“CSE”), completed its change of business to the cannabis industry and is trading under the symbol CXXI. Additionally, the Company is listed on the Frankfurt Stock Exchange (“FSE”) under the symbol C6QP. The Company has registered its securities in the USA and the assignment of a US trading symbol is pending. When the symbol is issued the Company will apply to trade on the OTCQB.

Pursuant to a change of business announced on January 29, 2018, to the Cannabis industry, the Company is in the business of acquiring and operating revenue-producing cannabis operations in the USA and internationally.

On May 12, 2017, the Company consolidated its issued and outstanding shares totaling 19,796,952 on a 10:1 basis. Upon completion of the consolidation, the Company had 1,979,695 post consolidation common shares issued and outstanding. All shares and per share amount have been restated to reflect the share consolidation.

The Company currently has operations in the recreational cannabis sectors in USA (Note 3).

As at October 31, 2018, the Company operates in one segment, cannabis cultivation in Oregon, USA.

These interim unaudited condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements were authorized for issuance on December 28, 2018 by the directors of the Company.

Basis of preparation

These unaudited condensed consolidated financial statements have been prepared on an accrual basis except for cash flow information, and are based on historical costs, except for certain financial instruments classified as fair value through profit or loss and available for sale which are stated at their fair value. The financial statements are presented in Canadian dollars unless otherwise noted. Amounts in comparative periods may have been reclassified to conform with the current period’s presentation.

Statement of compliance

These unaudited condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

These unaudited condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report should be read in conjunction with the annual audited financial statements for the year ended January 31, 2018.

Functional and presentation currency

These unaudited condensed consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
320204 US Holdings Corp.	USA	100%	USD	Holding Company
Eco Firma Farms, LLC	USA	100%	CAD	Recreational Cannabis producer
320204 Oregon Holdings Corp.	USA	100%	USD	Holding Company
320204 Nevada Holdings Corp.	USA	100%	USD	Holding Company
Workforce Concepts 21, Inc.	USA	100%	USD	Payroll and benefits services

The accounting policies applied in preparation of these condensed consolidated interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended January 31, 2018, except for the following:

<u>Financial instruments</u>

On February 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or 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 for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated, and no material changes resulted from adopting this new standard.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments (continued)

- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of our financial assets on the transition date given the Company has minimal credit history and credit transactions.

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Revenue from contracts with customers

On February 1, 2018, the Company adopted IFRS 15 – Revenue from contracts with customers ("IFRS 15") IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date. The Company has assessed the impact from this new standard. Under IFRS 15, revenue from the sale of cannabis would be recognized at the point in time when control over goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's previous revenue recognition policy under IAS 18. Based on the Company's assessment, the adoption of this new standard does not have a material impact on its consolidated financial statements.

Biological assets

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations.

The significant assumptions used in determining the fair value of the biological assets are as follows:

- Stage in overall growth cycle;
- Estimated harvest yield by plant
- Estimated quality of produce

The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield or quality will be reflected in future changes in the gain or loss on biological assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Significant accounting judgments, estimates and assumptions

Areas requiring a significant degree of estimation and judgment relate to the determination of the biological assets, rehabilitation obligation, fair value measurements for other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Biological assets - In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost versus net realizable value.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business, less any costs to complete and sell the goods. The cost of inventory includes expenditures incurred in acquiring raw materials, production and conversion costs, depreciation and other costs incurred in bringing them to their existing location and condition.

Financial instruments

<u>Financial assets</u>

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and reclamation bonds are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and investments are classified as FVTPL.

