



Stone Castle
CANNABIS GROWTH FUND

STONECASTLE CANNABIS GROWTH FUND

FINANCIAL STATEMENTS

June 30, 2019

STONECASTLE CANNABIS GROWTH FUND

June 30, 2019

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by **Spartan Fund Management Inc.** in its capacity as the Trustee and Advisor of the Trust. The Trust's Trustee is responsible for the information and representations contained in these financial statements.

The Trustee maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and assumptions made by the Trustee. The significant accounting policies which the Trustee believes are appropriate for the Trust are described in Note 3 to the unaudited interim financial statements.

On behalf of the Trustee

Brent Channell (signed)

August 20, 2019
Date

NOTICE TO UNITHOLDERS

The Auditors of the Trust have not reviewed these financial statements.

Spartan Fund Management Inc., the Trustee and Advisor of the Trust, appoints an independent auditor to audit the Trust's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Trust's interim financial statements, this must be disclosed in an accompanying notice.

StoneCastle Cannabis Growth Fund

Statement of Financial Position As at June 30, 2019 (Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Due from broker (Note 3)	\$ 1,023,561	\$ 918,601
Investments at fair value through profit or loss (Cost:\$3,530,039 - 2018:\$3,142,681) (Note 3)	3,396,851	2,557,206
Receivable for investments sold	79,584	-
Interest receivable	3,821	915
Expense reimbursement receivable (Note 4)	12,330	7,803
Subscription receivable	-	1,972
Prepaid expense (Note 3)	16,034	-
	<u>4,532,181</u>	<u>3,486,497</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,281	40,623
Performance fee payable (Note 4)	64,695	156,443
Management fees payable (Note 4)	3,852	4,035
Payable for investments purchased	-	64,024
Interest payable	-	136
Redemptions payable	-	3,812
	<u>90,828</u>	<u>269,073</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 4,441,353</u>	<u>\$ 3,217,424</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	\$ 156,003	\$ 930,826
Class D	54,284	41,052
Class F	264,428	2,245,546
Class XA	908,444	-
Class XD	38,268	-
Class XF	3,019,926	-
	<u>\$ 4,441,353</u>	<u>\$ 3,217,424</u>
Number of Redeemable Units Outstanding (Note 5)		
Class A	1,390	11,885
Class D	492	532
Class F	2,340	28,599
Class XA	8,098	-
Class XD	347	-
Class XF	26,715	-
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	\$ 112.23	\$ 78.32
Class D	110.33	77.17
Class F	113.00	78.52
Class XA	112.18	-
Class XD	110.28	-
Class XF	113.04	-

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

Approved on behalf of the Trust, Brent Channell (signed), Trustee
Spartan Fund Management Inc.

StoneCastle Cannabis Growth Fund

Statement of Comprehensive Income

For the six-months ended June 30, 2019 (Unaudited)

	2019
Income	
Net change in unrealized appreciation in value of investments	\$ 452,770
Net realized gain on sale of investments, including foreign exchange adjustments	1,110,836
Interest income for distribution purposes	15,177
	<u>1,578,783</u>
Expenses	
Performance fees (Note 4)	139,522
Operating costs	45,399
Management fees (Note 4)	31,627
Commissions and other portfolio transaction costs	14,065
Audit fees	11,633
Legal Fees	6,330
Custodian fees	1,718
Interest and borrow fees	42
	<u>250,336</u>
Expense reimbursed by the Manager (Note 4)	47,759
	<u>202,577</u>
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ <u>1,376,206</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class	
Class A	\$ 492,119
Class D	17,039
Class F	1,232,066
Class XA	(97,030)
Class XD	(3,593)
Class XF	(264,395)
	<u>\$ 1,376,206</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit	
Class A	\$ 50.91
Class D	26.13
Class F	52.70
Class XA	(10.17)
Class XD	(9.79)
Class XF	(9.88)

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

StoneCastle Cannabis Growth Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the six-months ended June 30, 2019 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Transfers-in	Redemption of redeemable units	Transfers-out	Increase (decrease) in net assets attributable to holders of redeemable units	Management fee rebates	Net assets attributable to holders of redeemable units, end of period
June 30, 2019								
Class A	\$ 930,826	\$ 184,606	\$ -	\$ (154,427)	\$ (1,297,897)	\$ 492,119	\$ 776	\$ 156,003
Class D	41,052	44,400	-	-	(48,249)	17,039	42	54,284
Class F	2,245,546	219,732	-	(138,638)	(3,296,177)	1,232,066	1,899	264,428
Class XA	-	-	1,297,897	(292,423)	-	(97,030)	-	908,444
Class XD	-	-	48,249	(6,388)	-	(3,593)	-	38,268
Class XF	-	-	3,296,177	(11,856)	-	(264,395)	-	3,019,926
	<u>\$ 3,217,424</u>	<u>\$ 448,738</u>	<u>\$ 4,642,323</u>	<u>\$ (603,732)</u>	<u>\$ (4,642,323)</u>	<u>\$ 1,376,206</u>	<u>\$ 2,717</u>	<u>\$ 4,441,353</u>

