Third Quarter Report to Shareholders

For the Three and Nine Months Ended September 30, 2018

Fellow Shareholders:

As we approach our first year anniversary, we want to provide you with an update on our business, including a summary of our achievements over the past twelve months, an update on our cultivation and processing facility, an overview of building our brand partners, and our listing in the United States.

In addition to highlighting what we have achieved to date, we will speak to what lies ahead.

We remain focused on delivering the cultivation facility, with planting commencing in Q1 2019 and first harvest and the processing facility being delivered in Q2 2019.

SUMMARY OF ACHIEVEMENTS OVER THE PAST 12 MONTHS

- Incorporated as CNX Holdings Inc. (December 2017)
- Entered a Lease and Option to Purchase Agreement on a 430,000 square foot commercial scale greenhouse in Nevada (March 2018)
- Closed a non-brokered private placement financing and raised C$34.7M to support conversion of Nevada greenhouse and construction of an additional 25,000 square foot production facility (April 2018)
- Received approval from the State of Nevada of the assignment of two provisional marijuana licenses (cultivation and production) to the Company's greenhouse (April 2018)
- Commenced greenhouse conversion (May 2018)
- Submitted applications to the State of Nevada for a recreational marijuana cultivation license and a recreational marijuana production license (June 2018)
- Entered into an Amalgamation Agreement among the Company (at the time, named Theia Resources Ltd. and listed on the TSX-V), and Flower One Corp., a fully-owned subsidiary of the Company and CNX Holdings Inc. (June 2018)
- Received approval of its medical marijuana cultivation license and medical production cultivation license from the State of Nevada (July 2018)
- Held our Annual General and Special Meeting of Shareholders. Shareholders approved matters in relation to the reverse takeover transaction among Theia Resources Ltd., CNX Holdings Inc., and Flower One Corp. (August 2018)

- Entered a Purchase and Sale Agreement with a North Las Vegas corporation to acquire a property to be used as a future retail establishment and corporate offices for the Company's Nevada operations (August 2018)
- Completed transactions to fully acquire the Nevada greenhouse (August 2018)
- Completed C$57.4M private placement financing, bringing the Company's total private equity financing to C$92.1M (September 2018)
- Announced the corporate name change from Theia Resources Ltd., to Flower One Holdings Inc. (September 2018)
- Completed the reverse takeover transaction by CNX Holdings Inc., amalgamating CNX Holdings Inc. with Flower One Corp. (September 2018)
- Replaced Board and management of the Company with the Board and management of CNX Holdings Inc. (September 2018)
- Submitted retail marijuana dispensary applications to the State of Nevada (September 2018)
- Received approval of its recreational cannabis cultivation license and recreational production cultivation license from the State of Nevada (September 2018)
- Entered a Genetics and Plant supply agreement with a strategic partner (October 2018)
- Entered definitive agreements for the acquisition of the business assets of NLV Organics Inc. (October 2018)
- Launch of Corporate website at www.flowerone.com (October 2018)
- Complete acquisition of North Las Vegas property for future retail and/or ancillary use (October 2018)
- Commenced trading on OTCQB under ticker "FLOOF" (November 2018)
- Eight Capital initiates coverage (November 2018)
- Completed acquisition of all the assets of NLV Organics Inc. (November 2018)
- Corporate launch to industry at MJBizCon, the largest cannabis conference in world (November 2018)

UPDATE ON OUR CULTIVATION AND PROCESSING FACILITY

As expected, there has been a lot of interest in the conversion of Flower One's Nevada greenhouse. This conversion remains on plan with more than 30,000 hours of renovation and construction completed to date. We are nearly finished the extensive underground work required. Contractors have initiated system and infrastructure installations, including foundation work for the ebb and flood floors, vent motors and pre-fabricated cabling system for lighting. Hoist system for the swinging gutters and grow pipes are also nearly complete. As a result, we continue to target Q1 2019 for the onboarding of our first cannabis plants into the greenhouse.

And while the greenhouse will make Flower One the largest cultivator in the State of Nevada, it is as important to note that the Company's 55,000 square foot production facility will also be Nevada's largest. Footings for the new 40,000 square foot addition to the production space are complete and underground mechanical is currently being installed. The commissioning of the cutting cells will begin in two weeks. We continue to target Q2 2019 for completion of the production facility.

In designing Flower One's production facility, it was imperative we demonstrate to our brand and retail partners our commitment to having the ability and capacity to process and custom package, such that we can deliver a wide range of product types (low-cost, mid-tier, and luxury brands) to retail shelves on a consistent, high-volume basis with just-in-time fulfillment. By doing so, we signal to our brand partners that we are not only able to deliver their volume commitments on a consistent basis today, but can adapt quickly as the Nevada's flower-heavy consumption market evolves to other more advanced product derivatives and delivery platforms. And similarly, for our retail partners, our just-in-time fulfillment means they can shift their working capital from holding large volumes of inventory to other more meaningful areas of growth to support their future business operations.

These strategic considerations bolster our value proposition to all of our working partners at both the brand and retail levels. At this time next year, the retail footprint in Nevada is expected to more than double as the number of retail licenses moves from 62 to approximately 130. Flower One's production facility has been designed to support our partners as they prepare for this dramatic doubling of Nevada's cannabis retail footprint.

PARTNERING WITH BRANDS

As the Nevada cannabis retail landscape evolves, we are forecasting a notable movement by trusted and established cannabis brands from across Canada and the US that will look to strategically and quickly enter this market. These brands will strive to gain the critical shelf space in a market where tourists can take their positive cannabis brand experience back to their home markets, which is a highly effective and efficient way for any product to rapidly build broad brand equity.

