AURORA CANNABIS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended March 31, 2017 and 2016
(In Canadian Dollars)

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
Three and Nine months ended March 31, 2017 and 2016
(In Canadian Dollars)

	Notes	March 31, 2017	June 30, 2016
		$	$
Assets			
Current			
Cash and cash equivalents		111,116,196	259,073
Accounts receivable	3	1,316,109	86,170
Marketable securities	4(b)	1,833,348	-
Inventory	5	5,008,969	2,317,216
Biological assets	6	3,684,568	1,845,108
Promissory notes receivable	7	192,416	-
Other current assets	8	7,818,918	736,308
		130,970,524	5,243,875
Property, plant and equipment	9	25,885,942	11,370,484
Convertible debenture	4(a)	15,775,788	-
Loans receivable	10	1,935,542	1,782,186
Derivative	4(b)	463,720	-
Investment in a joint venture	10	-	-
Goodwill	11	22,033,644	-
		197,065,160	18,396,545
Liabilities			
Current			
Accounts payable and accrued liabilities	16(c)	3,795,423	1,686,794
Deferred revenues		577,417	27,629
Finance lease	12	67,292	-
Short term loans	13	-	6,047,408
Derivative liabilities	13(d), 14(c)	-	233,444
		4,440,132	7,995,275
Finance lease	12	299,615	-
Convertible notes	14	18,422,596	1,280,531
Long term loans	13, 16(c)	-	3,158,569
Deferred tax liabilities		138,857	-
Deferred gain on convertible debenture	4(a)	11,772,264	-
Deferred gain on derivative	4(b)	368,668	-
		35,442,132	12,434,375
Shareholders' equity			
Share capital	15	172,365,994	17,147,878
Reserves		13,339,329	5,730,300
Accumulated comprehensive loss	4(b)	(472,226)	-
Deficit		(23,610,069)	(16,916,008)
		161,623,028	5,962,170
		197,065,160	18,396,545

Nature of Operations (Note 1)
Subsequent Events (Notes 7 and 19)
Commitments and Contingencies (Note 17)
The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
Three and Nine months ended March 31, 2017 and 2016
(In Canadian Dollars)

	Notes	Three months ended March 31, 2017	Three months ended March 31, 2016	Nine months ended March 31, 2017	Nine months ended March 31, 2016
		$	$	$	$
Revenues		5,175,304	219,230	12,131,188	219,230
Unrealized gain on changes in fair value of biological assets		(2,620,160)	(4,808,248)	(4,238,401)	(7,027,944)
Inventory expensed to cost of sales		620,487	110,440	2,158,741	110,440
Production costs		1,412,353	725,852	4,001,599	725,852
Cost of sales (recovery)		(587,320)	(3,971,956)	1,921,939	(6,191,652)
Gross profit		5,762,624	4,191,186	10,209,249	6,410,882
Expenses					
General and administration	16(a)	2,048,482	691,864	4,814,100	1,935,180
Sales and marketing		2,684,536	460,591	6,665,728	849,208
Research and development		52,077	109,176	191,076	314,803
Depreciation		178,218	149,897	500,058	442,800
Share-based payments	15(d)	2,632,393	111,266	5,522,286	709,308
		7,595,706	1,522,794	17,693,248	4,251,299
Income (loss) from operations		(1,833,082)	2,668,392	(7,483,999)	2,159,583
Other income (expenses)					
Interest and other income		239,245	13,166	366,112	59,555
Finance and other costs		(1,282,612)	(191,269)	(6,123,283)	(505,089)
Unrealized gain on debenture	4(a)	2,003,524	-	2,003,524	-
Unrealized gain on marketable securities	4(b)	1,332,938	-	1,332,938	-
Unrealized loss on derivative	4(b)	(182,322)	-	(182,322)	-
		2,110,773	(178,103)	(2,603,031)	(445,534)
Income (loss) before income taxes		277,691	2,490,289	(10,087,030)	1,714,049
Income tax recovery (expense)					
Current		-	36,553	19,004	36,553
Deferred, net		(138,857)	-	1,916,250	-
		(138,857)	36,553	1,935,254	36,553
Net income (loss) for the period		138,834	2,526,842	(8,151,776)	1,750,602
Other comprehensive loss					
Unrealized loss on marketable securities	4(b)	(472,226)	-	(472,226)	-
Comprehensive income (loss) for the period		(333,392)	2,526,842	(8,624,002)	1,750,602
Net income (loss) per share					
Basic and diluted		-	0.02	(0.03)	0.01
Weighted average number of shares outstanding					
Basic		313,129,033	134,120,998	253,099,730	126,834,046
Diluted		313,129,033	145,498,212	253,099,730	138,211,260

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
Nine months ended March 31, 2017 and 2016
(In Canadian Dollars)

