CANDY CLUB HOLDINGS, INC.

INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED
JUNE 30, 2018

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CONTENTS

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Board of Directors of
Candy Club Holdings, Inc. and Subsidiary

Introduction
We have reviewed the accompanying interim condensed consolidated balance sheet of Candy Club Holdings, Inc. and Subsidiary (Collectively, the Company) as of June 30, 2018, and the related interim condensed consolidated statements of operations, stockholders' equity and cash flows for the six months then ended, and the notes to interim condensed consolidated financial statements. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with the International Accounting Standard 34, "Interim Financial Reporting." Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Emphasis of Matter
We draw attention to Note 14 to the interim condensed consolidated financial statements which describes that the interim condensed consolidated financial statements have been prepared on a going concern basis. Our report is not modified in respect of this matter.

Green Hasson & Janks LLP

November 14, 2018
Los Angeles, California

CANDY CLUB HOLDINGS, INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2018 Unaudited	December 31, 2017 Audited
CURRENT ASSETS:		
Cash	$ 616,342	$ 428,965
Inventory	1,046,368	921,805
Note Receivable from Related Party	25,253	500,000
Prepaid Expenses and Other Current Assets	236,565	216,707
TOTAL CURRENT ASSETS	1,924,528	2,067,477
NON-CURRENT ASSETS:		
Intangible Assets (Net)	7,189	23,051
Property and Equipment (Net)	50,431	64,090
TOTAL NON-CURRENT ASSETS	57,620	87,141
TOTAL ASSETS	$ 1,982,148	$ 2,154,618
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts Payable	$ 1,258,600	$ 936,669
Accrued Expenses and Other Liabilities	567,625	575,703
Deferred Revenue	165,809	201,745
Convertible Notes Payable	1,542,000	-
Notes Payable to Stockholders	56,644	304,155
TOTAL CURRENT LIABILITIES	3,590,678	2,018,272
NON- CURRENT LIABILITIES:		
Convertible Notes Payable	725,000	-
TOTAL NON-CURRENT LIABILITIES	725,000	-
TOTAL LIABILITIES	4,315,678	2,018,272
STOCKHOLDERS' EQUITY (DEFICIT):		
Common Stock - $0.001 Par Value, 29,000,000 Shares Authorized; 121,284 Shares Issued and Outstanding	121	121
Common Stock - Additional Paid-in-Capital	643,757	495,197
Convertible Preferred Series A Stock - $0.001 Par Value, 951,100 Shares Authorized; 933,962 Shares Issued and Outstanding	934	934
Convertible Preferred Series A Stock: Additional Paid-In-Capital	11,414,447	11,414,447
Convertible Preferred Series A-1 Stock - $0.001 Par Value, 954,482 Shares Authorized, 950,928 Issued and Outstanding	951	951
Convertible Preferred Series A-1 Stock: Additional Paid-In-Capital	3,426,613	3,426,613
Convertible Preferred Series B Stock - $0.001 Par Value, 11,577,705 Shares Authorized, 11,299,747 (2018) and 11,079,031 (2017) Issued and Outstanding	11,230	11,079
Convertible Preferred Series B Stock: Additional Paid-In-Capital	4,058,394	4,016,792
Accumulated Deficit	(21,889,977)	(19,229,788)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(2,333,530)	136,346
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 1,982,148	$ 2,154,618

The Accompanying Notes are an Integral Part of These Interim Condensed Consolidated Financial Statements

CANDY CLUB HOLDINGS, INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2018 and 2017

	2018		2017	
	Unaudited			
	Amount	% of Net Sales	Amount	% of Net Sales
NET SALES	$ 3,994,255	100.0	$ 4,611,047	100.0
COST OF SALES	1,944,323	48.7	3,013,410	65.4
GROSS PROFIT	2,049,932	51.3	1,597,637	34.6
OPERATING EXPENSES:				
Selling	2,565,735	64.2	3,041,170	66.0
General and Administrative	2,102,100	52.6	2,386,219	51.8
TOTAL OPERATING EXPENSES	4,667,835	116.8	5,427,389	117.8
LOSS FROM OPERATIONS	(2,617,903)	(65.5)	(3,829,752)	(83.2)
OTHER EXPENSES:				
Loss on Extinguishment of Debt	-		306,859	6.7
Interest Expense	42,286	1.1	42,868	0.9
TOTAL OTHER EXPENSES	42,286	1.1	349,727	7.6
NET LOSS	$ (2,660,189)	(66.6)	$ (4,179,479)	(90.8)

The Accompanying Notes are an Integral Part of These Interim Condensed Consolidated Financial Statements

CANDY CLUB HOLDINGS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
Six Months Ended June 30, 2018 and 2017