The opportunity to work with these reputable, established brands represents meaningful and significant long-term partnerships for Flower One in both Nevada and beyond. To date, we are in concurrent discussions with numerous cannabis brand companies who are looking to Flower One to help accelerate their market entry into Nevada by providing seed-to-retail-ready product that is custom packaged and delivered to retail with a commitment to consistent, high-volume, just-in-time delivery. This value proposition has resonated strongly with many major cannabis brands and we are excited to solidify these partnerships over the coming weeks and months.

In the meantime, with Nevada's monthly cannabis sales fast-approaching $50 million per month, and Fair Market Value Pricing of AAA dry flower currently at US$2,800 per pound, we want to aid our future brand partners with the ability to bring their brands and products to the market as quickly as possible. As part of this strategy, we have been accumulating more than 2,000 pounds of dry flower and trim at NLV Organics Inc. (NLVO). This stockpiled inventory is a strategic move to give our brand partners immediate access to flower and trim to enter the Nevada market in a significant way. This inventory, along with the ongoing output from NLVO, will also effectively allow us to "bridge" the supply needs of our brand partners until we have our first harvest (Q2 2019) at Flower One's 400,000 square foot greenhouse.

LISTING IN THE UNITED STATES

On November 6, 2018, we began trading in the U.S. on the OTCQB marketplace under the symbol “FLOOF”. As a company focused on the U.S. cannabis market, it was imperative for Flower One’s stock to be tradeable on a U.S. exchange. This OTC listing nicely complements our CSE listing (“FONE”) and gives our stock increased liquidity and substantially broader exposure to prospective U.S.-based investors. And while the Global Cannabis Index is down more than 25% since we began trading on the CSE, we are encouraged by the numerous meetings we have had with various institutional investors and investment banks. To this end, Eight Capital (a boutique investment dealer in Canada, for those of you who are not familiar with them) recently initiated sell-side research coverage of Flower One.

As we approach the end of 2018, we are extremely pleased with the execution of Flower One’s overall business plan to date. Going forward, we expect continued corporate momentum, including:

- The integration of the NLVO assets, which continues to go very well. Flower One’s cultivation team has been immersed in the NLVO grow rooms, familiarizing themselves with key strains and working with the NLVO team to boost yields in each of the nine grow rooms.
- We are readying several of the NLVO grow rooms within the next few weeks to supply the plant material we will be deploying as part of our onboarding of plants in Q1 2019 into the greenhouse.
- The greenhouse will be fully canopied in Q2 2019 making this facility one of the largest, high-tech cannabis greenhouses in the US.
- We continue to work with potential brand and retail partners as we look to finalize important off-take and licensing agreements in anticipation of our first harvest at the greenhouse in Q2 2019.
- The completion of Flower One’s post-harvest, processing and custom packaging facility is targeted for Q2 2019.

In closing and on behalf of our Board, Advisory Team, and management, we wish to express our gratitude to you for being a valued shareholder and for sharing our vision of Flower One as we continue our journey into the U.S. cannabis market.

While 2018 was a transformational year for Flower One, we have only just begun and even brighter days lie ahead.

Sincerely,

Ken Villazor
President and CEO

Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2018

This Management's Discussion and Analysis ("MD&A") is prepared as at November 29, 2018 and should be read in conjunction with: (i) the unaudited condensed consolidated interim financial statements, with the related notes thereto, of Flower One Holdings Inc. (formerly Theia Resources Ltd.) (the "Company" or "Flower One") as at and for the three and nine-month periods ended September 30, 2018 (the "Financial Statements"); and (ii) with the audited consolidated financial statements for the period ended December 31, 2017, with and the related notes thereto, of CNX Holdings Inc. ("CNX", now amalgamated into Flower One Corp., a wholly-owned subsidiary of the Company). All dollar amounts included in the Financial Statements and in this MD&A are expressed in United States dollars ("$") or Canadian dollars ("CDN$").

Management is responsible for the preparation and integrity of the Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the information within the Financial Statements and this MD&A, is complete and reliable.

EXECUTIVE SUMMARY

The Company is a Canadian company incorporated on January 9, 2007 under the *Business Corporations Act* (British Columbia). The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "FONE" and the OTCQB Venture Market in the United States under the symbol "FLOOF". The records and registered office of the Company is located at 2900 - 550 Burrard St., Vancouver, BC V6C 0A3.

The Company's wholly-owned NLV Greenhouse (as defined below) is Nevada's largest commercial greenhouse and is currently being converted for cannabis cultivation and production. The construction project will add an additional 25,000 square feet to the existing 430,000 square-foot facility, with approximately 400,000 square feet being converted for the cultivation of marijuana and 55,000 square feet dedicated to a production and packaging facility for the processing, production and high-volume packaging of dry flower, cannabis oils, concentrates and infused products for medical and recreational use. The NLV Greenhouse is strategically positioned and within close proximity to the lucrative, tourism-driven Las Vegas market.

To date, more than 30,000 hours of construction and renovation work have been completed on the NLV Greenhouse. Flower One expects that, in Q1 2019, the conversion of the NLV Greenhouse to cannabis cultivation will be completed and the NLV Greenhouse will be fully canopied with cannabis plants. During Q2 2019, the Company expects to complete the installation of equipment for cannabis production and harvest the first commercial cannabis.