	Notes	Share Capital		Reserves						Accumulated Comprehensive Income (Loss)	Deficit	Total
		Common Shares	Amount	Obligation To Issue Shares	Stock Options	Compensation Options/ Warrants	Related Party Loans	Convertible Notes	Total Reserves			
		#	$	$	$	$	$	$	$	$	$	$
Balance, June 30, 2015		**118,794,138**	**11,432,977**	**2,322,000**	**381,353**	**822,652**	**-**	**215,732**	**3,741,737**	**-**	**(11,341,904)**	**3,832,810**
Comprehensive loss for the period		-	-	-	-	-	-	-	-	-	1,750,602	1,750,602
Conversion of notes	14(d)	3,928,000	452,253	-	-	-	-	(171,089)	(171,089)	-	-	281,164
Private placement	15(b)(xiii)	9,091,670	4,818,585	-	-	-	-	-	-	-	-	4,818,585
Share issue costs		-	(243,342)	-	-	42,645	-	-	42,645	-	-	(200,697)
Exercise of stock options		2,973,746	514,403	-	(354,129)	-	-	-	(354,129)	-	-	160,274
Exercise of warrants		564,000	56,400	-	-	-	-	-	-	-	-	56,400
Forfeited options		-	-	-	(26,348)	-	-	-	(26,348)	-	26,348	-
Convertible notes settled in cash		-	-	-	-	-	-	(44,643)	(44,643)	-	44,643	-
Share-based payments		-	-	-	483,059	226,249	-	-	709,308	-	-	709,308
Balance, March 31, 2016		**135,351,554**	**17,031,276**	**2,322,000**	**483,935**	**1,091,546**	**-**	**-**	**3,897,481**	**-**	**(9,520,311)**	**11,408,446**
Comprehensive loss for the period		-	-	-	-	-	-	-	-	-	(7,474,108)	(7,474,108)
Equity component of convertible notes		-	-	-	-	-	-	269,619	269,619	-	-	269,619
Deferred tax on convertible notes		-	-	-	-	-	-	(70,102)	(70,102)	-	-	(70,102)
Fees on convertible notes		-	-	-	-	90,144	-	-	90,144		-	90,144
Share issue costs		-	(2,910)	-	-	2,910	-	-	2,910	-	-	-
Exercise of stock options		2,083	1,012	-	(387)	-	-	-	(387)	-	-	625
Forfeited options		-	-	-	(78,411)	-	-	-	(78,411)	-	78,411	-
Shares issued for compensation		22,728	12,500	12,500	-	-	-	-	12,500	-	-	25,000
Shares issued for convertible notes	14(c)	200,000	106,000	-	-	-	-	-	-	-	-	106,000
Fair value of below market and amended related party loans	13(b),13(e)	-	-	-	-	-	1,403,156	-	1,403,156	-	-	1,403,156
Share-based payments		-	-	-	203,390	-	-	-	203,390	-	-	203,390
Balance, June 30, 2016		**135,576,365**	**17,147,878**	**2,334,500**	**608,527**	**1,184,600**	**1,403,156**	**199,517**	**5,730,300**	**-**	**(16,916,008)**	**5,962,170**
Comprehensive gain for the period		-	-	-	-	-	-	-	-	-	(8,151,776)	(8,151,776)
Shares issued for acquisition	11	17,875,000	11,440,000	-	-	-	-	-	-	-	-	11,440,000
Shares issued for Earn Out payments	11	1,845,499	4,706,023	-	-	-	-	-	-	-	-	4,706,023
Performance shares	15(b)(vii)	20,000,000	2,322,000	(2,322,000)	-	-	-	-	(2,322,000)	-	-	-
Transfer from derivative liabilities		-	-	-	-	98,444	-	-	98,444	-	-	98,444
Private placement	15(b)(i)&(vi)	90,837,500	98,009,375	-	-	-	-	-	-	-	-	98,009,375
Share issue costs	15(b)(i)&(vi)	-	(11,484,105)	-	-	5,214,857	-	-	5,214,857	-	-	(6,269,248)
Warrants issued on amendment of convertible notes	14(c)	-	-	-	-	876,501	-	-	876,501	-	-	876,501
Conversion of notes	15(b)(ii)(iii)	19,789,226	18,841,852	-	-	-	-	(2,222,607)	(2,222,607)	-	-	16,619,245
Equity component of convertible notes		-	-	-	-	-	-	7,904,258	7,904,258	-	-	7,904,258
Deferred tax on convertible notes		-	-	-	-	-	-	(2,055,107)	(2,055,107)	-	-	(2,055,107)
Shares issued for loan	13(d)	50,000	23,500	-	-	-	-	-	-	-	-	23,500
Shares issued for compensation	15(b)(iv)	25,510	12,500	(12,500)	-	-	-	-	(12,500)	-	-	-
Exercise of stock options	15(b)(ix)	1,432,872	1,082,121	-	(458,143)	-	-	-	(458,143)	-	-	623,978
Exercise of warrants	15(b)(x)	52,172,681	27,182,768	-	-	(2,071,163)	-	-	(2,071,163)	-	-	25,111,605
Exercise of compensation options/warrants	15(b)(xi)	4,084,434	3,082,082	-	-	(1,408,082)	-	-	(1,408,082)	-	-	1,674,000
Forfeited options & warrants		-	-	-	(22,956)	(31,603)	-	-	(54,559)	-	54,559	-
Reclassification upon repayment of related party loans	13(b), 13(e)	-	-	-	-	-	(1,403,156)	-	(1,403,156)	-	1,403,156	-
Share-based payments		-	-	-	5,522,286	-	-	-	5,522,286	-	-	5,522,286
Unrealized loss on marketable securities		-	-	-	-	-	-	-	-	(472,226)	-	(472,226)
Balance, March 31, 2017		**343,689,087**	**172,365,994**	**-**	**5,649,714**	**3,863,554**	**-**	**3,826,061**	**13,339,329**	**(472,226)**	**(23,610,069)**	**161,623,028**

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Nine months ended March 31, 2017 and 2016
(In Canadian Dollars)

	2017	2016
	$	$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(8,151,776)	1,750,602
Adjustments for non-cash items		
Unrealized gain on changes in fair value of biological assets	(4,238,401)	(7,027,944)
Unrealized gain on debenture	(2,003,524)	-
Unrealized gain on marketable securities	(1,332,938)	-
Unrealized loss on derivative	182,322	-
Depreciation	751,766	442,800
Share-based payments	5,522,286	709,308
Accrued interest	(154,655)	32,609
Accretion expense	2,055,787	25,307
Financing fees	2,373,111	91,647
Deferred tax recovery	(1,916,250)	-
Changes in non-cash working capital		
Accounts receivable	(978,554)	542,718
Inventory	(292,812)	(1,117,166)
Other current assets	(7,532,610)	(515,813)
Accounts payable and accrued liabilities	914,398	(27,971)
Deferred revenues	(389,676)	-
	(15,191,526)	(5,093,903)
Investing activities		
Purchase of property, plant and equipment	(12,966,026)	(1,606,419)
Acquisition of CanvasRx and Earn Out payments	(4,622,689)	-
Marketable securities and derivative	(1,250,010)	-
Convertible debenture	(2,000,000)	-
Promissory notes receivable	(191,117)	-
Bank indebtedness assumed on the acquisition of CanvasRx	(18,421)	-
	(21,048,263)	(1,606,419)
Financing activities		
Finance lease	(177,336)	-
Proceeds (repayment) of convertible notes	40,000,000	(1,087,101)
Proceeds (repayment) of short term loans	(6,215,462)	2,158,976
Proceeds (repayment) of long term loans	(4,000,000)	982,000
Financing fees	(1,660,000)	(161,250)
Shares issued for cash, net of share issue costs	119,149,710	4,834,562
	147,096,912	6,727,187
Increase in cash and cash equivalents	110,857,123	26,865
Cash and cash equivalents, beginning of period	259,073	315,853
Cash and cash equivalents, end of period	111,116,196	342,718
Cash and cash equivalents consist of:		
Cash	111,116,196	253,224
Restricted cash	-	89,494
	111,116,196	342,718
Supplementary information:		
Property, plant and equipment in accounts payable	2,020,938	336,404

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

(In Canadian Dollars)

1. Nature of Operations

Aurora Cannabis Inc. (the "Company" or "Aurora") is a publicly traded company listed on the TSX Venture Exchange under the symbol "ACB", and was incorporated in British Columbia, Canada.

The Company, through its wholly-owned subsidiary, Aurora Cannabis Enterprises Inc., is licensed to produce and sell medical marijuana pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR").

On December 9, 2014, the Company completed the reverse take-over of Prescient Mining Corp. (the "RTO") by way of a Share Exchange Agreement (the "Agreement"). Pursuant to the Agreement, the Company acquired all of the issued and outstanding shares of Aurora Marijuana Inc. in exchange for securities of the Company.

The head office and principal address of the Company is Suite 1500 - 1199 West Hastings Street, Vancouver, BC, Canada, V6E 3T5. The Company's registered and records office is Suite 1500 - 1055 West Georgia Street, Vancouver, BC V6E 4N7.

2. Basis of Presentation

These condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting*" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies and critical estimates applied by the Company in these Interim Financial Statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended June 30, 2016. The Interim Financial Statements do not include all of the information required for full annual financial statements.

These Interim Financial Statements were approved by the Board of Directors of the Company on May 15, 2017.

(a) Basis of consolidation

These Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Aurora Marijuana Inc. ("AMI"), Aurora Cannabis Enterprises Inc. ("ACE"), 1769474 Alberta Ltd. ("1769474"), Australis Capital Inc. ("ACI"), CanvasRx Inc. ("CanvasRx") and 10094595 Canada Inc. All significant intercompany balances and transactions were eliminated on consolidation.

3. Accounts receivable

	March 31, 2017	June 30, 2016
	$	$
Trade receivables	1,047,865	83,613
GST recoverable	268,244	2,557
	1,316,109	86,170

(In Canadian Dollars)

4. Investments

ACE signed a Memorandum of Understanding ("MOU") with Radient Technologies Inc. ("Radient") dated December 13, 2016, to evaluate an exclusive partnership for the joint development and commercialization of standardized cannabinoid extracts. On January 4, 2017, in accordance with the MOU, the parties entered into a joint venture research agreement pursuant to which Radient and Aurora are working to confirm the effectiveness of Radient's technology for cannabis extraction.