	Common Stock			Series Seed Convertible Preferred Stock			Series Seed 1 Convertible Preferred Stock			Series A Convertible Preferred Stock			Series A-1 Preferred Shares			Series B Convertible Preferred Stock				
	Number of Shares	Amount	Additional Paid in Capital	Number of Shares	Amount	Additional Paid in Capital	Number of Shares	Amount	Additional Paid in Capital	Number of Shares	Amount	Additional Paid in Capital	Number of Shares	Amount	Additional Paid in Capital	Number of Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Stockholders' Equity(Deficit)
BALANCE AT JANUARY 1, 2017 (AUDITED)	12,128,601	$ 121	$ 190,141	15,062,640	$ 151	$ 1,496,075	16,723,442	$ 167	$ 3,759,264	61,612,223	$ 6,161	$ 6,153,563	-	$ -	$ -	-	$ -	$ -	$ (12,556,196)	$ (950,553)
Reverse Stock Split and Conversion of Series Seed and Series Seed 1 to .01 Shares of Series A	(12,007,317)	-	-	(15,062,640)	(151)	(1,496,075)	(16,723,442)	(167)	(3,759,264)	(60,678,261)	(5,227)	5,260,884	-	-	-	-	-	-	-	-
Stock Option Expense	-	-	152,528	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,528
Issuance of Series A-1 Convertible Preferred Stock (Net of Closing Costs of $41,700)	-	-	-	-	-	-	-	-	-	-	-	-	950,928	951	3,426,613	-	-	-	-	3,427,564
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,179,479)	(4,179,479)
BALANCE AT JUNE 30, 2017 (UNAUDITED)	121,284	$ 121	$ 342,669	-	$ -	$ -	$ -	$ -	$ -	933,962	$ 934	$ 11,414,447	950,928	$ 951	$ 3,426,613	-	$ -	$ -	$ (16,735,675)	$ (1,549,940)
BALANCE AT JANUARY 1, 2018 (AUDITED)	121,284	$ 121	$ 495,197	-	$ -	$ -	$ -	$ -	$ -	933,962	$ 934	$ 11,414,447	950,928	$ 951	$ 3,426,613	11,079,031	$ 11,079	$ 4,016,792	$ (19,229,788)	$ 136,346
Stock Option Expense	-	-	148,560	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148,560
Issuance of Series B Convertible Preferred Stock (Net of Closing Costs of $18,108)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,716	151	41,602	-	41,753
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,660,189)	(2,660,189)
BALANCE AT JUNE 30, 2018 (UNAUDITED)	121,284	$ 121	$ 643,757	-	$ -	$ -	$ -	$ -	$ -	933,962	$ 934	$ 11,414,447	950,928	$ 951	$ 3,426,613	11,229,747	$ 11,230	$ 4,058,394	$ (21,889,977)	$ (2,333,530)

The Accompanying Notes are an Integral Part of These Interim Condensed Consolidated Financial Statements

CANDY CLUB HOLDINGS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2018 and 2017

	2018	2017
	Unaudited	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	$ (2,660,189)	$ (4,179,479)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Stock Option Expense	148,560	152,528
Depreciation and Amortization	35,717	81,469
Loss on Extinguishment of Debt	-	306,859
(Increase) Decrease in:		
Inventory	(124,563)	711,130
Prepaid Expenses and Other Current Assets	(19,858)	(21,412)
Increase (Decrease) in:		
Accounts Payable	321,931	(102,763)
Accrued Expenses and Other Liabilities	(8,078)	(33,145)
Deferred Revenue	(35,936)	(30,038)
NET CASH USED IN OPERATING ACTIVITIES	(2,342,416)	(3,114,851)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Collection of Note Receivable from Related Party	500,000	-
Additions to Intangible Assets	(3,500)	-
Purchases of Property and Equipment	(2,696)	(20,486)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	493,804	(20,486)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restricted Cash	-	869,619
Principal Payments on Long-Term Debt	(247,511)	(244,862)
Proceeds from Long-Term Debt	2,267,000	738,217
Cash Received on Issuance of Stock (Net)	16,500	1,841,872
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,035,989	3,204,846
NET INCREASE IN CASH	187,377	69,509
Cash - Beginning of the Period	428,965	115,246
CASH - END OF PERIOD	$ 616,342	$ 184,755
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Period for:		
Interest	$ 11,446	$ 42,868
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Conversion of Notes Payable to Preferred Stock	$ -	$ 1,278,833
Note Receivable from Related Party for Issuance of Stock	$ 25,253	$ -

The Accompanying Notes are an Integral Part of These Interim Condensed Consolidated Financial Statements

NOTE 1 - NATURE OF OPERATIONS

The interim condensed consolidated financial statements include the accounts of Candy Club Holdings, Inc. (Holdings) and its wholly-owned subsidiary, Candy Club, LLC (Candy Club), (collectively, the Company). Holdings was incorporated in Delaware on March 26, 2015 and is the sole member of Candy Club, a single member Limited liability Company formed on March 19, 2014. The Company is an e-commerce business that sells subscriptions for monthly deliveries of boxes of premium candy. Customers sign up for monthly or prepaid subscriptions and receive boxes of candies on a monthly basis. The boxes contain various types of candies including gummies, chocolates, and other sweets.