Subsequent to September 30, 2018, the Company acquired the assets of NLV Organics, Inc. and related parties ("NLVO") which included all of the business' tangible and intangible assets including the business name(s), product brands, inventory, biological assets, five Nevada cannabis licenses, intellectual property and assignable supply contracts associated with the current business of NLVO. NLVO is a fully operational 25,000 square foot cultivation and production facility located in the City of North Las Vegas.

Flower One holds, through its subsidiaries, four additional Nevada state-issued marijuana licenses, including one Medical Marijuana Production License, one Medical Marijuana Cultivation License, one Recreational Marijuana Product Manufacturing License and one Recreational Marijuana Cultivation Facility License.

In addition to the NLV Greenhouse, Flower One also owns the Losee Building, which the Corporation proposes to renovate to allow for multiple uses.

Economic and industry factors are substantially unchanged in relation to the conditions as at the most recently completed financial year-end.

REVERSE TAKEOVER

On September 21, 2018, Theia Resources Ltd. ("Theia"), CNX and Flower One Corp. (at the time, a wholly-owned subsidiary of Theia), completed a three-cornered amalgamation (the "RTO") pursuant to an amalgamation agreement entered into on June 29, 2018, whereby shareholders and option holders of CNX received corresponding securities of the Company on a 1:1 basis. Immediately preceding the RTO, Theia consolidated its share capital (the "Consolidation") on a ten for one basis with each ten pre-Consolidation common shares of Theia being exchanged for one post-Consolidation common share. In accordance with IFRS 3 Business Combinations ("IFRS 3"), the transaction constituted a reverse takeover of the Company by a non-operating company. The transaction did not constitute, however, a business combination since Theia did not meet the definition of "business" under IFRS 3. As a result, the RTO has been accounted for as an asset acquisition with CNX being identified as the acquirer (legal subsidiary) and Theia being treated as the accounting subsidiary (legal parent), with the RTO being measured at the fair value of the equity consideration issued to Theia shareholders. The net liabilities acquired was the fair value of the net liabilities of Theia, which on September 21, 2018 was $3,294. In connection with the RTO the year-end of the Company changed from January 31, to CNX's year-end of December 31.

		On September 21, 2018
Net liabilities acquired		
Cash	$	1,226
Accounts payable and accrued liabilities		(4,520)
Net liabilities acquired		**(3,294)**
Consideration		
Fair value of 2,404,775 shares issued by CNX at $1.50 per share		3,607,163
Assumption of loan owed to the Company		193,125
Listing expense	$	3,803,582

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of the timing of the completion of the NLV Greenhouse or the installation of equipment for cannabis production and harvest the first commercial cannabis in the NLV Greenhouse, the estimation of the timing and amount of future production, costs of production, capital expenditures, construction schedules, environmental risks, unanticipated delays in licensing, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's future operations, development activities or other development plans and estimated future financing requirements contain forward-looking statements.

All forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, construction and development activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in regulatory requirements, construction delays, changing budget priorities of the Company, changes in project parameters as plans continue to be refined; accidents, labour disputes; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating cannabis production, distribution or use, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

RISKS

The Company is pursuing a commercial hydroponic greenhouse for cannabis production that encompasses leading technology for agricultural industries and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company continues to have limited capital resources and relies upon the sale of its assets or sale of its common shares for cash required to make new investments and to fund the future operations of the Company.

Investing in our Company involves significant risks. You should carefully consider the summary of risks described below. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of our common shares could decline, and you could lose part or all of your investment.

Risks – Related to the Company

- Company is in development stage and has limited operating history
- Uncertainty around going concern
- Negative cash flows
- Incur significant ongoing costs & obligations
- Subject to growth related risks
- Reliant on cultivation and production licenses to produce medical cannabis products
- Subject to changes in laws and regulations and compliance with government regulatory requirements
- Faces competition from other companies (who may have higher capitalization, more experienced management)
- Must attract key personnel to continue to compete in the market
- Cultivation of cannabis includes risk such as crop loss, sudden changes in environmental conditions, equipment failure, product recalls, etc.
- Government may have restrictions on sales and marketing of cannabis products which may impact sales performance
- The cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis produced
- Inherent risks related to product liability claims
- Change in the availability or economics of the supply chain for key inputs could materially impact the business

Risks – Related to United States Regulatory Regime

- Cannabis is classified as a Schedule I drug under the United States Controlled Substances Act making an business involved in the cultivation, production or sale of cannabis subject to federal prosecution
- Cannabis is strictly regulated in those states which have legalized it. Activities of the Company would be subject to evolving regulation that is subject to changes by governmental authorities in the United States and in particular the State of Nevada
- Cannabis industry is a new, emerging sector operating in an ever-evolving regulatory landscape
- May not be able to obtain necessary Nevada licenses and permits
- There may be heightened scrutiny by the Canadian and United States regulatory authorities
- May incur significant tax liabilities as a result of state-imposed excise taxes on wholesale and retail cannabis sales
- Very limited to secure banking services. 3rd parties (such as banks) may perceive that they are exposed to legal and reputational risk because of the Company’s cannabis business activities

Risks – Related to Securities

- No guarantee on the use of available funds
- Does not anticipate paying cash dividends
- Uncertainty regarding legal & regulatory status changes
- Incur ongoing costs and obligations related to regulatory compliance
- Subject to a variety of claims and lawsuits
- No Securities Exchange in the United States will list securities of companies who own cannabis assets in any State
- No assurance that State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned
- Ability to access private and public capital
- The company has net losses and may continue to incur significant losses in the future

SELECTED FINANCIAL INFORMATION

The Company's first reporting period (after taking into account the RTO and the deemed change in year end to December 31) was for the period from incorporation on December 18, 2017 to December 31, 2017. As such, no quarterly comparable information is available for the three and nine month periods ended September 30, 2017.