(a) Convertible debenture

Pursuant to the terms of the MOU, on February 13, 2017, the Company purchased a $2,000,000 unsecured convertible debenture of Radient. The debenture bears interest at 10% per annum and is convertible at any time into units of Radient at a price of $0.14 per unit. Each unit consists of one common share and one share purchase warrant, exercisable into one common share at a price of $0.33 per share expiring February 13, 2019. The debenture has a term of 2 years, is payable on demand during the first 5 months following issuance, and is subject to a mandatory conversion if, after 5 months from the date of issuance, (i) the volume weighted average trading price of Radient's shares is equal to or greater than $0.40 for 10 consecutive days; or the Company and Radient enter into an exclusivity, licensing, service or similar agreement. The Company received a financing commission of $40,000.

The Company elected to classify and measure the entire hybrid contract at fair value through profit and loss ("FVTPL"). The fair value of hybrid instrument is represented by its value through conversion. The initial fair value was estimated by measuring the fair value of the shares receivable on conversion at a quoted market price and the warrants receivable on conversion using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.75%, dividend yield of 0%, stock price volatility of 103%, and an expected life of 2 years.

The Company recognized an unrealized gain at inception of $12,563,966. The hybrid instrument was classified as a level 3 financial instrument and the gain at inception was deferred, to be amortized over two years. Subsequent to initial recognition, the hybrid instrument is re-measured at fair value at each reporting date and recognized in profit and loss. The change in fair value during the period ended March 31, 2017, resulted in an unrealized gain of $1,211,822.

	$
Convertible debenture receivable	2,000,000
Unrealized gain recognized at inception	12,563,966
Fair value at inception	14,563,966
Unrealized gain on change in fair value of debenture	1,211,822
Balance at March 31, 2017	15,775,788

(b) Marketable securities and derivative

On March 9, 2017, the Company completed its investment in Radient pursuant to a subscription agreement dated February 28, 2017, for 2,777,800 units at a price of $0.45 per unit for a total cost of $1,250,010. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable into one common share of Radient at a price of $0.70 per share expiring March 9, 2019.

(In Canadian Dollars)

4. Investments (Continued)

(b) Marketable securities and derivative (continued)

The common shares were classified as available-for-sale financial assets and the warrants as derivative financial assets. The Company elected to apply the residual method in allocating the investment cost to the underlying common share and warrant components, first to the warrant then to the common share at their respective fair values. The resulting unrealized gain on marketable securities at inception of $1,332,938 was recognized in profit and loss. The warrants were classified as a level 3 financial instrument and the gain on derivative at inception of $380,124 was deferred, to be amortized over two years. The initial fair value of the shares was based on a quoted market price and the fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.82%, dividend yield of 0%, stock price volatility of 101%, and an expected life of 2 years.

The subsequent unrealized losses on changes in fair value of marketable securities of $472,226 were recognized in other comprehensive income. When the shares are disposed of, the realized gains and losses will be recognized in profit and loss for the period. The initial and subsequent unrealized losses on changes in fair value of derivative of $193,778 were recognized in profit and loss.

	Marketable Securities	Derivative	Total
	$	$	$
Investment at cost	972,636	277,374	1,250,010
Unrealized gain recognized at inception	1,332,938	380,124	1,713,062
Fair value at inception	2,305,574	657,498	2,963,072
Unrealized losses on changes in fair value	(472,226)	(193,778)	(666,004)
Balance at March 31, 2017	1,833,348	463,720	2,297,068

5. Inventory

	March 31, 2017	June 30, 2016
	$	$
Harvested cannabis	3,685,717	2,230,496
Cannabis oils	1,152,508	-
Supplies and consumables	170,744	86,720
	5,008,969	2,317,216

As at March 31, 2017, included in inventory was a provision of $898,612 (June 30, 2016 - $784,535) to reduce inventory to net realizable value. The adjustment took into account the compassionate pricing for qualifying low income patients.

(In Canadian Dollars)

6. Biological Assets

The Company's biological assets consist of seeds and cannabis plants. The changes in the carrying value of biological assets are as follows:

	March 31, 2017	June 30, 2016
	$	$
Balance, June 30, 2016 and 2015	1,845,108	25,409
Changes in fair value less cost to sell due to biological transformation	14,195,625	6,196,939
Transferred to inventory upon harvest	(12,356,165)	(4,377,240)
Balance, March 31, 2017 and June 30, 2016	3,684,568	1,845,108

The significant assumptions used in determining the fair value of biological assets include:

(a) Expected yield by plant;
(b) Wastage of plants;
(c) Duration of the production cycle;
(d) Percentage of costs incurred as of this date compared to the total costs expected to be incurred;
(e) Percentage of costs incurred for each stage of plant growth; and
(f) Market values.

7. Promissory Notes Receivable

The promissory notes are receivable on demand, bear interest at 8% per annum, calculated monthly and compounded annually, and secured by general security agreements. The Company advanced an additional $273,714 subsequent to March 31, 2017.

8. Other Current Assets

	March 31, 2017	June 30, 2016
	$	$
Funds held by the Trustee (Note 19(c))	7,000,175	-
Advances to CanvasRx (Note 11)	-	450,000
Prepaid expenses	780,300	215,646
Deposits and advances	38,443	70,662
	7,818,918	736,308

9. Property, Plant and Equipment

	Building & Improvements	Construction in progress	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Finance Lease Equipment	Total
	$	$	$	$	$	$	$
Cost:							
Balance, June 30, 2015	10,269,065	-	343,026	38,819	439,407	-	11,090,317
Additions	562,015	-	101,018	70,173	581,080	-	1,314,286
Balance, June 30, 2016	10,831,080	-	444,044	108,992	1,020,487	-	12,404,603
Additions	200,889	13,528,302	297,607	117,773	578,410	544,243	15,267,224
Balance, March 31, 2017	11,031,969	13,528,302	741,651	226,765	1,598,897	544,243	27,671,827

(In Canadian Dollars)

9. Property, Plant and Equipment (Continued)

	Building & Improvements	Construction In Progress	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Finance Lease Equipment	Total
	$	$	$	$	$	$	$
Accumulated Depreciation:							
Balance, June 30, 2015	201,366	-	44,622	3,882	54,926	-	304,796
Depreciation	414,927	-	117,129	14,781	182,486	-	729,323
Balance, June 30, 2016	616,293	-	161,751	18,663	237,412	-	1,034,119
Depreciation	326,901	-	141,867	23,881	239,465	19,652	751,766
Balance, March 31, 2017	943,194	-	303,618	42,544	476,877	19,652	1,785,885
Net Book Value:							
June 30, 2016	10,214,787	-	282,293	90,329	783,075	-	11,370,484
March 31, 2017	10,088,775	13,528,302	438,033	184,221	1,122,020	524,591	25,885,942

During the nine months ended March 31, 2017, included in production costs was depreciation of $251,708 (2016 - $39,589).

10. Investment in a Joint Venture

ACI entered into a Limited Liability Partnership Agreement with AJR Builders Group LLC (“AJR”) and formed Australis Holdings LLP (“AHL”), a Washington Limited Liability Partnership. Each of ACI and AJR holds a 50% interest in AHL.

AHL purchased two parcels of land totaling approximately 24.5 acres (the “Property”) in Whatcom county, Washington for USD$2,300,000.