<u>Impairment</u>

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial instruments *(continued)*

Impairment (continued)

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, promissory note payable, loan payable, lease liabilities, convertible promissory note are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

New standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended October 31, 2018 and have not been applied in preparing these condensed consolidated interim consolidated financial statements. The new and revised standards are as follows:

- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

3. ACQUISITON OF ECO FIRMA FARMS

On June 13, 2018 the Company acquired all membership units of Eco Firma Farms, LLC ("EFF" or "the Business"), an licensed recreational cannabis cultivation operation located outside of Portland, Oregon for total consideration of $11,736,917 comprised of assumed liabilities of $4,924,643, a convertible promissory note for US$2,000,000 valued at $2,602,800 and consideration payable comprised of a Share payment note for US$1,977,500 shares payable on or after October 15, 2018 valued at $2,260,736 and an earn-out valued at $1,948,738 payable in common shares of the Company over a six year period commencing 120 days after the end of the first completed fiscal year of EFF following the date of close date. This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – Business combinations, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill. The purchase price and the preliminary allocation of the purchase price is as follows:

Assets acquired	**- $ -**
Cash	82,593
Receivables	159,069
Inventory	441,307
Biological assets	384,502
Other assets	137,479
Property, plant & equipment	2,257,999
Goodwill	9,153,654
Accounts payable and Accrued liabilities	(879,686)
Assets acquired	**11,736,917**
Liabilities assumed	4,924,643
Convertible prommisory note	2,602,800
Promissory note payable	2,260,736
Consideration payable	1,948,738
Total consideration	**11,736,917**

On June 13, 2018 in conjunction with the acquisition of EFF the Company issued a convertible promissory note for US$2,000,000 maturing June 13, 2021. The value of the liability and equity conversion component was determined at the date of issuance in the amounts of $1,831,315 and $771,485 respectively.

The fair value of the liability component, included in non-current borrowings, at inception was calculated using a market interest rate for an equivalent instrument without the conversion option. The discount rate applied was 16.9%.

4. RESTRICTED CASH

The Company has cash on deposit with the Alberta Energy Regulator ("AER") under the AER's Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment (Note 12).

5. RECEIVABLES

	October 31, 2018 - $ -	January 31, 2018 - $ -
Trade receivable	232,510	-
Interest receivable on promissory notes	161,721	-
Government ITC's receivable	158,513	14,921
	552,744	**14,921**

All of the Company's trade and other receivables have been reviewed for indicators of impairment.

6. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The continuity for biological assets for the nine months ended October 31, 2018, was as follows:

Balance January 1, 2018	**$ -**
Acquired biological assets	384,502
Unrealized loss on changes in fair value of biological assets	(121,799)
Increase in biological assets due to capitalized costs	414,480
Transferred to inventory upon harvest	(531,133)
Balance October 31, 2018	**$ 146,050**

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to sell and complete up to the point of harvest. The Company's biological assets are primarily cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell and complete at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. As at October 31, 2018, on average, the biological assets were 54% complete as to the next expected harvest date.

6. BIOLOGICAL ASSETS (continued)

The significant unobservable inputs and their range of values are noted in the table below:

Unobservable inputs	Range	Sensitivity
– Estimated yield per plant – varies by strain and is obtained through historical growing results or grower estimate.	**200-300 grams per plant**	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Selling prices of dry cannabis	**$0.11 - $2.64 per gram**	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

7. INVENTORY

Inventories consist of:

	October 31, 2018	January 31, 2018
	-$-	-$-
Finished goods	522,423	-
Work in progress	171,432	-
	693,855	**-**

Inventories expensed during the nine months ended October 31, 2018 was $233,177 (year ended January 31, 2017 – $Nil).

8. NOTES RECEIVABLE AND DEPOSITS

Notes Receivable

During the period ended October 31, 2018, the Company entered into agreements for the following notes receivable to private companies in the cannabis industry:

a) the Company loaned a total of US$2,600,000 (CAD$3,411,252) to Swell Companies Ltd. (“Swell”) by way of promissory notes, and a further US$200,000 (CAD$262,404) to Swell was made by advance on an additional promissory note of US$1,300,000 entered into subsequent to the period end. The notes accrue interest at 0.833% monthly and are secured over all of the entity’s fixed and floating assets. The notes are subject to the following maturity details:

- the principal amount US$1,500,000 (CAD$1,899,400) plus any accrued and unpaid interest is due on or before April 15, 2019.

- the principal amount US$1,100,000 (CAD$1,430,660) plus any accrued and unpaid interest is due on or before July 30, 2019.