NOTE 2 - BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards' (IFRS) International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board (IASB). The interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017 which have been prepared in accordance with IFRS. The same accounting policies and methods of computation have been followed in this interim condensed consolidated financial information as were applied in the most recent consolidated annual financial statements, except for the adoption of new standards and interpretations effective as of January 1, 2018 included in Note 3 to the interim condensed consolidated financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 14, 2018.

(b) BASIS OF MEASUREMENT

The interim condensed consolidated financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) CURRENCY OF PRESENTATION

The interim condensed consolidated financial statements are presented in United States dollars.

(d) PRINCIPLES OF CONSOLIDATION

The interim condensed consolidated financial statements include the accounts of Holdings and its wholly-owned subsidiary, Candy Club. All significant intercompany accounts and transactions have been eliminated on consolidation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to use certain estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Although management believes its estimates are appropriate, changes in assumptions utilized in preparing such estimates could cause these estimates to change sometime in the future.

(b) CASH

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk regarding cash.

(c) INVENTORY

Inventory is valued at the lower of cost or net realizable value on a weighted average cost basis.

(d) INTANGIBLE ASSETS

Intangible assets consist of both purchased internally developed software and website/domain names.

Costs for self-initiated research and development activities are assessed whether they qualify for recognition as internally generated intangible assets. An intangible asset may only be recognized if technical as well as commercial feasibility can be demonstrated and cost can be measured reliably. It must also be probable that the intangible asset will generate future economic benefits and that it is clearly identifiable and allocable to a specific product. Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalized. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project related costs are treated as if they were incurred in the research phase only. The Company has capitalized certain development costs incurred for internally generated internal use software.

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are charged to the profit or loss of the year in which they were incurred.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INTANGIBLE ASSETS (continued)

Computer software costs are amortized using the straight line method over their estimated useful lives, not exceeding a period of three years. Amortization commences when the computer software is available for use and is included within administrative expenses.

Amortization has been provided by using the straight-line method over the estimated useful lives of the assets as follows:

Website/Domain Name	5 Years
Computer Software	2 Years

(e) PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, net of accumulated depreciation. Depreciation has been provided by using the straight-line method over the estimated useful lives of the assets as follows:

Computer Equipment	2 Years
Furniture and Fixtures	4 Years
Production Equipment	5 Years

The cost of maintenance and repairs is charged to operations as incurred while renewals and betterments are capitalized.

(f) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No such impairment losses have been recognized during the six months ended June 30, 2018.

(g) FINANCIAL ASSETS - LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the interim condensed consolidated balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise “notes receivable from related party” and “prepaid expenses and other current assets” in the interim condensed consolidated balance sheets.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) FINANCIAL ASSETS - LOANS AND RECEIVABLES (continued)

The Company assesses at the interim condensed consolidated balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

(h) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(j) BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment and amortized over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortization of discounts or premium relating to borrowings, amortization of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the interim condensed consolidated balance sheet date.

(k) REVENUE RECOGNITION

Sales are recognized at the time the product is delivered to the customer, the amount of the sale can be measured reliably, and collection is probable.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) ADVERTISING

The Company expenses advertising costs as they are incurred. Total advertising costs incurred during the six months ended June 30, 2018 and 2017 was $1,702,979 and $1,803,884, respectively.

(m) SHIPPING AND HANDLING COSTS

The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs are expensed as incurred and included in cost of sales.

(n) INCOME TAXES

Income taxes are provided based on income reported in the financial statements adjusted for transactions that do not enter into the computation of income taxes payable.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying currently enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in the year that includes the enactment date.

A valuation allowance is provided against deferred income tax assets when their estimated realization is uncertain.

In accordance with the accounting pronouncement, IAS 12 – Income Taxes, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that has a greater than 50% likelihood of being realized. Changes in recognition or measurement are reflected in the year in which the change in judgment occurs.

The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for the years before 2014 and state examinations for the years before 2013.

The Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law on December 22, 2017. The TCJA includes significant changes to the U.S. corporate tax system, including a Federal corporate tax rate reduction from 35% to 21%, limitations on certain deductions, and the transition of U.S international taxation from a worldwide tax system to a territorial tax system. IFRS 12, Income Taxes, requires the re-measurement of the existing deferred tax assets and liabilities at the new tax rate and that the Company record the change in the period of enactment as a component of income tax expense from continuing operations.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) DEFERRED REVENUE

The Company records deferred revenue when cash is collected from customers in advance of delivery for multi-month subscription contracts.

(p) STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the applicable accounting standards. The Company accounts for stock-based awards issued to employees and non-employees by recognizing compensation expense related to the fair value of the options over the requisite service period of the awards. Determining the fair value of options at the grant date requires judgment, including estimating the expected term that stock options will be outstanding prior to exercise, the associated volatility and the expected dividends. Judgment is also required in estimating the amount of stock-based awards expected to be forfeited prior to vesting. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model.

Assumptions are determined at the time of grant. Grants of stock options during the six months ended June 30, 2018 and 2017 were valued using the following assumptions:

Expected Volatility	70% to	100%
Dividend Yield	0%	
Risk-Free Interest Rate	3.5%	
Expected Terms in Years	4.00	
Forfeitures	0%	

Expected Volatility - There is no active external or internal market for the Company's shares; therefore, the Company estimated the expected volatility of its stock with reference to the prices from historical equity issuances and comparable public companies.