Pursuant to a promissory note dated April 10, 2015, the Company through ACI loaned CAD$1,644,831 to AHL to fund the purchase of the Property. The note bears interest at a rate of 5% per annum and matures on October 31, 2017. In the event of a default, interest will be charged at 12% per annum. During the nine months ended March 31, 2017, the Company accrued interest of $30,869 (2016 - $30,982) related to this loan. The note is secured by a first mortgage on one parcel of the Property and a second mortgage on the other title as well as a general security agreement granting ACI security over all present and after acquired property of AHL.

Included in loans receivable are advances of $209,370 to AHL. The advances are unsecured, non-interest bearing and have no fixed terms of repayment.

The following table summarizes the financial information of AHL:

(a) Statement of Financial Position:

	March 31, 2017	June 30, 2016
	US$	US$
Cash and cash equivalents	10,637	7,203
Other current assets	500	500
Total current assets	11,137	7,703
Property, plant and equipment	2,300,000	2,300,000
Total assets (100%)	2,311,137	2,307,703

(In Canadian Dollars)

10. Investment in a Joint Venture (Continued)

	March 31, 2017	June 30, 2016
	US$	US$
Total current liabilities	173,566	82,766
Long term loans	2,415,475	2,378,336
Total equity	(277,904)	(153,399)
Total liabilities and equity (100%)	2,311,137	2,307,703

(b) Statement of Loss and Comprehensive Loss:

Net loss and comprehensive loss (100%)	124,505	122,260

11. Acquisition of CanvasRx

On August 17, 2016, the Company completed the acquisition of all of the issued and outstanding shares of CanvasRx pursuant to a Share Purchase Agreement (the "Agreement") dated August 9, 2016, as amended and restated on August 16, 2016 (the "Acquisition"). CanvasRx is a counseling and outreach service provider with over 19 physical locations in the provinces of Ontario and Alberta, Canada.

The transaction was accounted for as a business combination. In consideration of the Acquisition, the Company paid $1,575,000 on closing. In addition, the Company paid $1,575,000 and issued 17,875,000 common shares of the Company at a deemed price of $0.40 per share related to the achievement of two patient performance milestones. In addition, upon signing the Letter of Intent, the Company extended a loan to CanvasRx of $450,000 which subsequently formed part of the purchase consideration on closing of the Acquisition. Pursuant to the Agreement, the Company also paid $250,000 relating to certain transaction expenses of former CanvasRx's shareholders.

Pursuant to the Agreement, the Company may pay up to $26,750,000 upon achievement of future performance milestones related to new counseling rooms opened, patient accrual and revenue targets, over a period of three years from the date of closing (the "Earn Out payments"). This consideration may be satisfied, at the Company's sole discretion, in cash or common shares at a 15% discount to the market price at the date of issuance, unless the market price of the Company's share is $0.47 or below, at which point the consideration is convertible into a fixed number of shares. In any case, the issuance of the Company's shares should not result in former CanvasRx shareholders accumulating 50% or more of the Company's shares. If the Earn Out payments cannot be satisfied in cash and the issuance of shares would result in the former shareholders of CanvasRx accumulating 50% or more of the Company's shares, a convertible debenture will be issued.

On February 28, 2017, certain patient and counselling room performance milestones were met, and the Company paid $1,222,689 and issued 1,845,499 shares at a deemed price of $2.074 per share to the former shareholders of CanvasRx.

The shares issued above were accounted for at fair value at the dates of issuance.

The Company is indemnified from any tax liability arising from pre-acquisition transactions of CanvasRx through adjustments to the purchase consideration.

(In Canadian Dollars)

11. Acquisition of CanvasRx Inc. (Continued)

The purchase price was allocated as follows:

	$
Net liabilities acquired	(1,264,931)
Goodwill	16,104,931
Total purchase price	14,840,000

Fair values of the net liabilities acquired included the following:

	$
Sales tax receivable	38,592
Accounts receivable	212,793
Total assets	251,385
Bank indebtedness	18,421
Accounts payable and accrued liabilities	108,431
Deferred revenue	939,464
Loans payable	450,000
Total liabilities	1,516,316
Net liabilities acquired	(1,264,931)

Net cash outflow on the Acquisition is as follows:

	$
Cash consideration	3,400,000
Add: bank overdraft	18,421
Net cash outflow	3,418,421

Goodwill arose in the Acquisition as the cost of acquisition included amounts in relation to the benefit of expected revenue growth, future market development and access to equity markets. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for income tax purposes.

Acquisition related costs of $165,291 were excluded from the consideration transferred and were recognized as an expense in the current period.

Management continues to work on refinement of the estimate of the contingent consideration, and the related amounts are subject to change. The purchase price allocation relating to the acquisition is not yet finalized and the allocation of the price to the various assets acquired is subject to change.

(In Canadian Dollars)

12. Finance Lease

During the nine months ended March 31, 2017, the Company entered into finance lease agreements related to three production equipment transactions totaling $543,123, of which down payments of $168,943 were made. The finance leases are repayable over a period of 4 to 5 years expiring January 2021 and December 2021.

	March 31, 2017
	$
Less than 1 year	107,453
Between 1 and 4 years	370,998
Total minimum lease payments	478,451
Less: amount representing interest at approximately 8.19% to 20.26%	(111,544)
Present value of minimum lease payments	366,907
Less: current portion	(67,292)
	299,615

13. Short and Long Term Loans

Type of Loan		Interest per Annum	Maturity	March 31, 2017	June 30, 2016
				$	$
Short term					
Unsecured term loan	(a)	8%	Aug. 27, 2015	-	456,817
Unsecured loans from related parties	(b)&(e)	See below	See below	-	1,089,726
Secured mortgage loan	(c)	12%	October 1, 2016	-	1,655,657
Secured demand loan	(d)	19.5%	January 25, 2018 or on demand	-	2,845,208
				-	6,047,408
Long term					
Unsecured loans from related parties	(b)&(e)	See below	See below	-	3,158,569

(a) Prior to the RTO, the Company entered into a loan agreement dated June 27, 2014, as amended, in the principal amount of $500,000. In consideration for the loan, the Company issued 714,000 common shares (the "Shares") to the lender. A partial principal payment of $100,000 (prior to the RTO) was made towards the loan and the loan was extended to August 27, 2015.

On November 25, 2015, a claim was commenced by the lender in the Supreme Court of British Columbia seeking repayment of the loan plus interest, legal costs and other relief. The Shares were in dispute as the Company believed that it constituted interest and that the fair market value of the Shares was approximately equivalent to the outstanding balance of the loan. On December 2, 2015, the Company paid into court $89,494 pursuant to a November 27, 2015 garnishment order ("Garnished Funds").

On July 14, 2016, the parties agreed to settle and the Company paid the outstanding loan plus accrued interest of $458,919 and legal fees of $4,400. Included in this amount were the Garnished Funds released to the lender.

13. Short and Long Term Loans (Continued)

(b) The Company entered into unsecured promissory notes with companies controlled by the CEO and the President of the Company dated April 1, 2015, as amended, in the principal amount of $2,500,000. Previously, the loans bore interest at 8% per annum, compounded annually, and principal and accrued interest were due on demand on or before April 1, 2016.

On October 1, 2015, the terms of these loans were amended such that they mature on the later of: (i) the Company reporting two consecutive cash flow positive quarters; and (ii) August 1, 2016. No interest was to be paid on the loans until the Company reported a positive cash flow quarter and, at such time, the loans would bear interest at 4% per annum, compounded annually.

On February 1, 2016, the term of $1,000,000 of these loans was extended to expire on the later of: (i) the Company reporting two consecutive cash flow positive quarters; and (ii) August 1, 2017 ("Extended Loan"). As at June 30, 2016, included in reserves was a fair value adjustment of $278,925 with respect to the Extended Loan and the recognition of related party contribution related to the interest amendment using a market interest rate of 22%.