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

StoneCastle Cannabis Growth Fund

Statement of Cash Flows

For the six-months ended June 30, 2019 (Unaudited)

	2019
Cash provided by (used in):	
Operating Activities	
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 1,376,206
Adjustments for non-cash items	
Commissions and other portfolio transaction costs	14,065
Net change in unrealized appreciation in value of investments	(452,770)
Net realized gain on investment transactions	(1,110,836)
Change in non-cash balances	
Increase in receivable for investments sold	(79,584)
Increase in interest receivable	(2,906)
Increase in expense reimbursement receivable	(4,527)
Decrease in subscription receivable	1,972
Increase in prepaid expense	(16,034)
Decrease in accounts payable and accrued liabilities	(18,342)
Decrease in performance fee payable	(91,748)
Decrease in management fees payable	(183)
Decrease in payable for investments purchased	(64,024)
Decrease in interest payable	(136)
Decrease in redemptions payable	(3,812)
Proceeds from sale of investments	4,348,292
Purchase of investments	(3,641,671)
Cash provided by operating activities	<u>253,962</u>
Financing Activities	
Proceeds from issuances of redeemable units	448,738
Amount paid on redemption of redeemable units	(603,732)
Amount paid on distributions	2,717
Cash used in financing activities	<u>(152,277)</u>
Increase in cash during the period	101,685
Foreign exchange gain on cash	3,275
Cash (including due from broker), beginning of period	918,601
Cash (including due from broker), end of period	<u>\$ 1,023,561</u>
Supplemental information*	
Interest paid	\$ 159
Interest received	12,271

*Included as a part of cash flows from operating activities

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

StoneCastle Cannabis Growth Fund

Schedule of Investment Portfolio

As at June 30, 2019 (Unaudited)

Number of shares/units/ par value	Investments owned	Average cost	Fair value	% of net asset value
Canadian equities				
50,700	1933 Industries Inc.	\$ 25,003	\$ 23,321	0.53
800	Abacus Health Products Inc.	11,192	7,820	0.18
200,000	Asterion Cannabis Inc.	150,000	150,000	3.38
450	BetaPro Marijuana Companies Inverse ETF	9,483	9,518	0.21
58,400	Blueberries Medical Corp.	47,835	20,148	0.45
28,200	C21 Investments Inc.	35,518	29,610	0.67
67,900	Cannex Capital Holdings Inc.	48,264	101,171	2.28
400	Columbia Care Inc.	3,625	2,780	0.06
7,900	Experion Holdings Ltd.	4,418	1,975	0.04
261,538	Growpacker Inc. RSTD	66,749	66,749	1.50
729,000	Heritage Cannabis Holdings Corp.	325,701	328,050	7.39
27,020	Indus Holdings Inc.	190,372	214,809	4.84
8,190	Indus Holdings Inc. RSTD 29AUG2019	50,061	57,946	1.30
8,190	Indus Holdings Inc. RSTD 29OCT2019	50,061	55,311	1.25
100,000	Jushi Holdings Inc.	365,000	275,000	6.19
21,600	Khiron Life Sciences Corp.	62,640	49,248	1.11
1,000,000	LPF Investment Corp. RSTD	129,940	129,940	2.93
20,300	MediPharm Labs Corp.	113,412	105,154	2.37
79,300	National Access Cannabis Corp.	76,519	47,580	1.07
3,800	Neptune Wellness Solutions Inc.	23,788	21,660	0.49
323,600	Nextleaf Solutions Ltd.	169,632	152,092	3.42
42,500	Nextleaf Solutions Ltd. RSTD 14SEP2019	17,000	18,428	0.41
39,800	Planet 13 Holdings Inc.	94,801	103,480	2.33
8,700	TerrAscend Corp.	49,155	60,900	1.37
26,000	TerrAscend Corp. RSTD 28SEP2019	198,640	192,065	4.32
25,950	Valens Groworks Corp.	57,730	107,693	2.42
6,500	Village Farms International Inc.	83,744	97,500	2.20
122,500	Wildflower Brands Inc. RSTD 13JUL2019	66,150	77,775	1.75
131,895	YSS Corp.	104,803	42,206	0.95
		<u>2,631,236</u>	<u>2,549,929</u>	<u>57.41</u>
Canadian fixed income				
100,000	1933 Industries Inc. 10% 14SEP2021	99,999	99,500	2.24
70,000	C21 Investments Inc. 10% 30JAN2021 CONV. \$0.80	70,000	91,875	2.07
110,000	Plus Products Inc. 8% 28FEB2021 CONV \$6.50	110,000	62,108	1.40
		<u>279,999</u>	<u>253,483</u>	<u>5.71</u>
Canadian warrants				
222,200	1933 Industries Inc. \$0.65 14SEP2021	1	36,662	0.83
4,600	48North Cannabis Corp. \$1.72 02APR2024	3,128	1,334	0.03
400	Abacus Health Products Inc. \$18 08MAY2022	8	884	0.02
200,000	Asterion Cannabis Inc. \$1.00 5APR2021	–	–	–
35	C21 Investments Inc. \$1,000 30JAN2021	–	5,833	0.13
187,400	Heritage Cannabis Holdings Corp. \$0.70 08NOV2021	–	28,110	0.63
4,000	MedMen Enterprises Inc. \$6.87 27SEP2021	1,920	2,280	0.05
42,500	Nextleaf Solutions Ltd. \$0.70 14MAY2021 RSTD 14SEP2019	–	–	–
8,470	Plus Products Inc. \$8 28FEB2024	–	–	–
5,000	Sunniva Inc. \$6.85 12OCT2020	–	–	–