Dividend Yield - The Company has not and does not intend to pay dividends.

Risk-Free Interest Rate - The Company applies the risk-free interest rate based on the US Treasury yield in effect at the time of the grant.

Expected Term in Years - The expected term is based upon the Company's consideration of the historical life of options, the vesting period of the option granted and the contractual period of the option granted.

Forfeitures - Stock-based compensation expense recognized in the statement of operations is based on awards ultimately expected to vest, reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience and the Company elected to estimate forfeitures at 0%.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) ADOPTION OF NEW AND REVISED ACCOUTNING STANDARDS

The Company has adopted all standards which became effective for the first time at January 1, 2018, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company. The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company adopted IFRS 15 using the full retrospective method of adoption. There is no material impact on the interim condensed consolidated balance sheet, statements of operations, equity or cash flows.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which is not applicable to the Company, the Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and adjusting the comparative information. There is no material impact on the interim condensed consolidated balance sheet, statements of operations, equity or cash flows.

(r) NEW ACCOUNTING PRONOUNCEMENTS - IFRS 16 LEASES

In January 2016, IASB issued IFRS 16 Leases, which replaces IAS 17 Leases and is intended to improve financial reporting for leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the interim condensed consolidated balance sheets the assets and liabilities for the rights and obligations created by those leases. IFRS 16 will also require disclosures to help interim condensed consolidated financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the interim condensed consolidated financial statements. For the Company, IFRS 16 will be effective for the year ending December 31, 2019.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2018, for items that should potentially be recognized or disclosed in these interim condensed consolidated financial statements. The evaluation was conducted through November 14, 2018, the date these interim condensed consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as otherwise noted within the notes to these interim condensed consolidated financial statements.

NOTE 4 - INVENTORY

Inventory consists of the following at June 30, 2018 and December 31, 2017:

	2018 (Unaudited)	2017 (Audited)
Raw Materials - Candy	$ 75,229	$ 94,116
Raw Materials - Packaging	337,518	323,250
Finished Goods	633,621	504,439
TOTAL INVENTORY	$ 1,046,368	$ 921,805

NOTE 5 - NOTE RECEIVABLE FROM RELATED PARTY

In January 2018, the Company obtained a note receivable totaling $25,253 from an existing stockholder as consideration for the issuance of 63,211 shares of Series B Convertible Preferred Stock (Series B) at a price of $0.4 per share. The Note matures on January 10, 2019 and will be settled by the stockholder through rendering consulting services to the Company. The Note bears no interest.

In September 2017, the Company obtained a note receivable totaling $500,000 from an entity (related party), related through common ownership, as consideration for the issuance of 1,264,222 shares of Series B Convertible Preferred Stock (Series B). This note matures at the earlier of September 2018 or 10 days after the closing of the sale of certain real estate owned by one of the owners of the related party. This note bears interest at 1.29% per annum and is payable on maturity along with the total principal outstanding. This Note is personally guaranteed by the owners of the related party and is secured by the underlying Series B shares. This note matured and was repaid on May 22, 2018.

NOTE 6 - INTANGIBLE ASSETS

Intangible assets consist of the following as of:

		Gross Carrying Amount		Accumulated Amortization		Net Book Value
June 30, 2018 (Unaudited):						
Website/Domain Name	$	23,702	$	(16,513)	$	7,189
Computer Software		347,958		(347,958)		-
TOTAL	$	371,660	$	(364,471)	$	7,189
December 31, 2017 (Audited):						
Website/Domain Name	$	20,202	$	(14,510)	$	5,692
Computer Software		347,958		(330,599)		17,359
TOTAL	$	368,160	$	(345,109)	$	23,051

Amortization expense charged to operations was $19,362 and $63,806 for the six months ended June 30, 2018 and 2017, respectively. Estimated amortization expense for the year ended December 31, 2018 is an additional $7,189.

The following presents the movement in the net book value of intangible assets:

		January 1						June 30/ December 31
		Net Book Value		Additions		Amortization		Net Book Value
Six Months Ended 2018 (Unaudited):								
Website/Domain Name	$	5,692	$	3,500	$	(2,003)	$	7,189
Computer Software		17,359		-		(17,359)		-
TOTAL INTANGIBLE ASSETS	$	23,051	$	3,500	$	(19,362)	$	7,189
Year Ended 2017 (Audited):								
Website/Domain Name	$	9,730	$	-	$	(4,038)	$	5,692
Computer Software		108,301		-		(90,852)		17,359
TOTAL INTANGIBLE ASSETS	$	118,031	$	-	$	(94,980)	$	23,051

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Computer Equipment	$ 73,385	$ 71,654
Furniture and Fixtures	58,209	58,209
Production Equipment	24,958	23,993
TOTAL PROPERTY AND EQUIPMENT	156,552	153,856
Less: Accumulated Depreciation	(106,121)	(89,766)
NET PROPERTY AND EQUIPMENT	$ 50,431	$ 64,090

Depreciation expense charged to operations for the six months ended June 30, 2018 and 2017 was $16,355 and $17,663, respectively. Purchases of property and equipment during the six months ended June 30, 2018 and year ended December 31, 2017 were $2,696 and $28,872, respectively. The disclosure of activity for each class of property and equipment was omitted as it was not material to these interim condensed consolidated financial statements.