The following table provides a summary of the financial condition of the Company as at September 30, 2018 as compared to December 31, 2017:

		September 30, 2018	December 31, 2017
Total assets	$	84,583,134	-
Total liabilities		18,142,091	204,666
Total equity	$	66,441,043	204,666

The following table provides a summary of selected financial data for the three and nine month periods ended September 30, 2018. For more detailed information, refer to the Financial Statements.

		Three Months ended September 30, 2018	Nine Months ended September 30, 2018
Total revenue	$	-	-
Loss for the period		(5,581,651)	(7,170,847)
Total assets		84,583,134	84,583,134
Total non-current financial liabilities		-	-
Distribution of cash dividends	$	-	-

Three months ended September 30, 2018

The Company recorded a loss of $5,581,651 comprised of $312,411 in share based compensation, $284,651 in rental fees related to the NLV Greenhouse up until the Company completed its acquisition (see below), $256,683 in consulting services, $209,129 in foreign exchange loss related to the Company's cash balances held in CDN$, $200,230 in travel, $198,694 of accounting and legal fees, $145,976 in office, admin and utilities, $97,341 in wages and salaries, $56,647 in insurance fees and $16,307 in other expenses. Additionally, the company recorded a listing expense of $3,803,581 related to the RTO. The amounts were consistent with management's expectation related to startup costs of the Company.

Nine months ended September 30, 2018

The Company recorded a loss of $7,170,847 comprised of $586,935 in foreign exchange loss related to the Company's cash balances held in CDN$, $564,651 in rental fees related to the NLV Greenhouse up until the Company completed its acquisition (see below), $505,146 in share based compensation, $426,750 in travel $374,478 of accounting and legal fees, $319,517 in consulting services, $245,332 in office, admin and utilities, $220,489 in wages and salaries, $67,320 in other expenses and $56,647 in insurance fees. Additionally, the company recorded a listing expense of $3,803,581 related to the RTO. The amounts were consistent with management's expectation related to startup costs of the Company.

QUARTERLY INFORMATION

During the three and nine month periods ended September 30, 2018, CNX closed private placements of:

- 33,955,124 common shares at a price of $0.005 per share for gross proceeds of $131,669.
- 66,044,776 common shares at a price of $0.02 per share for gross proceeds of $1,024,418.
- 39,805,877 common shares at a price of $0.67 per share for gross proceeds of $26,669,938.
- 22,150,950 common shares at a price of $1.50 per share for gross proceeds of $33,226,425.
- 6,550,867 subscription receipts ("SR") at a price of $1.50 per SR for gross proceeds of $9,826,301 for which each SR was converted to common shares on a 1:1 basis upon closing of the RTO on September 21, 2018.

CNX paid cash of $1,174,503 and issued 998,323 common shares, with a deemed value of $0.67 per share, and 281,487 common shares, with a deemed value of $1.50 per share, as fees in relation to these private placements.

All such securities were converted into one common share of the Company upon closing of the RTO.

On March 7, 2018, CNX granted a total of 6,575,000 stock options with fair value of $40,674 to certain persons. These stock options are exercisable at an exercise price of $0.15 (CAD$0.20) per share and may be exercised for five years. Among these options, 2,400,000 options were vested 100% upon the CNX's completion of the RTO, the other 4,175,000 were 50% vested upon the CNX's completion of the RTO, 25% vested on the date that was six months from the date of the options are granted, and 25% will vest on the date that is twelve months from the date the options were granted. During the three and nine-month periods ended September 30, 2018, the Company expensed $10,701 and $36,600, respectively, related to these options.

On March 13, 2018, CNX entered a purchase agreement with a Nevada corporation ("NevadaCo") for the purchase of land and buildings ("NLV Greenhouse") at a purchase price of $40,000,000 which was paid by $22,000,000 in cash and a note payable of $18,000,000 non-interest bearing, which is secured by the first charge of the property and due on March 31, 2019. The $22,000,000 cash payment included option payments for the exclusive right to purchase the property and rent for the use of the property for six months until the purchase closing date, the earlier of September 30, 2018 and the date on which the Company purchases the property. On August 30, 2018, the Company paid the final option payment and issued the $18,000,000 note payable to complete the purchase of the property.

In April 2018, CNX paid $2,000,000 for a provisional medical cultivation and medical production licenses in the state of Nevada. The Company received approval of the transfer of the provisional licenses from the state on April 24, 2018. During the nine months ended September 30, 2018, these licenses were approved for operational medical and recreational cultivation and medical and recreational production by the state of Nevada.

On June 1, 2018, CNX granted a total of 1,340,000 stock options with fair value of $659,915 to shareholders. These stock options are exercisable at an exercise price of $0.67 (CAD$0.85) per share and may be exercised for five years. All options were 50% vested upon the Company's completion of the RTO, 25% will vest on the date that is six months from the date of the options are granted, and 25% will vest on the date that is twelve months from the date the options are granted. During the three and nine-month periods ended September 30, 2018, the Company expensed $301,710 and $468,546, respectively, related to these options.