During the nine months ended March 31, 2017, the loans were repaid in full.

(c) On September 13, 2015, 1769474 entered into a mortgage financing (the "Mortgage") of $1,650,000 on its building and related improvements on approximately 154 acres of land located in Cremona, Alberta ("Mortgaged Property").

The Mortgage had an initial term of nine months, renewable every nine months at a renewal fee of 1.5% of the principal amount of the loan. The Mortgage bore interest at 12% per annum, compounded and payable monthly, and was secured by a first mortgage on the Mortgaged Property, a general security agreement and corporate guarantees.

During the nine months ended March 31, 2017, the Company paid interest of $148,500 (2016 - $50,246). The Mortgage was repaid in full on March 28, 2017.

(d) The Company entered into a secured demand loan agreement dated January 22, 2016 in the principal amount of $3,000,000. As consideration for the loan, the Company paid a structuring fee of $90,000 and legal and due diligence fees of $30,000. In addition, the Company issued 300,000 warrants to the lender exercisable into common shares of the Company at a price of $0.55 per share expiring January 25, 2020. The Company were to pay a top up fee if the fair value of the shares on any unexercised warrants was less than the exercise price (i) on the maturity date; and/or (ii) on completion of a successor entity or going private event.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the warrants were evaluated as a derivative in nature. The warrants were valued upon initial recognition at fair value using a Monte Carlo simulation. Subsequent to initial recognition, the derivative was re-measured at fair value at each reporting date. The warrants were initially valued at $105,526 and recorded as a derivative liability and debt issuance cost, amortized over the term of the loan. The warrant derivative was subsequently adjusted to fair value at June 30, 2016 of $98,444. During the nine months ended March 31, 2017, all of the warrants were exercised and $98,444 was reclassified from derivative liabilities to share capital on the exercise of these warrants.

In July 2016, the Company obtained an additional loan of $1,000,000. As consideration for the additional loan, the Company paid a structuring fee of $60,000 and an equity fee of 50,000 common shares at a fair value of $23,500. On closing, the Company paid legal and due diligence fees of $60,000.

13. Short and Long Term Loans (Continued)

During the nine months ended March 31, 2017, the Company paid interest of $259,701(2016 - $94,644). On September 28, 2016, the Company repaid the loan in full and paid early redemption penalty fees of $198,543.

(e) On June 26, 2015 and October 1, 2015, the Company entered into unsecured promissory notes, as amended, in the amounts of $2,018,000 and $982,000, respectively, with companies controlled by the CEO and the President of the Company. The loans mature on the later of: (i) the Company reporting two consecutive cash flow positive quarters; and (ii) August 1, 2016. No interest was to be paid on the loans until the Company reported a positive cash flow quarter and at such time, the loans would bear interest at 4% per annum, compounded annually. As at June 30, 2016, the Company recognized a related party contribution with respect to the interest free loan and recorded $210,269 in reserves using a market interest rate of 22%.

On December 1, 2015, the term of the loans was amended such that they mature on the later of: (i) the Company reporting two consecutive cash flow positive quarters; and (ii) August 1, 2017. Included in reserves as at June 30, 2016, was a fair value of adjustment of $913,963 related to the loan modification calculated at a market interest rate of 22% for the rest of the extended term.

During the nine months ended March 31, 2017, the loans were repaid in full.

14. Convertible Notes

(a) On November 1, 2016, the Company completed a brokered private placement of unsecured convertible debentures in the aggregate principal amount of $25,000,000. The debentures bear interest at 8% per annum, payable semi-annually and mature on November 1, 2018. The principal amount of the debentures is convertible into common shares of the Company at a price of $2.00 per share, at the option of the holder, subject to a forced conversion if the volume weighted average price of the Company's common shares equals or exceeds $3.00 per share for 10 consecutive trading days. On closing, the Company paid the Agent a commission of $1,000,000 and legal fees and expenses of $69,900.

During the nine months ended March 31, 2017, the Company paid interest of $526,488 and issued 1,004,500 common shares on the partial conversion of the debentures ($2,009,000 principal). Note 15(b)(iii)

(b) On September 28, 2016, the Company closed a brokered private placement of 10% unsecured convertible debentures in the aggregate principal amount of $15,000,000. The debentures were convertible into common shares of the Company at a price of $1.15 per share at any time until March 28, 2018, subject to a forced conversion if the volume weighted average price of the Company's common shares equals or exceeds $2.00 per share for 10 consecutive trading days. On closing, the Company paid the Agent a commission of $600,000 and legal fees and expenses of $37,700.

During the nine months ended March 31, 2017, the Company paid interest of $131,506 on the debentures.

On October 20, 2016, the Company elected to exercise its right and converted all of the principal amount of the debentures and accrued interest as the volume weighted average price of its common shares for 10 consecutive days equaled $2.15. The Company issued 13,110,184 common shares on the conversion of the debentures ($15,000,000 principal plus $76,712 interest) and paid interest of $54,794. Note 15(b)(iii)

(c) In May 2016, the Company completed a non-brokered private placement of 10% unsecured convertible debentures in the principal amount of $2,050,000. The debentures were convertible into common shares of the Company at a price of $0.53 per share for a period of 18 months.

14. Convertible Notes (Continued)

The Company paid to the subscriber (i) a bonus of $120,000 in convertible debentures ("Bonus Debentures") having the same terms as the debentures; and (ii) 200,000 common shares at a deemed price of $0.53 per share as an incentive fee. In addition, the Company paid an advisory fee of $164,000 and 309,434 compensation options at a fair value of $90,144. Each compensation option was exercisable into one common share and one-half of one share purchase warrant of the Company at an exercise price of $0.53 per share expiring two years from the date of issuance. Each whole warrant was exercisable into one additional common share of the Company at a price of $0.69 per share for a two-year period. In September 2016, all of the compensation options and warrants were exercised.

The fair value of the Compensation Options at the date of grant was estimated as $0.19 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.55%; Dividend yield - 0.00%; and Expected life - 2 years.

Within six months of closing of the Offering, if the Company issued common shares in connection with a financing or a business acquisition at a price that is 15% or more below the conversion price, the Company shall pay in cash or additional Debentures an amount equal to the difference between the conversion price and the financing or acquisition price ("Anti-Dilution Clause").

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the debentures are considered to contain an embedded derivative relating to the Anti-Dilution Clause. The Anti-Dilution Clause was measured at fair value upon initial recognition using a Monte Carlo simulation and was separated from the debt component of the debentures. The debt component of the debentures was measured upon initial recognition, based on the present value of the cash flows associated with the debentures. Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting date while the debt component is accreted to the face value of the debentures using the effective interest rate through periodic charges to finance expense over the term of the debentures.

On July 28, 2016, the Company reached an agreement with the debenture holders to amend certain aspects of the Anti-Dilution Clause. As consideration for the amendment, the Company reduced the conversion price from $0.53 to $0.40 per common share and issued an aggregate of 2,712,500 warrants at a fair value of $876,501 to the debenture holders. The warrants were exercisable into common shares of the Company at a price of $0.55 per common share expiring August 9, 2018. In December 2016, all of these warrants were exercised.

The fair value of the warrants at the date of grant was estimated as $0.32 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.49%; Dividend yield - 0.00%; and Expected life - 2 years.

In September 2016, the Company issued an aggregate of 5,674,542 shares on the conversion of the debentures (principal amount of $2,050,000 plus interest of $99,817) and Bonus Debentures of $120,000 (Note 15(b)(iii)). $217,000 was reclassified from derivative liabilities to share capital on the conversion of these debentures.