StoneCastle Cannabis Growth Fund

Schedule of Investment Portfolio (continued)

As at June 30, 2019 (Unaudited)

Number of shares/units/ par value	Investments owned	Average cost	Fair value	% of net asset value
Canadian warrants (continued)				
61,250	Wildflower Brands Inc. \$0.85 13MAR2021 RSTD 13JUL2019	\$ <u>–</u>	\$ <u>–</u>	<u>–</u>
		<u>5,057</u>	<u>75,103</u>	<u>1.69</u>
U.S. equities				
25,305	Cansortium Inc.	64,311	53,025	1.19
400	GW Pharmaceuticals PLC	78,515	90,308	2.03
66,900	ICC International Cannabis Corp.	31,462	13,668	0.31
415,700	ICC International Cannabis Corp. RSTD 19JUL2019	177,514	94,893	2.14
1,900	Mercer Park Brand Acquisition Corp.	24,798	24,635	0.55
299,100	Tidal Royalty Corp.	100,213	101,846	2.29
		<u>476,813</u>	<u>378,375</u>	<u>8.51</u>
U.S. fixed income				
100,000	GR Companies, Inc. CONV.	132,885	130,965	2.95
U.S. warrants				
14,202	Cansortium Inc. \$2.40 21MAR2021	3,799	7,254	0.16
207,850	ICC International Cannabis Corp. US\$0.50 18MAR2021 RSTD 19JUL2019	–	–	–
950	Mercer Park Brand Acquisition Corp. \$11.50 24JUN2024	250	1,742	0.04
		<u>4,049</u>	<u>8,996</u>	<u>0.20</u>
Total investments owned		3,530,039	3,396,851	76.47
Commissions and other portfolio transaction costs		<u>(6,974)</u>	<u>–</u>	<u>–</u>
Net investments owned		<u>\$ 3,523,065</u>	3,396,851	76.47
Other assets, net			<u>1,044,502</u>	<u>23.53</u>
Net Assets Attributable to Holders of Redeemable Units			<u>\$ 4,441,353</u>	<u>100.00</u>

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

1. TRUST ORGANIZATION AND NATURE OF OPERATIONS

StoneCastle Cannabis Growth Fund (the "Trust") is a unit trust which was created under the laws of the Province of Ontario pursuant to a Declaration of Trust dated April 23, 2014 (the "Trust Agreement"). Spartan Fund Management Inc. ("Spartan"), a company incorporated under the laws of the Province of Ontario, is the trustee (the "Trustee") and manager (the "Manager") of the Trust. StoneCastle Investment Management Inc., a company incorporated under the laws of the Province of British Columbia is the sub-advisor (the "Sub-Advisor" of the Trust. The Trust commenced active operations on September 18, 2018. The address of the Trust's registered office is at 100 Wellington Street West, Suite 2101 TD Centre, Toronto ON M5K 1J3.