NOTE 8 - NOTES PAYABLE TO STOCKHOLDERS

Notes Payable to Stockholders consists of the following:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Note Payable - Stockholder; collateralized by substantially all assets of the Company; principal and interest payments in monthly installments of $28,773 through June 2018; interest rate set at 12% fixed rate compounded monthly. Repaid in Full in June 2018.	$ -	$ 139,635
Notes Payable - Stockholder; collateralized by substantially all assets of the Company; interest only payments in monthly installments of $5,000 through April 1, 2016 with principal and interest payments in monthly installments of $19,182 through September 2018; interest rate set at 12% fixed rate compounded monthly. Repaid in Full in September 2018.	56,644	164,520
TOTAL NOTES PAYABLE TO STOCKHOLDERS	56,644	304,155
Less: Current Maturities	(56,644)	(304,155)
LONG - TERM MATURITIES	$ -	$ -

The notes payable to stockholders contain various covenants and restrictions including, but not limited to, providing timely reporting packages to the lenders. Interest expense for the six months ended June 30, 2018 and 2017 was approximately $18,000 and $35,000, respectively.

NOTE 9 - CONVERTIBLE NOTES PAYABLE

During May and June, 2018, the Company entered into several convertible promissory notes (2018 Notes) with certain Stockholders and investors (2018 Holders) totaling $2,267,000.

2018 Notes totaling $1,542,000 (Tranches A&B) were due on maturity at the earlier of August 7, 2018 or a Qualified Financing event (as defined). Interest is accrued on the unpaid principal balance at 12% per annum and is due on maturity. If the Company issues equity prior to maturity that yields total proceeds of at least $1,000,000 (Qualified Financing), the outstanding principal and accrued interest of the 2018 Notes totaling $1,122,773 (Tranche A) as of June 30, 2018, will automatically convert at the lowest price per share of the equity sold multiplied by 50%. For the rest of these 2018 Notes, the outstanding principal and accrued interest on the Notes totaling $419,227 (Tranche B) as of June 30, 2018, will automatically convert at the lowest price per share of the equity sold. Tranches A&B, are subordinated to all existing secured senior indebtedness. Except as noted above, with respect to an automatic conversion, none of the outstanding principal or accrued interest on Tranches A&B may be prepaid in whole or in part prior to the Maturity Date without the prior written consent of the Investors holding at least 80% of the principal amount of Tranches A&B.

In addition, 2018 Notes totaling $725,000 (Australian Notes) were due on maturity at the earlier of June 2020 or a Qualified Financing event and bear no interest. If the Company issues equity prior to maturity that yields total proceeds of at least $5,000,000, the outstanding principal and accrued interest of the Australian Notes will automatically convert at the Conversion Price (as defined). The Conversion Price shall be equal to the lesser of: (a) the price implied by a pre-money valuation of the Company of $8,000,000 at the time of the conversion; or (b) the price at which Shares in the Company are offered pursuant to an equity raise.

There have been no payments on the 2018 Notes during the 6 months ended June 30, 2018. Accrued interest totaled approximately $30,840, recorded in accrued expenses. The 2018 Notes are secured by substantially all the assets of the Company.

On December 22, 2016, the Company entered into several convertible promissory notes (2016 Notes) with certain Stockholders (2016 Holders) totaling $1,088,362 which were due on maturity at the earlier of the Notes' six month anniversary (June 22, 2017) or the Sale of the Company (as defined). Interest accrued on the unpaid principal balance at 12% per annum and is due on maturity. As of December 31, 2016, the outstanding balance of the Notes was $1,140,616, including cumulative accrued interest of $52,254.

If the Company issued equity prior to maturity that yields total proceeds of at least $1,000,000 (Qualified Financing), the outstanding principal and accrued interest on the 2016 Notes would automatically convert at the lowest price per share of the equity sold multiplied by 80%. During the six months ended June 30, 2017, the Company entered into a Qualified Financing event which caused the 2016 Notes to convert into 439,242 shares of Series A-1 Convertible Preferred Stock at $2.91 per share. The debt was converted to Series A-1 stock at the fair value of Series A-1 stock on the date of conversion which resulted in a loss on extinguishment of debt of $306,859.

NOTE 9 - CONVERTIBLE NOTES PAYABLE (continued)

On initial recognition, the proceeds from the issuance of all of the above Notes was allocated between the debt and the conversion equity feature using the residual method. Under this method, the Company first determined the fair value of the debt component by discounting the future stream of principal and interest payments at a prevailing market rate for a similar liability that did not contain the conversion feature. The carrying amount of the equity instrument was then determined by deducting the carrying amount of the debt from the proceeds of the Notes. The Company determined that the carrying amount of the equity instrument was not material to these interim condensed consolidated financial statements, therefore the entire amount of the notes was recorded as debt.