LIQUIDITY AND CAPITAL RESOURCES

Accounts payable and accrued liabilities are due within one year. The Company has working capital as at September 30, 2018 of $7,162,463 which included $24,449,693 in cash and cash equivalents and $18,000,000 in promissory note due March 2019.

The Company does not anticipate generating significant revenues in the near future and intends to continue its development activities. These activities will need to be funded through additional equity financings. The Company, through its now subsidiary CNX, has been successful in the past in obtaining financing as $70,878,750 has been raised during the nine-month period ended September 30, 2018.

The Company's Financial Statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses from operations since inception and has only just begun generating revenue due to the acquisition of NLV Organics (see subsequent events below). Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The Company's Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company have assets and be unable to continue in existence.

The Company manages liquidity risk through its capital management as outlined below.

RELATED PARTY TRANSACTIONS

Key management personnel includes the Company's Directors, President & Chief Executive Officer and Chief Financial Officer. The amounts owing to key management personnel of $100,000 were included in accounts payable and accrued liabilities. During the nine months ended September 30, 2018, the Company incurred $223,205 in consulting fees and $102,597 in share based compensation to key management personnel.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at the date of this report.

COMMITMENTS

The Company has no commitments as at the date of this report.

SUBSEQUENT EVENTS

Acquisition of Losee Property

On October 4, 2018, the Company completed the acquisition of land and building located in North Las Vegas, for a cash purchase price of $1,150,000. The building was formerly a retail bank branch with two drive-through ATMS and is located within close proximity to the Company's greenhouse. The Company intends to renovate the building to allow for multiple uses, including office space, a strong room and, potentially, retail.

Acquisition of NLV Organics, Inc.

On October 9, 2018, the Company announced that it had entered into agreements with NLVO Organics, Inc. and related parties ("NLVO"), to purchase a 100% interest in a property in North Las Vegas, Nevada, and all of the business' tangible and intangible assets including the business name(s), product brands, inventory, biological assets, five Nevada cannabis licenses, intellectual property and assignable supply contracts associated with the current business of NLVO. As consideration for the purchase of the NLVO property and business, the Company will pay NLVO a total consideration of $27,200,000 consisting of cash of $4,635,650, a vendor note for $14,564,350 and 4,000,000 Common shares of Flower One at a price of $2.00 per Common share, valued at $8,000,000. The Company closed this acquisition on November 9, 2018.

Stock Option Grant

On October 10, 2018, the Company granted a total of 4,375,000 stock options which are exercisable at an exercise price of $2.00 (CAD$2.60) per share and may be exercised for five years.

Trading on CSE and the OTCQB

On October 10, 2018, the Company's shares commenced trading on the CSE under the symbol "FONE". On November 6, 2018, the Company's shares commenced trading on the OTCQB in the United States.

RISKS AND UNCERTAINTIES

The business involves a high degree of risk. The main operating risks include: securing adequate funding to develop properties; obtaining permits for cultivation, production, distribution and dispensing for both medical and recreational cannabis. The market prices for cannabis can be volatile and there is no assurance that a profitable market will exist.

The Company is operating in the United States. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in USD and incurs the majority of its expenditures in USD. There are no currency hedges in place as at the date of this MD&A. All work is primarily carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities resulting from their work on the project.

NEW ACCOUNTING STANDARDS ADOPTED BY THE COMPANY

The following accounting standards were issued and effective as of January 1, 2018.

IFRS 9, FINANCIAL INSTRUMENTS (“IFRS 9”)

IFRS 9 was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company has adopted IFRS 9 in the Financial Statements.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS (“IFRS 15”)

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Under IFRS 15, revenue is recognized when a customer obtains control of a good or service and thus secures the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 upon the commencement of sales in Q4 2018.

ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following accounting standard has been issued, but not yet effective until the period beginning on or after January 1, 2019.

IFRS 16, LEASES (“IFRS 16”)

In January 2017, the IASB issued IFRS 16 which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, Leases, and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15, Revenue from Contracts with Customers. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

FINANCIAL AND CAPITAL RISK MANAGEMENT

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.

At September 30, 2018, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis. The fair values of accounts payable and accrued liabilities and promissory note are not materially different from their carrying value given the short terms to maturity.

MARKET RISK

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- Interest rate risk
  The Company currently has no interest bearing debt or other financial instruments that bear interest.

- Foreign currency risk
  The Company incurs expenses in both US and Canadian dollars. The Company has not hedged its exposure to currency fluctuations at this time.

- Price risk
  The Company is not currently operating and therefore is not exposed to price risk.

CAPITAL MANAGEMENT

The Company intends to identify and evaluate opportunities for the acquisition of an interest in properties, assets or businesses, and once identified and evaluated, to negotiate an acquisition thereof, merger with or participation therein.

OUTSTANDING SHARE DATA

As of the date of this Interim MD&A, there were 176,629,779 common shares outstanding.

As of the date of this Interim MD&A, there were 11,852,500 stock options granted, each exercisable into one common share of the Company.

FLOWER ONE HOLDINGS INC.

Condensed Consolidated Interim Financial Statements

(UNAUDITED, PREPARED BY MANAGEMENT)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018

FLOWER ONE HOLDINGS INC.