The investment objective of the Trust is to provide Unitholders with long-term capital appreciation by investing in an actively managed portfolio of equity securities of North American publicly listed companies that operate in, or derive a meaningful portion of their revenue or earnings from, the cannabis industry or related industries.

The success of the Trust depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in equities, options, and other instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) applicable to the preparation of financial statements, and International Accounting Standard 34, Interim Financial Reporting (together IFRS). The Trust reports under this basis of accounting as required by Canadian Securities Legislation and Canadian Accounting Standards Board.

The interim financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss which are presented at fair value.

The interim financial statements were authorized for issue by the Trustee on August 20, 2019.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Valuation of investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Trust's Offering Memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstance where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at semi-annual and annual Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

Financial Instruments measured at fair value

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices and/or other observable factors); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments measured at fair value (continued)

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Trust's investments fall as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 2,085,197	\$ 843,107	\$ –	\$ 2,928,304
Fixed Income	99,500	284,948	–	384,448
Warrants	78,266	5,833	–	84,099
	\$ 2,262,963	\$ 1,133,888	\$ –	\$ 3,396,851

There were no transfers between the levels during the period ended June 30, 2019.

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Trust's investments fall as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 1,909,520	\$ 505,772	\$ –	\$ 2,415,292
Fixed Income	95,000	–	–	95,000
Warrants	46,759	155	–	46,914
	\$ 2,051,279	\$ 505,927	\$ –	\$ 2,557,206

There were no transfers between the levels during the period from the commencement of operations, September 18, 2018 to December 31, 2018.

Significant unobservable inputs used in the fair value measurement

Investments classified as level 3 investments have significant unobservable inputs in their valuation as private equity securities with trading restrictions. As observable prices are not available, the Trust derives the fair value based on the purchase price paid for the investment upon acquisition. Valuations of level 3 investments are reviewed and approved on a monthly basis by the portfolio manager to ensure appropriate valuation methods and techniques are used to derive fair value.

Financial instruments not measured at fair value

The carrying values of due from/ to broker, receivable for investments sold, performance fees payable, management fees payable, payable for investments purchased, accounts payable and accrued liabilities and the Trust's obligation for net assets attributable to holders of redeemable units are carried at their redemption amount which is a reasonable approximation of their fair value due to their short-term nature.

Classification

The Trust classifies its investments in equity securities and derivatives as financial assets and financial liabilities at fair value through profit or loss.

The Trust classifies its investments at fair value through profit or loss based on the Trust's business model for managing those financial assets in accordance with the Trust's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Trust is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification (continued)

The Trust makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss. There is an element of market risk in that, if the securities increase in value, it will be necessary to purchase the securities at a cost in excess of the price reflected in the Statement of Financial Position.

The Trust recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Trust's investments have been classified as fair value through profit or loss at inception (FVTPL). The Trust's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and financial liabilities are classified as subsequently measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. A financial asset is classified as subsequently measured at amortized cost only if both of the following criteria are met:

- i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Trust's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (Trading NAV) for transactions with unitholders.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Trust enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

Recognition/derecognition

The Trust recognizes financial assets or liabilities on the trade date – the date it commits to purchase or sell short the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Other financial assets are derecognized and only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or they expire.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income.

Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

Translation of foreign currency

The functional and presentation currency of the Trust is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 4:30pm Eastern Standard Time (the "closing rate") on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

The effects of exchange rate fluctuations on investments are included in the 'Net realized gain on sale of investments' and 'Net change in unrealized appreciation in value of investments' in the Statement of Comprehensive Income.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Due from/to broker

The Trust has a prime brokerage agreement with its broker to carry its accounts as a customer. Due to/from broker recorded on the Statement of Financial Position includes trust securities in the broker's custody, that due to its highly liquid nature, is treated as cash equivalents.

Financial instruments and/or cash positions serve as collateral for any amounts due to broker or as collateral for any securities sold, not yet purchased or securities purchased on margin. The securities and/or cash positions also serve as collateral for potential defaults of the Trust.

The Trust is subject to credit risk if the broker is unable to repay balances due or deliver securities in their custody.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets attributable to holders of redeemable units

Under IFRS, IAS 32 Financial Instruments: Presentation, requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Trust's units do not meet the criteria in IAS 32 for classification of the redeemable units as equity due to the redemption rights provided to investors and therefore classified as financial liabilities.