8. NOTES RECEIVABLE AND DEPOSITS (continued)

***Notes Receivable** (continued)*

b) the Company loaned a total of US$1,100,000 (CAD$1,443,222) to Phantom Venture Group, LLC. ("Phantom") by way of promissory note. The note accrues interest at 1/3 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before March 31, 2019. (Note 15).

c) the Company loaned a total of US$99,000 (CAD$129,890) to Megawood Enterprises Inc. ("Megawood") by way of promissory note. The note accrues interest at 0.416 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before June 15, 2019.

d) the Company loaned a total of US$36,000 (CAD$47,233) to Kaliwood Inc. ("Kaliwood") by way of promissory note. The note accrues interest at 0.416 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before June 15, 2019.

Deposits

Pursuant to a definitive agreement for the acquisition of Silver State Relief LLC ("Silver State"), a private company involved in the cannabis industry, the Company has made advance deposits of US$6,000,000 (CAD$7,812,668) and will be applied to the purchase consideration. The loan is not subject to interest, has no fixed terms of repayment, and is unsecured.

Pursuant to a definitive agreement for the acquisition of Phantom, a private company involved in the cannabis industry, the Company made an advance deposit of US$900,000 (CAD$1,180,818) and will be applied to the purchase consideration. The advance was made by the issuance of promissory note and accrues interest at 1/3 of 1% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before March 31, 2019 (note 15).

9. PROPERTY AND EQUIPMENT

As at October 31, 2018, the details of the Company's property and equipment are as follows:

	Leasehold improvements	Furniture & fixtures	Computer equipment	Machinery & equipment	Total
Cost					
Balance, Feb 1, 2018	$ -	$ -	$ -	$ -	$ -
Assets from acquisition	1,333,409	850,359	12,184	360,439	2,556,391
Additions	62,865	26,301	24,999	10,394	124,559
Balance, October 31, 2018	1,396,274	876,660	37,183	370,833	2,680,950
Accumulated Amortization					
Balance, Feb 1, 2018	$ -	$ -	$ -	$ -	$ -
Assets from acquisition	66,203	167,146	3,286	33,350	269,985
Additions	290,200	84,796	1,509	2,737	379,242
Balance, October 31, 2018	356,403	251,942	4,795	36,087	649,227
Carrying amount, October 31, 2018	**$ 1,039,871**	**$ 624,718**	**$ 32,388**	**$ 334,746**	**$ 2,031,723**

Depreciation expense for the nine months ended October 31, 2018 is $349,555 (2017 - $nil).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2018	January 31, 2018
Accounts payable	$ 1,131,644	$ 104,504
Accrued liabilities	108,700	55,066
Amounts due to related parties (Note 15)	833,791	27,484
	$ 2,074,135	**$ 187,054**

11. LEASE LIABILITIES

Finance lease obligations

Pursuant to the acquisition of EFF, the Company a party to lease agreements for furniture and fixtures including an HVAC system, and security lights systems that are classified as finance leases, with the applicable cost included in property and equipment (Note 6). Future minimum lease payments as at October 31, 2018 are as follows:

	October 31, 2018 -$-	January 31, 2018 -$-
Not later than one year	185,601	-
Later than one year and not later than three years	21,387	-
Total minimum lease payments	**206,988**	**-**
Future finance charges at implicit rate	17,750	-
Balance of unpaid obligations	**224,738**	**-**

	Finance lease obligations -$-
As at February 1, 2018	-
Additions	277,149
Interest expense	14,357
Payments during the period	(84,518)
As at July 31, 2018	**206,988**
Less: current portion	(185,601)
Long term portion	**21,387**

As at October 31, 2018, the Company is a party to a lease agreement for a security lights system, whereby the value of the lease is US$132,383, the annual interest rate is 13.93% for 3 years, commenced in October 2016. The balance of the lease as at October 31, 2018 is US$61,896, in connection with this lease, the Company has made principal payments of $29,642 (unaudited 2016 - $6,001), and interest payments of $4,709. The lease has a bargain purchase price of $1 at the conclusion of the lease in October 2019. This lease is secured by personal guarantee of a member of senior management of a subsidiary;

11. LEASE LIABILITIES (continued)

As at October 31, 2018, the Company is a party to a lease agreement for an HVAC system, whereby the value of the lease is US$245,065, the annual interest rate is 13.94% for 3 years, which commenced December 31, 2016. The balance of the lease as at July 31, 2018 is US$128,421, in connection with this lease, the Company has made principal payments of $54,877, and interest payments of $9,650. The lease has a bargain purchase price of $1 at the conclusion of the lease on December 31, 2019. This lease is secured by personal guarantee of a member of senior management of a subsidiary.