Condensed Consolidated Interim Statements of Financial Position (Expressed in United States Dollars)

(UNAUDITED, PREPARED BY MANAGEMENT)

		September 30, 2018		December 31, 2017
Assets				
Current Assets				
Cash and Cash Equivalents	$	24,449,693	$	-
Accounts Receivable (note 9)		600,000		-
Prepaid Expenses		254,861		-
		25,304,554		-
Property, Plant & Equipment (note 10)		57,151,080		-
Intangible Assets (note 11)		2,217,500		–
Total Assets	**$**	**84,583,134**	**$**	**-**
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Liabilities (note 8)	$	142,091	$	204,666
Promissory note (note 10)		18,000,000		
		18,142,091		204,666
Shareholders' equity				
Share Capital (note 6)		73,311,420		10
Contributed Surplus (note 7)		505,146		-
Deficit		(7,375,523)		(204,676)
		66,441,043		(204,666)
Total Liabilities and Shareholders' Equity	**$**	**84,583,134**	**$**	**-**

Approved and authorized on behalf of the Board:

"Ken Villazor" *"Warner Fong"*

Ken Villazor, Director Warner Fong, Director

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

FLOWER ONE HOLDINGS INC.

Condensed Consolidated Interim Statement of Operations (Expressed in United States Dollars)

For the three and nine month periods ended September 30, 2018

(UNAUDITED, PREPARED BY MANAGEMENT)

		Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Expenses			
General & Administrative (note 12)	$	1,256,529	2,275,184
Share Based Compensation (note 7)		312,411	505,146
Loss from Operations		1,568,940	2,780,330
Other Expenses			
Listing expense (note 5)		3,803,582	3,803,582
Foreign Exchange Loss		209,129	586,935
Loss for the Period	**$**	**(5,581,651)**	**(7,170,847)**
Basic and diluted loss per share	$	(0.04)	(0.06)
Weighted average number of common shares outstanding		150,486,724	125,021,205

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

FLOWER ONE HOLDINGS INC.

Condensed Consolidated Interim Statement of Cash Flows (Expressed in United States Dollars)
For the nine month period ended September 30, 2018
(UNAUDITED, PREPARED BY MANAGEMENT)

		Nine-Months Ended September 30, 2018
Operating:		
Loss for the Period	$	(7,170,847)
Items Not Affecting Cash		
Share Based Compensation		505,146
Listing expense		3,607,163
Changes in Non-Cash Operating Working Capital		
Accounts Receivable		(600,000)
Prepaid Expenses		(254,861)
Accounts Payable and Accrued Liabilities		(62,575)
		(3,975,974)
Financing:		
Proceeds of Issuance of Common Shares, Net of Share Issuance Costs		69,704,247
Investing:		
Purchase of Property, Plant & Equipment		(39,151,808)
Purchase of Intangible Assets		(2,127,500)
		(41,278,580)
Increase in Cash		24,449,693
Cash & Cash Equivalents, Beginning of Period		–
Cash & Cash Equivalents, End of Period	**$**	**24,449,693**

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

FLOWER ONE HOLDINGS INC.

Condensed Consolidated Interim Statement of Shareholders' Equity (Expressed in United States Dollars)

For the nine month period ended September 30, 2018

(UNAUDITED, PREPARED BY MANAGEMENT)

	SHARES	AMOUNT	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
Issued on Incorporation on December 18, 2017	100	$ 10	$ –	$ –	$ 10
Net Loss	–	–	–	(204,676)	(204,676)
At December 31, 2017	100	10	–	(204,676)	(204,666)
Issued on Private Placement	168,507,594	70,878,750	–	–	70,878,750
Shares Issued as Fees for Private Placement	1,279,810	1,091,107	–	–	1,091,107
Share Issuance Costs	–	(2,265,610)	–	–	(2,265,610)
Shares issued to former Theia shareholders on RTO closing (note 5)	2,404,775	3,607,163	-	-	3,607,163
Share Based Compensation (note 7)	–	–	505,146	–	505,146
Net Loss	–	-	–	(7,170,847)	(7,170,847)
At September 30, 2018	172,192,279	$73,311,420	$ 505,146	$(7,375,523)	$66,441,043

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

1) NATURE OF OPERATIONS AND GOING CONCERN

Flower One Holdings Inc. (formerly Theia Resources Ltd.) (“Flower One” or the "Company') is a Canadian company incorporated on January 9, 2007 under the Business Corporations Act (British Columbia). The Company is listed on the Canadian Securities Exchange (“CSE”) under the symbol “FONE” and the OTCQB Venture Market in the United States under the symbol "FLOOF". The registered office of the Company is located at 20 Richmond Street, Toronto Ontario, M5C 2R9.

The Company, through its wholly owned subsidiaries, is a cannabis cultivator and producer and is licensed for medical and recreational marijuana cultivation and production in the State of Nevada. The Company’s 455,000 square foot facility will be used for cannabis cultivation as well as the processing, production and packaging of dry flower, cannabis oils, concentrates and infused products.

On September 21, 2018, the Company completed a reverse takeover transaction (“RTO”) whereby CNX Holdings Inc. (“CNX”), a privately held corporation, amalgamated with a wholly-owned subsidiary of the Company and the shareholders and option holders of CNX received corresponding securities of the Company on a 1:1 basis. Upon completion of the RTO, the shareholders of CNX obtained control of the consolidated entity. In applying acquisition accounting to a reverse acquisition, CNX was identified as the accounting acquirer, and, accordingly, Flower One is considered to be a continuation of CNX, with the net assets of the Company at the date of the RTO deemed to have been acquired by CNX. There are no comparative figures in these condensed consolidated interim financial statements (“financial statements”) as CNX was not incorporated until December 18, 2017. The RTO is further described in Note 5.