Net Assets attributable to holders of redeemable units per unit

The Net Assets attributable to holders of redeemable units per unit is calculated by dividing the Net Assets attributable to holders of redeemable units of a particular class of redeemable units by the total number of redeemable units of that particular class outstanding at the end of the period.

Increase (decrease) in Net Assets attributable to holders of redeemable units per unit

Increase (decrease) in Net Assets attributable to holders of redeemable units per unit is based on the increase (decrease) in Net Assets attributable to holders of redeemable units attributed to each class of redeemable units, divided by the weighted average number of redeemable units outstanding of that class during the period. Refer to Note 11 for the calculation.

Derivative transactions

The Trust may use derivative contracts to enhance returns of the Trust and to manage risks associated with the investments. The value of the contracts is marked to market on the valuation date and the resultant gains and losses, both realized and unrealized, are recognized in the Statement of Comprehensive Income.

4. RELATED PARTY TRANSACTIONS

Management fees

The Trust shall pay the Manager a management fee (the "Management Fee") equal to 2% of the Net Asset Value (NAV) of all Series A Units, 1.9% of the of the Net Asset Value of all Series XA Units, 1.25% of the of the Net Asset Value of all Series D Units, 1.15% of the of the Net Asset Value of all Series XD Units, 1% of the Net Asset Value of all Series F Units and 0.9% of the Net Asset Value of all Series XF Units, calculated and accrued weekly (or daily in the event the calculation of NAV changes to daily) and paid monthly, based on the Net Asset Value on the last business day of each week and such other dates as the Trustee may in its discretion determine (each, a "Calculation Date"), plus applicable taxes.

Performance fees

The Trust pays the Manager a quarterly performance fee, subject to applicable taxes including HST. The performance fee is equal to 20% of the difference by which the return in the weekly NAV (or daily NAV in the event the calculation of NAV changes to daily) of the applicable series of the Trust from January 1 to March 31, April 1 to June 30, July 1 to September 30 and October 1 to December 31, exceeds the percentage return of the North American Marijuana Index, which is an index calculated and published by Solactive AG, or any successor index to such index, for the same period (the "Benchmark"). The North American Marijuana Index tracks the performance of a basket of North American publicly listed companies with significant business activities in the cannabis industry. A company is deemed to be eligible for inclusion in the index if the company is a producer and/or supplier of cannabis, a biotechnology company that is engaged in research and development of cannabinoids, a company that offers hydroponics supplies and equipment clearly aiming to increase efficiency in cannabis cultivation and a company that is mainly engaged in leasing property to cannabis growers. The index is calculated as a gross total return index in Canadian dollars and is adjusted quarterly.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

4. RELATED PARTY TRANSACTIONS (continued)

Performance fees (continued)

The payment of the incentive fee in any quarter will only be made if the performance of the applicable Series of the Trust, on a cumulative basis calculated from the last Valuation Day for which an incentive fee was paid, has exceeded the performance of the Benchmark on a cumulative basis for the same period.

Expense reimbursement

The Manager has agreed to reimburse the Trust for a portion of the administration expenses incurred by the Trust. During the period ended June 30, 2019, expenses amounting to \$47,759 were reimbursed by the Manager and \$12,330 (December 31, 2018 - \$7,803) in expense reimbursement are receivable from the Manager at June 30, 2019.

5. REDEEMABLE UNITS OF THE TRUST

The Trust is authorized to issue an unlimited number of redeemable units in an unlimited number of series, each of which represents an equal, undivided, beneficial interest in the Net Assets of the Trust. Each unit of each series entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust (except for management fees and incentive fee distributions and distributions of capital gains to redeeming Unitholders). Units of a series/class may be consolidated by the Trustee.

As at June 30, 2019, the Trust has issued units in Series A, Series XA, Series D, Series XD, Series F and Series XF. Series A Units are available to all investors; Series XA Units are created for early investors who purchased Series A Units on or before October 31, 2018 who to date have received a lower management fee by way of management fee distributions; Series D Units are available to investors who have an account with a discount brokerage firm, Series XD Units are created for early investors who purchased Series D Units on or before October 31, 2018 who to date have received a lower management fee by way of management fee distributions; Series F Units are available to investors who participate in fee-based programs through their dealer and whose dealer has signed an agreement with the Manager, investors for whom the Manager does not incur distribution costs or individual investors approved by the Manager and Series XF Units are created for early investors who purchased Series F Units on or before October 31, 2018 who to date have received a lower management fee by way of management fee distributions.