12. RECLAMATION OBLIGATION

The Company has recorded a decommissioning provision in connection with estimated reclamation costs on a previously written off property. The obligation is recognized based on the estimated future reclamation costs. The Company had two wells in Alberta which were determined to be uneconomic and costs have been incurred to plug these wells. Reclamation and remediation work is still required to bring the site back to its natural state.

13. SHARE CAPITAL AND RESERVES

Authorized: unlimited number of common shares with no par value

As at October 31, 2018, there were 45,064,445 (January 31, 2018 – 5,979,695) issued and fully paid common shares.

During the nine months ended October 31, 2018, the following transactions took place:

On August 22, 2018, the Company issued 100,000 common shares for $65,000 for the exercise of stock options.

On July 19, 2018, the Company completed a private placement and issued 2,082,000 units, at $2.50 per unit, each unit consisting of one common share and one half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at $5 per warrant share on or before July 18, 2019 for gross proceeds of $5,205,000. In connection to this private placement the Company recorded $11,532 in related costs.

On June 18, 2018, the Company forced conversion of its convertible debenture issued March 26, 2018 and accordingly issued 36,850,000 common shares, which included 3,350,000 bonus shares pursuant to the convertible debenture subscription agreement, recorded against share issue costs in the period.

On March 26, 2018, the Company completed a non-brokered, convertible debenture private placement and issued convertible debentures in the total principal amount of $33,500,000, recorded as subscription receipts (Converted into common shares on June 18, 2018).

The convertible debentures were convertible into common shares at a conversion price of $1.00 per conversion share. Upon the Company receiving final approval to list its common shares on the CSE, the convertible debentures were converted convert into a total of 33,500,000 common shares of the Company. Pursuant to the terms of the debenture, the Company is issuing a loan bonus to each subscriber equal to 10% of the total number of shares issuable to each subscriber upon conversion of the Debentures purchased to be issued at a deemed value of $1.00 per share.

13. SHARE CAPITAL AND RESERVES (continued)

During the period ended October 31, 2018, the Company paid interest of $624,109 pursuant to the terms of the debenture. In connection with the convertible debenture private placement, the Company paid a total of $1,162,045 cash and issued 765,795 non-transferable share purchase warrants as finders' fees valued at $304,590. The fair values were based on the following assumptions: share price at grant date of $1.00; exercise price of $1.00; expected life of 1 year; expected volatility of 102.60%; risk free interest rate of 1.88%; expected divided yield rate of 0%; and forfeiture rate of 0%. The warrants are exercisable at $1.00 per share and will expire on March 25, 2019.

During the year ended January 31, 2018, the following transactions took place:

On May 12, 2017, the Company consolidated its issued and outstanding shares on a 10:1 basis. All shares and per share amount have been restated to reflect the share consolidation.

On May 30, 2017, the Company completed a private placement and issued 3,640,000 common shares at a price of $0.25 per common share for gross proceeds of $910,000.

On May 30, 2017, the Company settled $90,000 of accounts payable and accrued liabilities through the issuance of 360,000 common shares (Note 15).

Warrants

On June 15, 2018, a total of 3,350,000 warrants were issued to purchase common shares exercisable on or before June 14, 2019, at an exercise price of $1.38 per share. The estimated grant date fair value of these options was $1,838,033, or a $1.38 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 1 years; expected volatility of 102.6%; risk free interest rate of 1.88%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

The following table summarizes the Company's warrant activity for the period ended October 31, 2018 and January 31, 2018:

	Warrants outstanding		
	Warrants outstanding	Weighted average exercise price - $ -	Weighted average remaining life (years)
Balance January 31, 2017 & 2018	-	-	-
Issued	5,156,795	2.05	0.86
Exercised	(2,750)	1.00	-
Balance, October 31, 2018	**5,154,045**	**2.05**	**0.86**

As at October 31, 2018, the following warrants were outstanding and exercisable.