These financial statements have been prepared on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business. The Company does not currently have a recurring source of revenue and has historically incurred losses. As at September 30, 2018, the Company had working capital of $7,162,463 which consisted primarily of cash, accounts receivable, prepaid expenses and promissory notes. The Company expects to require further funding in the longer term to fund future development, acquisitions and operations.

2) BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended December 31, 2017 ("last annual financial statements"). The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the last annual financial statements. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

On November 29, 2018, the Company's Board of Directors approved these financial statements for issuance.

Basis of Measurement

These financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

These financial statements have been prepared in United States dollars, which is the Company's functional and presentation currency as well as the functional currency of all subsidiaries.

Use of Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses and estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses recognized during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. There were no estimates made in these consolidated financial statements.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments. The Company's assessment of its ability to continue as a going concern requires judgements about the Company's ability to execute its strategy by funding future working capital requirements (note 1).

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation
These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances, transactions, revenues and expenses have been eliminated on consolidation.

Property, Plant and Equipment
Land, buildings, plant and equipment are recorded at cost, including all expenditures incurred to prepare an asset for its intended use.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Depreciation is based on the cost of the asset less residual value. Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long lead items. Construction in progress is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Intangible Assets
Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. The Nevada state licenses (note 11) are classified as indefinite life intangible assets and are not amortized but are tested for impairment on an annual basis. These licenses do not expire, as such, there is no foreseeable limit to the period over which these assets are expected to generate future cash inflows to the Company.

4) DETERMINATION OF FAIR VALUES

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. At September 30, 2018, there were no financial assets and liabilities measured and recognized at fair value on a recurring basis. The fair value of cash, accounts receivable, accounts payable and accrued liabilities and promissory note is not materially different from its carrying value given the short term to maturity.

5) REVERSE TAKEOVER TRANSACTION

On September 21, 2018, Theia Resources Ltd., CNX and Flower One Corp. (a wholly owned subsidiary of Theia Resources Ltd.), completed a three-cornered amalgamation agreement entered into on June 29, 2018 whereby shareholders and option holders of CNX received corresponding securities of the Company on a 1:1 basis. Immediately preceding the RTO, Theia Resources Ltd. consolidated its share capital (the "Consolidation") on a ten for one basis with each ten pre-Consolidation common shares of Theia Resources Ltd. being exchanged for one post-Consolidation common share. In accordance with IFRS 3, *Business combinations*, the substance of the transaction was a reverse takeover of a non-operating company. The transaction does not constitute a business combination since Theia Resources Ltd. did not meet the definition of a business under IFRS 3. As a result, the transaction has been accounted for as an asset acquisition with CNX being identified as the acquirer (legal subsidiary) and Theia Resources Ltd. being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to Theia Resources Ltd. shareholders. The net liabilities acquired was the fair value of the net liabilities of Theia Resources Ltd., which on September 21, 2018 was $3,294.

		On September 21, 2018
Net liabilities acquired		
Cash	$	1,226
Accounts payable and accrued liabilities		(4,520)
Net liabilities acquired		**(3,294)**
Consideration		
Fair value of 2,404,775 shares issued by CNX at $1.50 per share		3,607,163
Assumption of loan owed to the Company		193,125
Listing expense	$	3,803,582

6) SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of Class A Common Shares, voting, without nominal or par value.

During the three and nine month periods ended September 30, 2018, the Company closed private placements of:

- 33,955,124 common shares at a price of $0.005 per share for gross proceeds of $131,669.
- 66,044,776 common shares at a price of $0.02 per share for gross proceeds of $1,024,418.
- 39,805,877 common shares at a price of $0.67 per share for gross proceeds of $26,669,938.
- 22,150,950 common shares at a price of $1.50 per share for gross proceeds of $33,226,425.
- 6,550,867 subscription receipts ("SR") at a price of $1.50 per SR for gross proceeds of $9,826,301 for which each SR was converted to common shares on a 1:1 basis upon closing of the RTO on September 21, 2018.

The Company paid cash of $1,174,503 and issued 998,323 common shares, with a deemed value of $0.67 per share, and 281,487 common shares, with a deemed value of $1.50 per share, as fees in relation to these private placements.

As part of the RTO (note 5), the Company issued 2,404,775 common shares to former shareholders of Theia Resources Ltd. at a deemed price of $1.50 per common share.

7) STOCK OPTIONS

The Company has established a stock option plan (the "Plan"). Under the Plan, the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares and the exercise term of any option granted under the Plan may not exceed ten years. Each option vesting period is determined on a grant by grant basis by the Board of Directors.

On March 7, 2018, the Company granted a total of 6,575,000 stock options with fair value of $40,674 to shareholders. These stock options are exercisable at an exercise price of $0.15 (CAD$0.20) per share and may be exercised for five years. Among these options, 2,400,000 options were vested 100% upon the Company's completion of the RTO, the other 4,175,000 were 50% vested upon the Company's completion of the RTO, 25% vested on the date that was six months from the date of the options are granted, and 25% will vest on the date that is twelve months from the date the options were granted. During the three and nine-month periods ended September 30, 2018, the Company expensed $10,701 and $36,600, respectively, related to these options.

7) STOCK OPTIONS (CONT'D)

On June 1, 2018, the Company granted a total of 1,340,000 stock options with fair value of $659,915 to shareholders. These stock options are exercisable at an exercise price of $0.67 (CAD$0.85) per share and may be exercised for five years. All options were 50% vested upon the Company's completion of the RTO, 25% will vest on the date that is six months from the date of the options are granted, and 25% will vest on the date that is twelve months from the date the options are granted. During the three and nine-month periods ended September 30, 2018, the Company expensed $301,710 and $468,546, respectively, related to these options.