A unitholder may change Series A or Series D Units of the Trust into Series F Units of the Trust through the dealer or broker if the unitholder meets the Series F eligibility criteria. Similarly, a unitholder may change Series A or Series F Units into Series D Units of the Trust through the dealer or broker if the unitholder meet the Series D eligibility criteria set.

A unitholder may change Series XA or Series XD Units of the Trust into Series XF Units of the Trust through the dealer or broker if the unitholder meets the Series XF eligibility criteria. Similarly, a unitholder may change Series XA or Series XF Units into Series XD Units of the Trust through the dealer or broker if the unitholder meet the Series XD eligibility criteria set.

A unitholder may change Series F Units into Series A Units of the Trust upon 30 days' prior notice if the unitholder ceases to be eligible to hold Series F Units in their account.

A unitholder may change Series XF Units into Series XA Units of the Trust upon 30 days' prior notice if the unitholder ceases to be eligible to hold Series F Units in their account.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

5. REDEEMABLE UNITS OF THE TRUST (continued)

A unitholder may change Series D Units into Series A Units of the Trust upon 30 days' prior notice if the unitholder ceases to be eligible to hold Series D Units in a discount brokerage account.

A unitholder may change Series XD Units into Series XA Units of the Trust upon 30 days' prior notice if the unitholder ceases to be eligible to hold Series XD Units in a discount brokerage account.

In general, brokers or dealers may charge Unitholders a fee of up to 2% of the amount changed to cover the time, advice and processing costs involved in a change. The Unitholder and dealer negotiate this fee.

Redemption of Units

Units of a Series of the Trust may be redeemed at the NAV per Unit of that Series next determined after receipt of a redemption request at the registered office of the Trust.

Redemption requests received on any day that is not a Valuation Date or received after the cut-off time on a Valuation Date are deemed to have been received on the following Valuation Date. In that case, the price on redemption will be the NAV per Unit of the Series established on the Valuation Date following the day of actual receipt. The cut-off time for receipt of redemption requests is 4:00 p.m. (Eastern Time) on the business day prior to a Valuation Date.

No payment of redemption proceeds is made until a duly completed redemption request has been received from the registered holder of the Units. Where the Trust has received a duly-completed redemption request, the Trust pays the redemption proceeds within 2 business days of the Valuation Date upon which the relevant redemption price was determined.

Unitholders in Series A, Series XA, Series D, Series XD, Series F and Series XF Units of the Trust must keep at least \$500 in each of their accounts. If the account falls below this amount, the Trust may notify and give the unitholder 30 days to make another investment. If the account stays below \$500 after those 30 days, the Trust may redeem all of the Units in the account and send the proceeds to the unitholder.

The unitholders' right to redeem Units of the Trust may be suspended for all or part of a period: (i) when normal trading is suspended on a stock, options or futures exchange in Canada or outside Canada upon which securities or derivatives that make up more than 50% of the value or underlying exposure of the Trust's total assets are traded (and those securities or derivatives are not traded on any other exchange that represents a reasonable alternative for the Trust); or (ii) with the consent of any securities commission or regulatory body having jurisdiction. During any period of suspension, no calculations of NAV will be made and the Trust will not be permitted to issue further securities or redeem any securities previously issued.

If a unitholder redeems units within 30 days of purchase, the Trust may charge a short-term trading fee of up to 2% of the value of the Units redeemed. This fee is payable to the Trust. The Manager may waive the short-term trading fee charged by the Trust for a trade if the size of the trade is small enough or if the short-term trade did not otherwise harm other Unitholders in the Trust.

The Trust will distribute its annual taxable income and net realized capital gains to Unitholders by December 31 of each period and at such other times as determined by the Manager. All such distributions of the Trust will be automatically reinvested, without charge, in additional units at the NAV per Unit at the most recent Valuation Date prior to distribution date and on the date of each distribution the Units will be automatically consolidated into that number of units outstanding immediately prior to the distribution. Accordingly, the effect of such distributions will generally be to increase the adjusted cost base of the units, not the number of units outstanding.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

5. REDEEMABLE UNITS OF THE TRUST (continued)

Redemption of Units (continued)

The Manager reserves the right to offer a reduced management and/or fee to selected investors in any Series of Units who (among other considerations) hold large investments in the Trust. This is achieved by reducing the management and/or incentive fee charged by the Manager to the Trust based on the NAV of the Units held by such investor and the Trust distributing the amount of the reduction (a Management/Incentive Fee Distribution) in additional Units of the same Series of the Trust to the investor.