Expiry Date	Exercise Price - $ -	Number of Warrants
March 25, 2019	1.00	763,045
June 14, 2019	1.38	3,350,000
July 18, 2019	5.00	1,041,000
		5,154,045

13. SHARE CAPITAL AND RESERVES (continued)

Stock options

The Company is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

Period ended October 31, 2018

On June 26, 2018, a total of 1,940,000 stock options were granted to purchase common shares exercisable on or before June 25, 2021, at an exercise price of $2.80 per share. The estimated grant date fair value of these options was $3,669,405, or a $2.80 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 111.61%; risk free interest rate of 1.87%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On June 28, 2018, a total of 100,000 stock options were granted to purchase common shares exercisable on or before June 27, 2021, at an exercise price of $2.80 per share. The estimated grant date fair value of these options was $180,818, or a $2.80 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 111.61%; risk free interest rate of 1.91%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

On October 16, 2018, a total of 75,000 stock options were granted to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of $1.33 per share. The estimated grant date fair value of these options was $54,285, or a $1.27 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 2 years; expected volatility of 111.61%; risk free interest rate of 2.30%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

During the period ended October 31, 2018, 100,000 (2017 – Nil) options were exercised for proceeds of $65,000 (2017-$nil).

Year ended January 31, 2018

On October 16, 2017, a total of 515,000 stock options were granted to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of $0.65 per share. The estimated grant date fair value of these options was $334,102, or a $0.65 weighted average fair value per option. The grant date fair values of the options granted above were based on the following assumptions: expected life of 3 years; expected volatility of 357%; risk free interest rate of 1.57%; expected dividend yield rate of 0%; and forfeiture rate of 0%.

13. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

Details of the Company's stock options outstanding and exercisable are as follows:

	Options outstanding		
		Weighted average	Weighted average
	Options outstanding	exercise price - $ -	remaining life (years)
Balance, January 31, 2017	**-**	**-**	**-**
Granted	515,000	0.65	2.71
Balance January 31, 2018	**515,000**	**0.65**	**2.71**
Granted	2,115,000	2.31	2.21
Exercised	(100,000)	0.65	-
Cancelled	(10,000)	0.65	-
Balance,October 31, 2018	**2,520,000**	**2.31**	**2.52**

As at October 31, 2018, the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price - $ -	Number of Options
October 15, 2020	0.65	405,000
June 25, 2021	2.80	1,940,000
June 27, 2021	2.80	100,000
October 16, 2018	1.33	75,000
		2,520,000

14. FINANCIAL RISK MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its notes receivable from acquisition targets. The Company's cash is deposited in bank accounts held with a major bank in Canada and accordingly, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's notes receivables are placed with acquisition targets which are under definitive agreement for which closing is based primarily on receipt of regulatory approval. If an unlikely event occurred which delayed regulatory approval for an extended period of time or permanently the risk of default on these notes would be increased based on the liquidity of the acquisition targets.

14. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

Foreign currency risk

Foreign currency risk The Corporation has operations in Canada and the US and is exposed to foreign exchange risk due to fluctuations in the US dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the US dollar. The sensitivity of the Corporation’s net loss to a 10% change in the Canadian dollar exchange rate relative to the US dollar would result in a difference of $51,600 on the Corporation’s net loss.

Capital Management

The Company includes equity comprising of issued common shares, reserves and deficit, in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its proposed change of business, spearheading into the USA cannabis industry, and focusing on the acquisition of revenue producing operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company’s approach to capital management during the nine months ended October 31, 2018. The Company is not subject to externally-imposed capital requirements, with the exception of restricted cash posted as a deposit (Note 4).

Fair value

The fair value of the Company’s financial assets and liabilities approximates the carrying amount.