NOTE 10 - INCOME TAXES

Deferred income tax assets are comprised of the following as of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
DEFERRED INCOME TAX ASSETS:		
Depreciation and Amortization	$ 55,000	$ 66,000
Stock Options	191,000	147,000
Net Operating Loss Carryforwards	5,654,000	4,912,000
GROSS DEFERRED INCOME TAX ASSETS	5,900,000	5,125,000
DEFERRED INCOME TAX LIABILITIES:		
Intangible Assets	(36,000)	(36,000)
State Taxes	(356,000)	(308,000)
GROSS DEFERRED INCOME TAX LIABILITIES	(392,000)	(344,000)
NET DEFERRED INCOME TAX ASSET BEFORE VALUATION ALLOWANCE	5,508,000	4,781,000
Less: Valuation Allowance	(5,508,000)	(4,781,000)
NET DEFERRED INCOME TAXES	$ -	$ -

Deferred income taxes reflect the net effects of temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The difference between the U.S. statutory federal tax rate of 35% and the Company's effective rate is due to the effect of the net operating loss carryforwards, valuation allowance and state income taxes.

NOTE 10 - INCOME TAXES (continued)

Despite management's confidence about the long-term profitability of the Company, there is uncertainty relating to the Company's profitability in the short-term. Therefore, a valuation allowance has been established against the net deferred income tax assets, which might not be realized. During the six months ended June 30, 2018, the Company increased its valuation allowance by $727,000. The valuation allowance as of June 30, 2018 totaled $5,508,000. At June 30, 2018, the Company has approximately $19,000,000 of federal and state net operating losses carried forward which begin to expire in 2035.

NOTE 11 - CAPITALIZATION

As of June 30, 2018 and December 31, 2017, the Company was authorized to issue 125,000,000 shares of Common Stock (CS), 951,100 shares of Series A Convertible Preferred Stock (Series A), 954,482 shares of Series A-1 Convertible Preferred Stock (Series A-1) and 11,577,705 shares of Series B Convertible Preferred Stock (Series B).

As of June 30, 2018 and December 31, 2017, all classes of equity have a par value of $0.001.

As of June 30, 2018 and December 31, 2017, the Company had issued and outstanding 121,284 shares of CS, 933,962 shares of Series A stock and 950,928 shares of Series A-1. As of June 30, 2018 and December 31, 2017, the Company had issued and outstanding 11,229,747 and 11,079,031 shares of Series B stock.

During the six months ended June 30, 2018, the Company issued 150,716 of Series B stock for total consideration of $41,602, net of stock issuance closing costs totaling $18,108 recorded directly in equity. The consideration comprised of a note receivable from related party of $25,253 and cash totaling $34,608 (net of $18,108 stock issuance closing costs)

In April 2017, the Company executed a Reverse Stock Split (as defined), whereby each share of Series Seed, Series Seed 1 and Series A stock was automatically converted and reconstituted into 0.01 shares of Series A stock and each of the Company's CS was automatically converted and reconstituted in 0.01 shares of CS.

In April 2017, the Company also issued 950,928 shares of Series A-1 stock for total consideration of $3,427,564, net of stock issuance closing costs totaling $41,700, recorded directly in equity. The consideration comprised of cash totaling $1,841,872 (net of $41,700 stock issuance closing costs) and conversion of notes payable totaling $1,278,833, plus a premium on conversion and extinguishment of debt totaling $306,859, recorded in the statement of operations. The debt was converted to Series A-1 stock at the fair value of Series A-1 stock on the date of conversion which resulted in the loss on extinguishment.

In September 2017, the Company issued 11,079,031 of Series B stock for total consideration of $4,027,871, net of stock issuance closing costs totaling $53,590, recorded directly in equity. The consideration comprised of a note receivable from related party of $500,000, cash totaling $2,231,273 (net of $53,590 stock issuance closing costs) and conversion of notes payable totaling $1,028,804, plus a premium on conversion and extinguishment of debt totaling $267,794, recorded in the statement of operations. The debt was converted to Series B stock at the fair value of Series B stock on the date of conversion which resulted in the loss on extinguishment.

NOTE 11 - CAPITALIZATION (continued)

During the year ended December 31, 2015, in connection with obtaining the notes payable to stockholders, the Company issued certain warrants to purchase approximately 1,713,898, shares of Series Seed 1 stock (Warrants) to several existing stockholders. The Warrants are exercisable at a calculated exercise price of $0.1 per share and expire beginning May 31, 2025 through September 15, 2025. The grant date fair value of the Warrants was calculated using the Black-Scholes model. As of June 30, 2018 and December 31, 2017, no warrants have been exercised and the warrants outstanding total 17,138 (exercise price of $10) and 1,713,898 (exercise price of $0.1), respectively. The Warrants expense was determined to be immaterial to these interim condensed consolidated financial statements and therefore was not recorded.