(In Canadian Dollars)

14. Convertible Notes (Continued)

(d) On August 29, 2014, the Company issued unsecured, non-interest bearing, 5-year term, convertible notes for aggregate gross proceeds of $1,500,000 to companies controlled by the CEO and the President of the Company. The notes were convertible into common shares of the Company at a price of $0.125 per share.

During the year ended June 30, 2015, the lenders assigned an aggregate of $1,009,000 of these notes (the "Assigned Notes") to arm's length parties and the Company issued an aggregate of 8,072,000 common shares on the conversion of the Assigned Notes. $375,438 was reclassified from reserves to share capital on the conversion of these notes.

During the year ended June 30, 2016, the lenders assigned the remaining $491,000 of the notes and 3,928,000 common shares were issued on conversion of the Assigned Notes. $171,089 was reclassified from reserves to share capital on the conversion of these notes.

(e) On November 24, 2014 and December 1, 2014, the Company issued secured convertible notes for $1,000,000 and $250,000, respectively. The notes had a term of one year and bear interest at a rate of 8% per annum, payable on conversion or maturity. The lenders could, at their option, convert all or any part of the outstanding amount of the notes into common shares of the Company at a price of $1.01 per share.

During the year ended June 30, 2016, the notes plus interest and expenses of $171,089 were repaid in full.

The liability component of the convertible debentures was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in convertible notes reserve as a separate component of shareholders' equity.

	Long term (a)	Long term (b)	Long term (c)	Long term (d)	Short term (e)
	$	$	$	$	$
Balance, June 30, 2015	-	-	-	274,008	1,291,192
Issued	-	-	2,170,000	-	-
Equity portion	-	-	(269,619)	-	-
Derivative liability	-	-	(217,000)	-	-
Conversion	-	-	-	(281,880)	-
Repayment	-	-	-	-	(1,359,349)
Financing fees	-	-	(437,613)	-	-
Accretion	-	-	34,719	7,872	18,151
Accrued interest	-	-	44	-	50,006
Balance, June 30, 2016	-	-	1,280,531	-	-
Issued	25,000,000	15,000,000	-	-	-
Equity portion	(5,622,148)	(2,282,110)	-	-	-
Conversion	(1,594,061)	(13,008,856)	(1,881,328)	-	-
Interest paid	(32,750)	(54,794)	(2,292)	-	-
Financing fees	(791,667)	-	437,613	-	-
Accretion	936,734	214,254	63,368	-	-
Accrued interest	526,488	131,506	102,108	-	-
Balance, March 31, 2017	18,422,596	-	-	-	-

15. Share Capital and Reserves

(a) Authorized

Unlimited number of common voting shares without par value;
Unlimited number of Class "A" Shares with a par value of $1.00 each; and
Unlimited number of Class "B" Shares with a par value of $5.00 each.

(b) Issued and outstanding

At March 31, 2017, there were 343,689,087 (June 30, 2016 - 135,576,365) issued and fully paid common shares.

On July 13, 2016, the Company entered into an agreement for a drawdown equity facility of up to $5,000,000 (the "Equity Facility"). Under the Equity Facility, the Company may sell, on a private placement basis, units of the Company of between $100,000 to $500,000 per tranche, at a discount of 25% to the market price or such lesser discounts as allowed by the Exchange, over a period of eighteen months. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a 25% premium to the market price for a period of 5 years from the date of issuance. To date, the Company has not drawn down on this Equity Facility.

(i) On February 28, 2017, the Company closed a brokered private placement of 33,337,500 units at a price of $2.25 per unit for gross proceeds of $75,009,375. Each unit consisted one common share and one-half of one common share purchase warrant of the Company. Each warrant is exercisable into one common share at an exercise price of $3.00 per share for a period of two years, subject to a forced exercise provision if the Company's volume weighted average share price equals or exceeds $4.50 for 10 consecutive trading days.

Total cash share issue costs amounted to $4,459,178 which consisted of underwriters' commissions of $4,196,812, underwriters' expenses of $94,919, legal fees of $102,680 and regulatory fees of $64,767. In addition, the Company issued an aggregate of 1,865,249 compensation warrants to the underwriters at a fair value of $3,192,879. The compensation warrants have the same terms as the private placement and expire February 28, 2019. The fair value of the compensation warrants at the date of grant was estimated at $1.14 per warrant based on the following weighted average assumptions: Stock price volatility - 82%; Risk-free interest rate - 0.71%; Dividend yield - 0.00%; and Expected life - 2 years.

(ii) On February 28, 2017, the Company issued 1,845,499 shares at a fair value of $4,706,022 to the former shareholders of CanvasRx on achievement of certain performance based milestones. (Note 11)

(iii) During the nine months ended March 31, 2017, an aggregate of 19,789,226 (June 30, 2016 - 3,928,000) common shares were issued on the conversion of $19,316,529 (June 30, 2016 - $491,000) convertible notes. $2,222,607 was reclassified from reserves to share capital on the conversion of these notes. Notes 14(a), 14(b) and 14(c)

(iv) On August 30, 2016, the Company issued 25,510 (June 30, 2016 - 22,728) common shares to an officer of the Company at a fair value of $12,500 (June 30, 2016 - $12,500) pursuant an employment agreement.

(v) On August 17, 2016, 17,875,000 common shares were issued at a fair value of $11,440,000 pursuant to the acquisition of CanvasRx. (Note 11)

15. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

(vi) In conjunction with the acquisition of CanvasRx, the Company completed a brokered private placement of 57,500,000 subscription receipts for aggregate gross proceeds of $23,000,000 (the "Offering"). Each subscription receipt was converted into units of the Company at a price of $0.40 per unit upon the satisfaction of the conditions precedent to the acquisition. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant was exercisable into one common share of the Company at an exercise price of $0.55 per share expiring August 9, 2018. A portion of the net proceeds from the Offering was used to satisfy the cash component of the acquisition.

Total cash share issue costs with respect to the Offering amounted to $1,804,009 which consisted of agent's commission of $1,472,550, agent's legal, advisory fees and expenses of $219,381, transfer agent fees of $15,989 and legal fees of $96,089. In addition, the Company issued aggregate compensation warrants of 3,775,000 to the agents at a fair value of $2,021,978. The compensation warrants have the same terms as the private placement and expire August 9, 2018. The fair value of the compensation warrants at the date of grant was estimated at $0.38 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.49%; Dividend yield - 0.00%; and Expected life - 2 years.

(vii) On August 17, 2016, 20,000,000 common shares were issued upon achievement of performance milestones pursuant to the RTO. The amount of $2,322,000 was reclassified from reserves to share capital on the issuance of these shares.

(viii) On July 14, 2016, 50,000 common shares were issued at a fair value of $23,500 for financing fees. Note 13(d)

(ix) During the nine months ended March 31, 2017, 1,432,872 stock options (June 30, 2016 - 2,975,829) were exercised for gross proceeds of $623,978 (June 30, 2016 - $160,899). Non-cash compensation charges of 458,143 (June 30, 2016 - $354,516) were reclassified from reserves to share capital on the exercise of these options.

(x) During the nine months ended March 31, 2017, 52,172,681 (June 30, 2016 - 564,000) warrants were exercised for gross proceeds of $25,111,605 (June 30, 2016 - $56,400). Non-cash compensation charges of $2,071,163 (June 30, 2016 - $nil) were reclassified from reserves to share capital on the exercise of these warrants.