The unit activity during the period ended June 30 is as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2019					
Class A	11,885	1,481	(11,981)	5	1,390
Class D	532	362	(402)	–	492
Class F	28,599	1,773	(28,044)	12	2,340
Class XA	–	10,630	(2,532)	–	8,098
Class XD	–	402	(55)	–	347
Class XF	–	26,815	(100)	–	26,715

Capital disclosure

The capital of the Trust is represented by issued and redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's Net Asset Value per unit upon redemption. The Trust has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 6, the Trust endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

6. RISK MANAGEMENT

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and, company news related to specific securities within the Trust. The level of risk depends on the Trust's investment objective and the type of securities it invests in.

The investment objective of the Trust is to achieve positive annualized returns, over a multi-year period, with materially less volatility than the equity markets. The Manager manages risk by employing professional and experienced portfolio advisors, by daily monitoring of the Trust's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Trust's investment activities and monitors compliance with the Trust's stated investment strategy and securities regulations.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

6. RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust.

Where the Trust invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Trust. All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at June 30, 2019 the Fund held \$384,448 (December 31, 2018 - \$95,000) invested in debt instruments that had a credit rating of 'Non-rated'.

Prime Brokerage Risk

There are risks involved in dealing with the prime brokers who settle trades. Under certain circumstances, the securities and other assets deposited with the broker may be exposed to credit risk with regard to such parties. In addition, there may be practical or time problems associated with enforcing the Trust's rights to its assets in the case of an insolvency of any such party.

The Trust maintains a custody account with its prime broker. Although the Trust believes that it is an appropriate custodian, there is no guarantee that the prime broker will not become insolvent. In the event of a failure, there is no guarantee that the Trust would not incur losses due to its assets being unavailable for a period of time, recoup ultimately less than full recovery of its assets, or both. Because substantially all of the Trust's assets are custodied with a single prime broker, such losses could be significant and could materially impair the ability of the Trust to achieve its investment objective.

Liquidity Risk

Liquidity risk is defined as the risk that the Trust may not be able to settle or meet its obligation on time or at a reasonable price.

The Trust's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Trust generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Trust may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

Financial liabilities are generally settled within three months.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

6. RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

A Fund that has interest-bearing fixed income is exposed to risks associated with the effects of fluctuations in interest rates on its cash flows. As at June 30, 2019, the Fund had bonds of \$384,448 (December 31, 2018 - \$95,000). As at June 30, 2019, had the prevailing interest rates raised or lowered by 1% assuming a parallel shift in the yield curve, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by approximately \$5,978 (December 31, 2018 – \$2,565) In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Trust's investment objective and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written calls and securities sold short can be unlimited. The Trust's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Trust are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at June 30, 2019, 68% (December 31, 2018 - 77%) of the Trust's Net Assets were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the period end, with all other factors remaining constant, Net Assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$301,240 (December 31, 2018 - \$246,221) respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

6. RISK MANAGEMENT (continued)

Concentration Risk

The Trust participates in a limited number of portfolio investments and, as a consequence, the aggregate return of the Trust may be materially and adversely affected by any unfavorable performance of even a single portfolio investment.

The following is a summary of the Trust's concentration risk as a percentage of the net assets of the Trust for June 30, 2019 and December 31, 2018:

Portfolio by category	Percentage of net assets attributable to holders of redeemable units	
	June 30, 2019	December 31, 2018
Investments owned		
Canadian equities	57.41	71.51
Canadian fixed income	5.71	—
Canadian warrants	1.69	1.46
U.S. equities	8.51	3.55
U.S. fixed income	2.95	2.95
U.S. warrants	0.20	—
	76.47	79.47
Other assets and liabilities		
	23.53	20.53
	100.00	100.00

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Trust. The Trust may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

The currency to which the Trust had exposure as at June 30, 2019, is as follows:

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
June 30, 2019						
U.S. Dollar	\$ 21	\$ 518,336	\$ 518,357	\$ 1	\$ 25,917	\$ 25,918
% of Net Assets						
Attributable to Holders						
of Redeemable Units	0.00	11.67	11.67	0.00	0.58	0.58

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

6. RISK MANAGEMENT (continued)

Currency Risk (Cont'd)

The currency to which the Trust had exposure as at December 31, 2018, is as follows:

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2018						
U.S. Dollar	\$ —	\$ 114,373	\$ 114,373	\$ —	\$ 5,719	\$ 5,719
% of Net Assets						
Attributable to Holders						
of Redeemable Units	—	3.55	3.55	—	0.18	0.18