The voting, dividend and liquidation rights of the CS holders are subject to and qualified by the rights, powers and preferences of the Preferred Stock (PS) holders. The CS holders are entitled to one vote for each share of CS held. Each holder of PS shall be entitled to cast the number of votes equal to the number of shares of CS into which the shares of PS held by such holder are convertible into CS.

PS may be converted into CS at the discretion of the stockholder. The conversion ratio is determined by dividing the Initial Preferred Conversion Value (as defined) by the Preferred Conversion Price (as defined), plus certain other adjustments. Upon the closing of sale of CS shares to the public at a price of at least 5 times the Series A-1 Preferred Original Issue Price (as defined) as part of a public offering, resulting in at least $50,000,000 of net proceeds, all the outstanding shares of PS shall automatically be converted in shares of CS at the then effective conversion rate.

In the event of any liquidation, dissolution or winding up of the Company (Liquidation Event), the proceeds shall be paid to stockholders first to Series B, second to Series A-1, third to Series A, and fourth to CS. The amount to be paid shall be equal to the original issue price (as defined) plus any dividends declared, but unpaid. For the purposes of determining the amount each PS holder is entitled to receive from a Liquidation Event, each holder of PS shall be deemed to have converted such holder's shares of PS into shares of CS immediately prior to the Liquidation Event.

Dividends declared are first to be paid to PS holders on a pro rata basis and then to CS holders. As of June 30, 2018 and December 31, 2017, there were no accrued dividends relating to PS.

NOTE 12 - STOCK OPTIONS

In 2015, the Company instituted an incentive stock option plan (the Plan) through which the Company has granted key employees and certain non-employees (Option holders) stock options to purchase the CS of the Company. Under the Plan, the Board of Directors is authorized to grant options to purchase CS. Option holders are eligible to receive incentive stock options ("ISOs"), which are limited to a maximum shares issuable. Non-employees may be granted non-statutory stock options ("NSOs"). The Board of Directors has the authority to set the exercise prices of all options granted based upon the fair market value of the CS on the grant date. The term of the options shall not exceed 4 years. The options vest over 4 years from the vesting commencement date, until they are fully vested, subject to the Option holder's continuous service with the Company. The options expire 4 years from the grant date.

NOTE 12 - STOCK OPTIONS (continued)

A summary of option activity for the six months ended June 30, 2018 (Unaudited) is presented below:

	Stock Options	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Grant Date Fair Value
Options Outstanding at January 1, 2018:	1,642,963	$ 1.87	3.56	$ 1,354,974
Granted	155,898	0.01	-	23,385
Forfeited	(323,267)	12.00	-	(259,395)
Exercised	-	-	-	-
OPTIONS OUTSTANDING AT June 30, 2018	1,475,594	$ 0.01	3.23	$ 1,118,964
VESTED AND EXPECTED TO VESTED AT JUNE 30, 2018	1,475,594	$ 0.01	3.23	$ 1,118,964
EXERCISABLE AT JUNE 30, 2018	-	$ -	-	$ -

A summary of option activity for the year ended December 31, 2017 (Audited) is presented below:

	Stock Options	Weighted Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Grant Date Fair Value
Options Outstanding at January 1, 2017:	25,528,100	$ 0.12	3.31	$ 1,172,467
Reverse Stock Split	(25,272,819)	11.88	-	
Granted	1,404,789	0.01	-	210,718
Forfeited	(17,107)	(12.00)	-	(28,212)
Exercised	-	-	-	-
OPTIONS OUTSTANDING AT DECEMBER 31, 2017	1,642,963	$ 1.87	3.56	$ 1,354,973
VESTED AND EXPECTED TO VEST AT DECEMBER 31, 2017	1,642,963	$ 1.87	3.56	$ 1,354,973
EXERCISABLE AT DECEMBER 31, 2017	-	$ -	-	$ -

NOTE 12 - STOCK OPTIONS (continued)

The following summarizes information about stock options outstanding and exercisable at June 30, 2018 (Unaudited):

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Units	Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Units	Weighted Average Exercise Price
$ 12.00	202,200	1.31	$ 12.00	-	$ 12.00
0.01	1,273,394	3.53	0.01	-	0.01
	1,475,594			-	

The following summarizes information about stock options outstanding and exercisable at December 31, 2017 (Audited):

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Units	Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Units	Weighted Average Exercise Price
$ 12.00	250,100	2.31	$ 12.00	-	$ 0.12
0.01	1,392,863	3.75	0.01	-	0.01
	1,642,963			-	

The following table summarizes the number and weighted average grant date fair value of unvested stock options for the six months ended June 30, 2018 (Unaudited):

	Stock Options	Weighted Average Grant Date Fair Value
Unvested at January 1, 2018	1,438,453	$ 0.87
Granted	155,898	0.15
Vested	(168,203)	(1.30)
Forfeited	(311,408)	(4.60)
UNVESTED AT JUNE 30, 2018	1,114,740	$ 0.46

NOTE 12 - STOCK OPTIONS (continued)

The following table summarizes the number and weighted average grant date fair value of unvested stock options for the year ended December 31, 2017 (Audited):

	Stock Options	Weighted Average Grant Date Fair Value
Unvested at January 1, 2017	21,474,959	$ 0.05
Reverse Stock Split	(21,260,209)	4.95
Granted	1,404,789	0.15
Vested	(166,556)	(5.00)
Forfeited	(14,529)	(5.00)
UNVESTED AT DECEMBER 31, 2017	1,438,454	$ 0.87

The Company's option valuation model requires input of highly subjective assumptions. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its stock options.