(xi) During the nine months ended March 31, 2017, 4,084,434 (June 30, 2016 - Nil) compensation options/warrants were exercised for gross proceeds of $1,674,000 (June 30, 2016 - $Nil). Non-cash compensation charges of $1,408,082 (June 30, 2016 - $nil) were reclassified from reserves to share capital on the exercise of these compensation options/warrants.

(xii) During the year ended June 30, 2016, the Company issued an aggregate of 200,000 common shares at a fair value of $106,000 as incentive fees. Note 14(c)

(In Canadian Dollars)

15. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

(xiii) During the year ended June 30, 2016, the Company closed a non-brokered private placement consisting of 9,091,670 units at a price of $0.53 per unit for gross proceeds of $4,818,585. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase an additional common share of the company at a price of $0.66 per common share for a period of two years.

The Company paid finders' fees of $189,717 and issued finders' warrants of 158,920 at a fair value of $45,555. The warrants were exercisable into common shares of the Company at a price of $0.53 per share for a period of two years. The fair value of these warrants at the date of grant was estimated at $0.29 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.41%; Dividend yield - 0.00%; and Expected life - 2 years.

(c) Escrow securities

Pursuant to an escrow agreement dated September 18, 2014, 60,000,000 common shares of the Company were deposited into escrow with respect to the RTO. In addition, warrants at $0.02 per share expiring December 9, 2019 and stock options at $0.001 per share expiring December 1, 2019 were also subject to the escrow agreement.

Under the escrow agreement, 10% of the escrowed common shares were released from escrow on December 9, 2014, the date of closing of the RTO, and 15% are to be released every nine months thereafter over a period of 36 months. The common shares to be issued and deposited in escrow on the exercise of warrants and options will be subject to the same schedule of release.

A summary of the status of the escrowed securities outstanding follows:

	Shares	Stock Options	Warrants [1]
	#	#	#
Balance, June 30, 2015	47,887,500	2,400,000	9,000,00
Issued (Exercised)	2,400,000	(2,400,000)	-
Released	(20,475,000)	-	-
Balance, June 30, 2016	29,812,500	-	9,000,000
Issued (Exercised)	22,400,000	-	(8,000,000)
Forfeited	-	-	(1,000,000)
Released	(23,937,500)	-	-
Balance, March 31, 2017	28,275,000	-	-

[1] See Note 17(b)(i)

(d) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. A summary of the status of the options outstanding follows:

(In Canadian Dollars)

15. Share Capital and Reserves (Continued)

(d) Stock options (continued)

	Stock Options	Weighted Average Exercise Price
	#	$
Balance, June 30, 2015	4,504,000	0.17
Granted	4,877,500	0.39
Exercised	(2,975,829)	0.05
Forfeited	(1,095,837)	0.49
Balance, June 30, 2016	5,309,834	0.37
Granted	9,465,000	2.13
Exercised	(1,432,872)	0.44
Forfeited	(244,568)	0.74
Balance, March 31, 2017	13,097,394	1.64

The following table summarizes the stock options that remain outstanding as at March 31, 2017:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
$	#		#
0.15	144,000 [(1)]	October 29, 2017	144,000
0.295	350,000	June 2, 2020	350,000
0.295	125,000	August 26, 2020	-
0.30	240,000	August 10, 2020	65,000
0.30	595,009	August 14, 2020	229,175
0.30	350,000	September 1, 2020	175,000
0.30	150,000	September 8, 2018	61,111
0.30	12,500	September 8, 2018	12,500
0.34	141,000	May 23, 2020	78,500
0.40	350,000	March 10, 2019	350,000
0.46	900,000	May 20, 2021	-
0.55	80,000	February 8, 2021	53,333
0.58	300,000	March 14, 2021	175,000
0.66	350,000	August 8, 2021	58,333
1.30	1,209,885	September 23, 2021	443,217
2.18	350,000	October 12, 2021	87,500
2.25	2,800,000	August 25, 2021	1,106,667
2.56	2,100,000	January 19, 2022	-
2.62	50,000	February 24, 2022	-
2.27	2,500,000	March 22, 2022	-
	13,097,394		3,389,336

(1) These stock options were granted to two charitable organizations.

During the three and nine months ended March 31, 2017, the Company recorded aggregate share-based payments of $2,632,393 and $5,522,286 respectively (three and nine months ended March 31, 2016 - $111,266 and $709,308 respectively) for all stock options granted and vested during the period.

(In Canadian Dollars)

15. Share Capital and Reserves (Continued)

(d) Stock options (continued)

The fair value of stock options granted during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2017	2016
Risk-Free Annual Interest Rate	0.66%	0.53%
Annual Dividend Yield	0%	0%
Stock Price Volatility	87.0%	80.0%
Expected Life of Options	2.95 years	3.4 years
Forfeiture rate	5%	5%

The stock price volatility assumption was estimated using the historical volatility of the Company and other comparable companies which have trading and volatility histories. The risk-free interest rate assumption was based on Canadian government bonds with a remaining term equal to the expected life of the options.

The weighted average fair value of stock options granted during the nine months ended March 31, 2017 was $1.23 (2016 - $0.21) per option. As at March 31, 2017, stock options outstanding have a weighted average remaining contractual life of 4.27 years.

(e) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted average exercise price
	#	$
Balance, June 30, 2015	20,014,000	0.28
Issued	9,550,590	0.65
Exercised	(564,000)	0.10
Expired	(250,000)	1.01
Balance, June 30, 2016	28,750,590	0.40
Issued	50,173,466	1.36
Forfeited	(1,000,000)	0.02
Exercised	(52,172,681)	0.48
Balance, March 31, 2017	25,751,375	2.13

The following table summarizes the warrants that remain outstanding as at March 31, 2017:

Exercise Price	Warrants	Expiry Date
$	#	
0.50	2,960,000	December 9, 2017
0.55	62,500	July 27, 2018
0.55	6,060,125	August 9, 2018
3.00	16,668,750	February 28, 2019
	25,751,375	

(In Canadian Dollars)

15. Share Capital and Reserves (Continued)

(f) Compensation options/warrants

Each compensation option/warrant entitles the holder to purchase one common share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable into one additional common share of the Company for a period of two years. A summary of the status of the compensation options/warrants outstanding follows:

	Compensation options/warrants	Weighted average exercise price
	#	$
Balance, June 30, 2015	-	-
Issued	309,434	0.53
Exercised	-	-
Expired	-	-
Balance, June 30, 2016	309,434	0.53
Issued	5,640,249	1.01
Exercised	(4,084,434)	0.41
Balance, March 31, 2017	1,865,249	2.25

16. Related Party Transactions

(a) Goods and services

The Company incurred the following transactions with related parties during the three and nine months ended March 31, 2017:

	Three months ended March 31, 2017	Three months ended March 31, 2016	Nine months ended March 31, 2017	Nine months ended March 31, 2016
	$	$	$	$
Consulting fees paid or accrued to directors of ACE	52,500	75,000	158,750	225,000
Office, rent and administration paid or accrued to companies owned by directors and officers and a former director and officer of the Company	48,000	24,000	108,000	141,958
Operational, administrative and consulting fees paid or accrued pursuant to a service agreement between CanvasRx and a company having a director in common with the Company (under which the director has no direct financial interest in the transaction)	1,048,200	-	2,368,730	-
Consulting fees paid to a company owned by an officer of the Company	498,700	-	498,700	-
Professional fees paid or accrued to a former officer of the Company	-	-	-	3,102
	1,647,400	99,000	3,134,180	370,060

(In Canadian Dollars)

16. Related Party Transactions (Continued)

(b) Compensation of key management personnel

Key management includes the Company's directors, Chief Executive Officer, President, Chief Financial Officer and Vice-Presidents.