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 or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company’s financial instruments include cash, restricted cash, and accounts receivable, loans and notes receivable, accounts payable and accrued liabilities with a fair value measured at Level 1 hierarchy for cash. Accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

15. RELATED PARTY TRANSACTIONS

During the period ended October 31, 2018, the Company entered in the related party transactions as described below.

Balances due to related parties included in accounts payable and accrued liabilities:

	October 31, 2018 - $ -	January 31, 2018 - $ -
Due to the President and CEO	-	$23,918
Due to Directors of the Company	10,320	3,566
Due to a Director and CFO of the Company	19,859	-
Due to Director of Oregon Operations of Eco Firma Farms	401,806	-
Due to the Chief Executive Officer of Eco Firma Farms	401,806	-
	$833,791	**$27,484**

The Company had the following transactions with related parties:

	October 31, 2018 - $ -	October 31, 2017 - $ -
Management fees paid or accrued to directors, or companies controlled by directors	300,000	4,500
Consulting fees paid to a director	129,548	-
Salary paid to directors and an officer	196,195	-
Share Compensation including warrants and stock options for directors and officers	3,712,514	-
Convertible debenture interest paid to directors and officers	50,767	-
	4,389,024	**4,500**

Additional Related Party Transactions

Acquisition of Phantom Venture Group (Note 15),

Pursuant to a definitive agreement, for the acquisition of Phantom, a non-arm's length transaction, a private company involved in the cannabis industry, of which, a Director of the Company is a principal owner, the Company paid US$900,000 (CAD$1,175,670) which will be applied to the purchase consideration. The loan is not subject to interest and has no fixed terms of repayment, and is unsecured (Note 8, 15).

The Company considers key management personnel to consist of directors and certain members of executive management. Compensation for key management for the period ended October 31, 2018 is $625,743, (2017 - $4,500).

On June 26, 2018, a total of 965,000 stock options were granted to purchase common shares exercisable on or before June 25, 2021, at an exercise price of $2.80 per share. In connection to these options, the Company recorded a share based compensation expense of $1,825,245

On June 28, 2018, a director was granted a total of 100,000 stock options were granted to purchase common shares exercisable on or before June 27, 2021, at an exercise price of $2.80 per share. In connection to these options, the Company recorded a share based compensation expense of $180,818.

15. RELATED PARTY TRANSACTIONS (continued)

During the year ended January 31, 2018, the Company:

a) settled $9,000 of accounts payable and accrued liabilities through the issuance of 36,000 common shares to the former CEO,

b) settled $12,000 of accounts payable and accrued liabilities through the issuance of 48,000 common shares to the former CFO.

On October 16, 2017, directors and officers of the Company were granted a total of 315,000 stock options to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of $0.65 per share. In connection to these options, the Company recorded share-based compensation expense of $204,354.

16. COMMITMENTS

Lease commitments

The Company is a party to a lease agreement for a building in Oregon USA. The future minimum required lease payments are as follows:

2019	$ 782,652
2020	$ 782,652
2021	$ 782,652
2022	$ 782,652
2023	$ 782,652

The Company has an option to extend the lease for three additional periods of five years each. The Company has the option to purchase the leased premises for $3,800,000 or 4,000,000 common shares or any combination thereof pursuant to the terms of the lease. Subsequent to the balance sheet date the Company has exercised this option (note 19).

The Company is a party to a lease agreement for a security lights system. The future minimum required future lease payments are as follows:

2019	$ 17,238

The Company is a party to a lease agreement for its HVAC system. The future minimum required future lease payments are as follows:

2019	$ 52,458

17. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

18. SIGNIFICANT EVENTS

Acquisition pursuant to Signed definitive agreement

Silver State Cultivation LLC and Silver State Relief LLC ("Silver State")

On December 12, 2018, the Company announced an amendment to the definitive agreement originally signed on July 13, 2018, whereby the Company will acquire 100% of the issued equity of Silver State, limited liability companies that own and operate a vertically integrated cannabis business in Nevada, USA. Silver State operates an indoor cultivation and processing facility in approximately 104,000 square feet of licensed space in Washoe County, Northern Nevada. Silver State also owns two retail licenses to operate dispensaries in Nevada.