During the six months ended June 30, 2018 and 2017 (Unaudited), the Company recorded stock-based compensation expense totaling $148,560 and $152,528, respectively. As of June 30, 2018 (Unaudited) and December 31, 2017 (Audited), there was approximately $604,246 and $873,024, respectively, of total unrecognized compensation cost related to non-vested stock-based compensation arrangements under the Plan. The unrecognized compensation cost related to non-vested stock-based compensation is expected to be recognized over a weighted average period of 3.23 years.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Company leases its office facility in El Segundo, California, under a non-cancelable operating lease, which expired in June 2018. The lease required base monthly rentals starting at $12,100 and increased to $12,460 by June 2017 and $12,840 by June 2018. Rental expense for the six months ended June 30, 2018 and 2017 was $75,140 and $72,960, respectively. On August 1, 2018, the Company entered into a new lease in, Los Angeles, California, with a 5 year term. The lease requires base monthly rentals of $15,353 with an annual increase in rentals of 3.5%.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

(b) FULFILLMENT AGREEMENT

The Company entered into an agreement with a third party fulfillment provider located in Utah and Indiana, in the United States of America, that matures in August 2020. The fulfillment provider receives, repackages and stores the Company's inventory. In addition, the fulfillment provider performs an annual inventory count, and picks, packs and ships customer orders.

(c) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, the Company may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Company which, from time to time, may have an impact on its interim condensed consolidated operations or financial position. The Company does not believe that these proceedings individually, or in the aggregate, are material to its business operations or financial condition.

NOTE 14 - GOING CONCERN

The Company has incurred recurring annual losses that has resulted in an accumulated deficit and stockholders' deficit of $21,889,977 and $2,333,530 as of June 30, 2018. The directors have reviewed the cash flow requirements of the Company for the next 12 months and recognize that the ability of the Company to continue as a going concern is dependent upon the success of several fundraising initiatives. As described in the Notes to the interim condensed consolidated financial statements, management has been able to obtain financial support in the past from investors, and believes that it can continue to obtain additional equity and/or debt finance to adequately fund the future operations and obligations of the Company. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. Despite the material uncertainty related to the ability of the Company to continue as a going concern, the interim condensed consolidated financial statements have been prepared on a going concern basis. Accordingly, they do not include adjustments relating to the recoverability and classification of assets, or the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

NOTE 15 - SUBSEQUENT EVENTS

(a) EQUITY AND DEBT

During July 2018, the Company entered into several convertible promissory notes (Additional Australian Notes) with certain investors totaling approximately $1,132,000. These notes are due on maturity at the earlier of June 2020 or a Qualified Financing event and bear no interest. If the Company issues equity prior to maturity that yields total proceeds of at least $5,000,000, the outstanding principal and accrued interest of these Notes will automatically convert at the Conversion Price (as defined). The Conversion Price shall be equal to the lesser of: (a) the price implied by a pre-money valuation of the Company of $8,000,000 at the time of the conversion; or (b) the price at which Shares in the Company are offered pursuant to an equity raise.

During August 2018, both Tranches A and B convertible notes converted into 7,466,578 shares of CS at per share prices of $0.18 and $0.36, respectively.

During October 2018, all the Company's issued and outstanding convertible preference shares were converted into 13,118,216 shares of CS.

During November 2018, all of the Company's outstanding shares of CS were transferred to a new company formed in Australia (Parent), such that the Company became a wholly-owned subsidiary of the Parent.

During November 2018, all of the Australian Notes were settled in full through a conversion into 17,744,881 shares of the Company's Parent at a per share price of approximately $0.1.

(b) INITIAL PUBLIC OFFERING (IPO)

During November 2018, the Company's Parent was in the process of applying for an IPO on the Australian Securities Exchange (ASX).

NOTE 16 - FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and interest rate risk. These risks arise from the normal course of operations and all transactions are undertaken to support the Company's ability to continue as a going concern. Risk management is carried out by management under policies approved by the Board of Directors. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's financial performance.

NOTE 16 - FINANCIAL RISK MANAGEMENT (continued)

(a) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The carrying amount of the financial assets represents the maximum credit exposure. At the reporting date, no material credit risk exposure existed in relation to potential customer failure to meet contractual obligations.

(b) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, by continuously monitoring actual and budgeted cash flows. As of June 30, 2018, the Company faces no material liquidity risk and is able to meet all of its current financial obligations as they become due and payable.

(c) INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with registered US financial institutions. The Company considers this risk to be immaterial. The interest on the Notes Payable to Stockholders is not subject to cash flow interest rate risk as this instrument bears interest at a fixed rate.