The fair value of each option grant is calculated using the following assumptions:

Expected life – year	5
Interest rate	2.04-2.11%
Volatility	100.00%
Dividend yield	--%
Forfeiture rate	--%

	Number of Option	Weighted Average Exercise Price (CAD$)	Expiry Date
Balance, December 31, 2017	-	$ -	-
Granted, on March 7, 2018	6,575,000	0.20	March 7, 2023
Granted, on June 1, 2018	1,340,000	0.85	June 1, 2023
Balance, September 30, 2018	7,915,000	$ 0.31	

	Outstanding as at September 30, 2018			Exercisable as at September 30, 2018		
Exercise Price (CAD$)	Number of Options	Weighted Average Exercise Price (CAD$)	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Exercise Price (CAD$)	Weighted Average Remaining Contractual Life (years)
$ 0.20	2,400,000	$ 0.20	4.44	2,400,000	$ 0.20	4.44
0.20	4,175,000	0.20	4.44	3,131,250	0.20	4.44
0.85	1,340,000	0.85	4.67	670,000	0.85	4.67
	7,915,000	**$ 0.31**	**4.48**	**6,201,250**	**$ 0.27**	**4.46**

8) RELATED PARTY TRANSACTIONS

Key management personnel includes the Company's Directors, President & Chief Executive Officer and Chief Financial Officer. The amounts owing to key management personnel of $100,000 were included in accounts payable and accrued liabilities. During the nine months ended September 30, 2018, the Company incurred $223,205 in consulting fees and $102,597 in share based compensation to key management personnel.

9) ACCOUNTS RECEIVABLE

During the nine-month period ended September 30, 2018, the Company provided an advance of $600,000 to NLV Organics, Inc. ("NLVO"), a third party, which was secured by the assets of NLVO. Subsequent to September 30, 2018, the Company acquired the assets of NLVO and this amount formed part of the consideration paid by the Company (note 13).

10) PROPERTY, PLANT & EQUIPMENT

During the nine months ended September 30, 2018, the Company entered a purchase agreement with a Nevada corporation (related to a significant shareholder) ("NevadaCo") for the purchase of land and buildings at a purchase price of $40,000,000 which will be paid by $22,000,000 in cash and a note payable of $18,000,000 non-interest bearing, which is secured by the first charge of the property and due on March 31, 2019. The $22,000,000 cash payment includes option payments for the exclusive right to purchase the property and rent for the use of the property for six months until the purchase closing date, the earlier of September 30, 2018 and the date on which the Company purchases the property. On August 30, 2018, the Company paid the final option payment and issued the $18,000,000 note payable to complete the purchase of the property.

The Company is currently constructing a cultivation and production facility in North Las Vegas on the property it has entered the purchase agreement with NevadaCo. As at September 30, 2018, $17,089,526 in costs related to the construction of this facility were capitalized as construction in progress and are not amortized. Amortization will commence when construction is complete, and the facility is available for its intended use.

11) INTANGIBLE ASSETS

In April 2018, the Company paid $2,000,000 for a provisional medical cultivation and medical production licenses in the state of Nevada. The Company received approval of the transfer of the provisional licenses from the state on April 24, 2018. During the nine-months ended September 30, 2018, these licenses were approved for operational medical and recreational cultivation and medical and recreational production by the state of Nevada.

12) GENERAL & ADMINISTRATIVE EXPENSES

		Three Months Ended September 30, 2018		Nine Months Ended September 30, 2018
Accounting & Legal	$	198,694	$	374,478
Wages and salaries		97,341		220,489
Consulting Service		256,683		319,517
Insurance		56,647		56,647
Rent		284,651		564,651
Office, admin and utilities		145,976		245,332
Travel		200,230		426,750
Other		16,307		67,320
General & Administrative	**$**	1,256,529	**$**	2,275,184

13) SUBSEQUENT EVENTS

Acquisition of Losee Property
On October 4, 2018, the Company completed the acquisition of land and building located in North Las Vegas, for a cash purchase price of $1,150,000. The building was formerly a retail bank branch with two drive-through ATMS, and is located within close proximity to the Company's greenhouse. The Company intends to renovate the building to allow for multiple uses, including office space, a strong room and, potentially, retail.

Acquisition of NLV Organics, Inc.
On October 4, 2018, the Company announced that it had entered into agreements with NLVO Organics, Inc. and related parties ("NLVO"), to purchase a 100% interest in a property in North Las Vegas, Nevada, and all of the business' tangible and intangible assets including the business name(s), product brands, inventory, biological assets, five Nevada cannabis licenses, intellectual property and assignable supply contracts associated with the current business of NLVO. As consideration for the purchase of the NLVO property and business, the Company will pay NLVO a total consideration of $27,200,000 consisting of cash of $4,635,650, a vendor note for $14,564,350 and 4,000,000 Common shares of Flower One at a price of $2.00 per Common share, valued at $8,000,000. The Company closed this acquisition on November 9, 2018. As of the date of the financial statements, goodwill on the acquisition of NLVO is indeterminable as the valuation of the assets acquired and liabilities assumed is in progress.

Stock Option Grant
On October 9, 2018, the Company granted a total of 4,375,000 stock options which are exercisable at an exercise price of $2.00 (CAD$2.60) per share and may be exercised for five years.