This purchase was scheduled to close on December 31, 2018, however due to possible delays in obtaining approval of the deemed transfer of the cannabis operating licenses, the Company and Silver State announced as part of the restructured deal that the acquisition will be effective January 1, 2019 with formal completion of the transaction to occur upon receipt of approval from the Nevada Department of Taxation, which is expected in January.

Therefore for 100% of the equity of Silver State the Company will:

i. Pay US$3m on or before December 31, 2018 (payment has been made as of December 27, 2018) after the application of US$6m previously deposited and working capital adjustment. The US$6m of advances are not subject to interest.

ii. The Company will issue a secured Promissory Note to the Vendor for US$30m with interest at 10% per annum, payable in quarterly instalments to be amortized over the period ending June 2020. If the closing is delayed past Jan 31, 2019 the Note will be increased by US$1m. Repayments are as follows: April 1, 2019, US$3.0m; July 1, 2019, US$6.0m; October 1, 2019, US$6.0m; January 1, 2020, US$6.0m, April 1, 2020, US$6.0m; July 1, 2020, US$3.0m.

iii. Issue 12.5 million common shares on closing valued at C$1 per share, which will be subject to required hold periods under applicable securities laws.

The Silver State businesses operate in three buildings, a cultivation/production warehouse and a dispensary, both located in Reno, Nevada. The third is the Fernley dispensary in Fernley Nevada for which construction is just being completed. All three properties are being leased by the Company with options to purchase. The two Reno properties comprise land and building at both locations and are being leased for a 5-year term commencing upon closing of the definitive purchase agreement. The company has an option to purchase the land and buildings expiring at the end of the 5-year term. The purchase price for the warehouse is US$12.7m and the Sparks dispensary US$3.3m.

The Fernley land and building is being leased commencing Jan 1, 2019 and ending on July 1, 2020. The Company has the option to purchase the land and building expiring on July 1, 2020. The purchase price is US$750,000 plus the dispensary construction cost currently estimated to be US$2.2m.

18. SIGNIFICANT EVENTS (continued)

Acquisition pursuant to Signed definitive agreement (continued)

Phantom Venture Group ("Phantom")

On October 18, 2018, the Company signed a definitive agreement with Phantom replacing the previously announced signed letter of intent dated June 22, 2018. On Closing, C21 Investments will acquire 100 per cent of Phantom membership units. The aggregate purchase price payable is (1) US$8.01m payable at closing by the issue of 2.67 million common shares at a deemed price of US$3/share, (2) two million share purchase warrants of C21 Investments, with each warrant exercisable for one share at a price of C$1.50/share, (3) paydown of Phantom liabilities of US$1.50m (less US$900,000 already paid as a deposit – see Note 8,15), and (4) up to an additional 4.5 million shares upon C21's Oregon business achieving certain performance targets over up to a seven-year period following the closing date. The purchase is expected to close upon successful transfer of certain licenses.

The acquisition of the real estate assets of Phantom ("SDP") will close on October 15, 2020. On closing, the Company will acquire 100 per cent of SDP's membership units for an aggregate purchase price of US$8.01m payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2.67 million shares at a deemed price of US$3 per common share.

Megawood Enterprises Inc. ("Pure Green")

On November 1, 2018, the Company entered into a definitive agreement replacing the previously announced signed letter of intent dated June 28, 2018. The Company will acquire 100 per cent of Pure Green, inclusive of all its brands and the operations of its retail location at 3738 Sandy Blvd. NE, Portland, Ore. The purchase price for Pure Green is US$825,000, payable in cash and a non-interest-bearing convertible promissory note. The vendors can elect to receive up to US$650,000 in cash upon closing, less the US$135,000 already advanced by way of promissory notes (see note 8 for Megawood and Kaliwood). The balance of the price will be paid by issuance of a non-interest-bearing convertible note, which will be convertible into common shares of the Company calculated at a value of US$5 per common share. The purchase is expected to close upon successful transfer of certain licenses.