The amounts in the above table are based on the fair value of the Trust's financial instruments as well as the underlying principal amounts of forward currency contracts, as applicable. Other financial assets (including dividends and interest receivable) and financial liabilities that are denominated in foreign currencies do not expose the Trust to significant currency risk.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 5 percent in relation to all currencies, with all other variables held constant, Net Assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$25,918 (December 31, 2018 - \$5,719). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

7. EXPENSES

The Manager has the power to incur and make payment out of the Trust property any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

8. INDEMNIFICATION OF THE TRUSTEE

The Trust, in its Declaration of Trust, has indemnified the Trustee, their principals and their respective affiliates from all claims that may arise for (i) mistakes of judgment or for action or inaction or for losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the Trust and (ii) losses due to mistakes of judgment or the action or omission of any broker or agent of the Trustee, selected, engaged or retained by the Trustee, the principals or their respective affiliates.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

9. INCOME TAXES

The Trust qualifies as a unit trust under the provisions of the Income Tax Act (Canada). The Trust Agreement provides that the Trust's net taxable income for each period, including net realized capital gains, is payable to its Unitholders in the period. Accordingly, the Trust is not liable for income tax in respect of its income and net realized gains for the period ended December 31, 2018. Foreign income received is subject to foreign withholding taxes.

As at the tax period ended December 31, 2018, the Trust has capital losses carried forward in the amount of \$84,890. Capital losses may be carried forward indefinitely and applied against future capital gains.

Non-capital losses are applied against taxable income of future periods. As at the tax period ended December 31, 2018, the Trust has total non-capital losses carried forward in the amount of \$9,910 which expires in the year 2038.

10. CAPITAL MANAGEMENT

The Trust's capital is its net assets, representing unitholder's equity. The Trust's objective when managing capital is to safeguard the Trust's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Trust is not subject to any externally imposed capital requirements.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2019 calculated as follows:

	Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class	Weighted Average of Redeemable Units Outstanding During the Period	Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit
June 30, 2019			
Class A	\$ 492,119	9,667	\$ 50.91
Class D	17,039	652	26.13
Class F	1,232,066	23,381	52.70
Class XA	(97,030)	9,541	(10.17)
Class XD	(3,593)	367	(9.79)
Class XF	(264,395)	26,753	(9.88)

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

12. COMPARISON OF NET ASSET VALUE (TRADING NAV) PER UNIT AND NET ASSET ATTRIBUTABLE TO UNITHOLDERS PER UNIT (IFRS)

The primary reason for the difference between the Net Asset Value (Trading NAV) per unit and the Net Asset attributable to unitholders per unit (IFRS) is due to offering costs and placement costs which have been expensed for financial reporting purposes and amortized over six years for the purpose of calculating the Trading NAV. The Partnership's Trading NAV and IFRS NAV are as follows as at June 30, 2019:

	Net Asset Value (Trading NAV) Per Unit	IFRS 13 Adjustment Per Unit	Net Assets Attributable to Unitholders Per Unit (IFRS)
June 30, 2019			
Class A	\$ 112.19	\$ 0.04	\$ 112.23
Class D	110.32	0.01	110.33
Class F	113.02	(0.02)	113.00
Class XA	112.19	(0.01)	112.18
Class XD	110.35	(0.07)	110.28
Class XF	113.04	–	113.04

13. NEW STANDARDS, AMENDMENTS AND INTERPRETATION ISSUED

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018 and has been applied by the Trust since it commenced operations on September 18, 2018. The application of IFRS 9 has not resulted in any restatement of comparative figures.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets are driven by the Trust’s business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer’s own credit risk are presented in other comprehensive income.

Based on the Trust’s initial assessment, IFRS 9 does not have a material impact on classification and measurement of financial instruments, since the Trust makes decisions based on the assets’ fair values and manages the assets to realize those fair values. As such the majority of the Trust’s financial assets continue to be measured at FVTPL. In addition, derivatives continue to be measured at FVTPL.

STONECASTLE CANNABIS GROWTH FUND

Notes to Financial Statements

June 30, 2019 (Unaudited)

13. NEW STANDARDS, AMENDMENTS AND INTERPRETATION ISSUED (continued)

Impairment of financial assets

IFRS 9 also introduces the expected credit loss (“ECL”) model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model does not have a material impact to the Trust’s financial assets given that the majority of the Trust’s financial assets continue to be measured at FVTPL.

Hedge accounting

The Trust does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Trust’s financial statements.