	Three months ended March 31, 2017	Three months ended March 31, 2016	Nine months ended March 31, 2017	Nine months ended March 31, 2016
	$	$	$	$
Management fees and wages	271,250	148,300	815,650	219,900
Directors' fees (1)	97,922	14,000	285,615	91,100
Share-based payments (2)	2,037,995	39,537	4,016,839	140,272
	2,407,167	201,837	5,118,104	451,272

(1) Include meeting fees and committee chair fees.

(2) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan. Note 15(d)

(c) Related party balances

The following related party amounts were included in (i) accounts payable and accrued liabilities, (ii) prepaid expenses and deposits, (iii) short term loans, (iv) long term loans and (v) note receivable:

	March 31, 2017	June 30, 2016
	$	$
(i) Companies controlled by directors and officers of the Company (1)	186,120	101,765
(i) Directors and officers and a former director and officer of the Company (1)	17,485	35,545
(ii) A company having a former director and officer in common	-	1,500
(iii) Companies controlled by directors and officers of the Company (Note 13(b))	-	1,089,726
(iv) Companies controlled by directors and officers of the Company (Notes 13(b) & 13(e))	-	3,158,569
(v) A 50% owned joint venture company (Note 10)	1,935,542	1,782,186

(1) The amounts are unsecured, non-interest bearing and have no specific repayment terms.

17. Commitments and Contingencies

(a) Office and operating leases

(i) 1769474 has an operating lease on lands located in Cremona, Alberta (the "Lands") for monthly rent payments of $5,000. The lease expires on November 14, 2019, with an option to extend for an additional five-year term. The Company has the option to purchase the Lands during the additional term.

(In Canadian Dollars)

17. Commitments and Contingencies (Continued)

(ii) The Company is committed under lease and sublease agreements with respect to two office premises located in Vancouver, British Columbia, expiring December 31, 2017 and June 30, 2020, and sublease agreements with respect to clinics located across Canada expiring between August 1, 2019 and December 1, 2021, as follows:

	$
2017	150,173
2018	524,566
2019	459,265
2020	415,003
2021	191,560
2022	22,682
	1,763,249

(b) Claims and litigation

(i) In December 2016, a claim was commenced against the Company regarding the 9,000,000 warrants at $0.02 per share issued to a consultant prior to the RTO. These warrants were issued conditional upon the warrant holder completing an equity financing for the Company. In January 2016, this claim was amended to include 3,000,000 performance warrants exercisable at $0.02 per share, issued pursuant to the RTO. These warrants were cancelled on April 21, 2016 as the funding milestones were not met ("Cancelled Warrants").

The parties agreed to settle pursuant to a Settlement Agreement and Mutual Release dated January 9, 2017 (the "Settlement"). Of the 9,000,000 warrants, 1,000,000 were cancelled and the remaining 8,000,000 warrants were allowed to be exercised by the Company subject to certain conditions, and the claim related to the Cancelled Warrants was dismissed.

(ii) The Company commenced a claim against a former director and officer of the Company and his associates relating to breach of contract, abuse of process and unreimbursed expenses. The former director and associates filed various counterclaims against the Company.

Pursuant to the Settlement (Note 17(b)(i)), the parties agreed to mutually release each of the other parties from all claims and counterclaims.

(iii) A certain claim in small claims court was brought against the Company with respect to certain fees and expenses in the aggregate amount of approximately $25,000. On January 19, 2017, the court ruled in favor of the Company and dismissed the claim in its entirety.

In January 2017, the Company settled all of the above claims. As of the date hereof, management is not aware of any material claims or possible claims against the Company.

(In Canadian Dollars)

18. Segmented Information

The Company operates in two segments, the production and sale of medical cannabis and patient counselling and outreach service.

	Medical Cannabis	Patient Counselling	Total
	$	$	$
Three months ended March 31, 2017			
Revenues	4,336,434	838,870	5,175,304
Gross profit	4,963,953	798,671	5,762,624
Loss from operations	(1,578,168)	(254,914)	(1,833,082)
Net income (loss)	395,805	(256,971)	138,834
Nine months ended March 31, 2017			
Revenues	10,294,964	1,836,224	12,131,188
Gross profit	8,413,224	1,796,025	10,209,249
Loss from operations	(6,811,028)	(672,971)	(7,483,999)
Net income (loss)	(7,471,674)	(680,102)	(8,151,776)
March 31, 2017			
Total assets	196,148,581	916,579	197,065,160
Total liabilities	34,798,896	643,236	35,442,132

During the three and nine months ended March 31, 2016, the Company's operations consisted of the production and sale of medical cannabis.

All of the Company's assets are located in Canada. All revenues are generated in Canada.

19. Subsequent Events

The following events occurred subsequent to March 31, 2017:

(a) On May 2, 2017, the Company completed its bought deal private placement of senior unsecured convertible debentures (the "Offering") in the aggregate principal amount of $75,000,000. The debentures bear interest at 7% per annum, payable semi-annually and mature on May 2, 2019. The debentures are convertible into common shares of the Company at a price of $3.29 per share, at the option of the holder, subject to a forced conversion if the volume weighted average price of the Company's common shares exceeds $4.94 per share for 10 consecutive trading days. Furthermore, and in connection with the Offering, certain holders have agreed to convert $17,500,000 of outstanding convertible debentures bearing interest at 8% per annum, into approximately 8,750,000 additional common shares.

(b) On April 25, 2017, the Company subscribed on the initial public offering ("IPO") of Cann Group Limited ("Cann") on the Australian Stock Exchange for 21,562,314 fully paid ordinary shares at a price of A$0.30 per share for a total investment of A$6,468,694. Cann was issued Australia's first cannabis research and cultivation license which permits the cultivation of medicinal cannabis for research purposes. Cann has also obtained the necessary medicinal cannabis license to undertake the cultivation of cannabis plants for the supply of cannabis or cannabis resin for medicinal purposes, subject to Cann obtaining one or more necessary related medicinal cannabis permits.

19. Subsequent Events (Continued)

(c) On April 4, 2017, the Company completed the acquisition of Peloton Pharmaceuticals Inc. ("Peloton"), a late-stage ACMPR applicant, out of bankruptcy protection as approved by Peloton's creditors. Peloton is completing construction of a 40,000-square foot cannabis production facility in Pointe Claire, Quebec, which received a ready-to-build letter from Health Canada in 2014. Under the terms of the acquisition, during the three months ended March 31, 2017, the Company delivered to the Trustee a total cash investment pool of $7,000,175 for potential distribution to the creditors subject to: (i) the creditors' election to receive payments in cash, shares or a combination thereof; and (ii) post-closing adjustments.

On closing, the Trustee distributed to the creditors from the cash investment pool an aggregate of $4,608,156 and the Company issued to the creditors an aggregate of 899,225 common shares at a fair value of $2,390,841. In addition, the Trustee paid out from the cash investment pool acquisition costs consisting of legal fees of $519,935, receiver and trustee fees of $406,732 and trustee and other expenses of $499,902.

(d) The Company granted an aggregate of 2,705,000 options to officers and employees of the Company at an exercise price of $2.49 per share expiring May 11, 2022. The options vest over a period of up to 48 months.

(e) 182,998 common shares were issued on the exercise of 182,998 options for gross proceeds of $54,597.

(f) 1,263,000 common shares were issued on the exercise of 1,263,000 warrants for gross proceeds of $664,650.