Swell Companies Ltd. ("Swell")

On November 2, 2018, the Company entered into a definitive agreement replacing the previously announced signed letter of intent dated July 9, 2018. The Company will acquire 100 per cent of Swell's membership units. The aggregate purchase price payable is (1) US$500,000 cash; (2) US$14.7m payable by the issue of 4.9 million common shares spread over a period of 24 months at a deemed share value of US$3.00/share; (2) 1.58 million share purchase warrants of C21 Investments having an exercise price of C$1.50/share; (3) paydown of Swell liabilities of US$300,000 and assumption of a US$1.0m liability; and (4) up to an additional six million common shares upon Swell's business achieving certain performance targets over up to a five-year period following the closing date.

One-half of the consideration in (2) above (US$7.35m) may be elected by the Vendor to be received as US$5.0m in cash 24 months from the closing date. This election is available only if the average closing price of the Company shares over the 15 trading days immediately preceding the payment date is less than C$3.75.

Terminated Acquisitions

On November 1, 2018, the Company announced it had mutually agreed to not proceed with the transaction with the acquisition of Grön Chocolate and Grön Confections, which was announced on August 13, 2018.

On December 28, 2018, the Company announced it had terminated further discussions with Ganja Leaf (operating as 7 Leaf dispensaries), which was announced on June 28, 2018.

19. SUBSEQUENT EVENTS

Subsequent to October 31, 2018, the Company entered into the following transactions:

a) On November 1, 2018, the Company announced it had mutually agreed to not proceed with the transaction with the acquisition of Grön Chocolate and Grön Confections, which was announced on August 13, 2018.

b) On November 6, 2018, the Company announced it has been granted the first license issued by the State Service of Ukraine on Medicines and Drugs Control (SSUMDC) for the importation of high-quality raw CBD (Cannabidiol) extracts and concentrates, to import finished CBD products and process this imported CBD into commercial consumer products (such as a chocolate bar), wholesale distribution of CBD and CBD finished products, and to re-export CBD concentrates and CBD consumer products to Europe and internationally.

c) On November 8, 2018 and amended on December 14, 2018, the Company announced a private placement of convertible debentures up to a maximum of 10,000 units at a price of $1,000 per unit for gross proceeds of a minimum of $5m and up to a maximum of $10m.

   Each unit consists of one $1,000-principal-amount 10 per cent unsecured convertible debenture and one-half of one non-transferable debenture warrant. Each warrant will entitle the holder thereof to purchase, for a period of 24 months from the date of issue, one additional $1,000 principal amount 10 per cent unsecured convertible debenture at an exercise price of $1,000 per warrant debenture. The debentures are convertible to common shares of the Company at a price of 80 cents per common share. The warrant debentures are convertible into common shares of the Company at a price of 90 cents per common share. The debentures and warrant debentures will mature two years from the date of issuance of the debentures.

   In consideration of the services rendered by the agents in connection with the offering, C21 has agreed to pay the agents on the closing of the offering an aggregate cash fee equal to: (a) 6 per cent of the gross proceeds of the offering resulting from the sale of units to purchasers (other than purchasers identified on a mutually agreed upon subscriber list (the president list)); and (b) 3 per cent of the gross proceeds of the offering resulting from the sale of units to purchasers on the president list. In addition, C21 has agreed to issue to the agents warrants for the purchase of debentures in a number equal to: (a) 6 per cent of the number of units sold to purchasers (other than to purchasers on the president list); and (b) 3 per cent of the number of units sold to purchases on the president list.

d) On December 28, 2018, the Company has exercised and restructured certain real estate rights connected with its EFF operations. Under the restructured arrangement, the Company will formally acquire the real estate assets housing EFF’s operations under a vendor finance arrangement that will convert current rental payments into mortgage interest payments, with a straight-line amortization of the US$3.8m purchase price in cash or shares over two years at the vendor’s option. C21 retains the right to accelerate payments at its discretion. This transaction is expected to close on March 29, 2019.

e) On December 28, 2018, the Company announced it had terminated further discussions with Ganja Leaf (operating as 7 Leaf dispensaries), a proposed transaction which had been announced on June 28, 2018.