Condensed Interim Consolidated Financial Statements

Canada House Wellness Group Inc.

For the Three and Nine Months Ended January 31, 2017 and 2016

Unaudited

INDEX

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements have been prepared by the Company's management and the Company's independent auditors have not performed a review of these financial statements.

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Financial Position
Unaudited - See Notice to Reader
Stated in Canadian Dollars

	January 31, 2017	April 30, 2016 (Audited)
Assets		
Current Assets		
Cash	$ 1,909,854	$ 40,763
Accounts receivable	1,558,527	897,055
Inventory	40,903	-
Prepaid expenses and deposits	171,808	51,642
Due from related company (note 7)	72,143	-
Other receivable	11,300	-
Current portion of loan receivable (note 8)	10,000	-
	3,774,535	989,460
Loan Receivable (note 8)	20,000	-
Property and Equipment (note 10)	3,309,250	166,654
Goodwill (note 2)	3,963,252	-
	$ 11,067,037	$ 1,156,114
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,827,500	$ 470,381
Sales taxes payable	161,854	-
Convertible promissory notes (note 14)	137,500	-
Short-term advances from related party (note 9)	89,630	-
Due to shareholders (note 11)	115,464	38,035
Income taxes payable	143,495	103,873
Current portion of long term debt (note 16)	99,128	259,736
Convertible debentures (note 15)	764,127	-
	4,338,698	872,025
Deferred Income Tax Liability	163,252	11,504
Long-term Debt (note 16)	52,748	58,275
Deferred Lease Inducement (note 12)	8,753	-
Purchase Consideration Payable (note 2)	4,000,000	-
	8,563,451	941,804
Shareholders' Equity		
Share Capital (note 17)	19,012,601	98
Contributed Surplus (notes 18 and 19)	4,279,419	-
Equity Component of Convertible Debentures Notes (note 15)	165,271	-
Deficit	(20,953,705)	214,212
	2,503,586	214,310
	$ 11,067,037	$ 1,156,114

Basis of Presentation and Going Concern (note 3)
Subsequent Events (note 23)
The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors

Signed "Larry Bortles", Director   Signed "Scott Purdy", Director

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended January 31, 2017 and 2016
Unaudited - See Notice to Reader
Stated in Canadian Dollars

	Three Months Ended		Nine Months Ended	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Revenue	$ 1,714,355	$ 630,387	$ 4,996,072	$ 1,513,021
Expenses				
Advertising and promotion	223,214	88,462	544,585	205,753
Amortization of property and equipment	46,611	10,477	75,366	31,431
Abandoned business acquisition costs	-	-	-	-
Bad debts	20,707	-	40,707	-
Bank charges and interest	27,341	12,584	33,093	14,794
Insurance	43,806	7,105	59,938	13,489
Interest on long-term debt (note 16)	2,907	2,917	7,060	9,600
Interest on late payments	1,044	151	6,449	234
Interest on convertible and promissory notes (notes 13 and 14)	33,052	-	33,052	-
Interest on related party debt	(472)	-	(472)	-
Interest accretion (note 15)	32,691	-	32,691	-
Listing and filing fees	70,297	-	70,297	-
Memberships and licenses	181,436	41,258	403,710	111,465
Rental (note 21)	255,492	42,775	413,769	105,465
Repairs and maintenance	33,301	21,322	66,060	49,158
Office and general	53,005	22,930	178,211	65,703
Other operating expenses	(34,075)	5,897	95,670	37,574
Professional fees (note 21)	321,207	39,622	603,270	106,908
Salaries, wages and commissions	1,014,438	107,237	2,247,047	269,511
Share based compensation (note 19)	399,059	-	399,059	-
Subcontractors	141,360	9,795	258,423	36,823
Supplies and utilities	42,880	11,050	96,482	31,619
Transaction costs (note 2)	20,369,745	-	20,369,745	-
Travel	204,545	54,081	394,145	110,085
less: interest income	(8,847)	-	(8,847)	-
less: gain on settlement of debt	(342,467)	-	(342,467)	-
	23,132,277	477,663	26,077,043	1,199,612
Loss before Income Taxes	(21,417,922)	152,724	(21,080,971)	313,409
Provision for Income Taxes - current	-	-	17,496	-
Provision for Income Taxes - future	(34,577)	-	69,450	-
Loss and Comprehensive Loss for the period	$ (21,383,345)	$ 152,724	$ (21,167,917)	$ 313,409
Loss per Share - basic and diluted	$ (0.19)	$ 1,542.67	$ (0.58)	$ 3,134.09
Weighted Average Number of Common Shares Outstanding - basic and diluted	109,922,460	99	36,640,885	100

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

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three and Nine Months Ended January 31, 2017 and 2016
Unaudited - See Notice to Reader
Stated in Canadian Dollars

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total Equity (Deficit)
Opening balance as at April 30, 2015	98	$ 98	$ -	$ -	$ 214,212	$ 214,310
Common shares issued to pre-transaction shareholders of the Company pursuant to the Transaction (note 2)	45,110,242	12,416,341	-	-	-	12,416,341
Additional common shares issued to pre-transaction shareholders of MFT pursuant to the Transaction (note 2)	49,665,266	-	-	-	-	-
Common shares issued to pre-transaction shareholders of TLP pursuant to the Transaction (note 2)	14,607,460	3,651,865	-	-	-	3,651,865
Common shares cancelled in connection with the Transaction (note 17f)	(12,000,000)	-	-	-	-	-
Common shares and warrants issued pursuant to Financing (notes 17b and 18a)	19,001,000	2,781,673	1,968,327	-	-	4,750,000
Common shares issued pursuant to debt settlements (note 17c)	688,833	343,420	-	-	-	343,420
Allocation of convertible debenture proceeds (note 15)	-	-	65,178	205,122	-	270,300
Common shares issued pursuant to the exercise of warrants (note 17e)	100,000	73,500	(36,000)	-	-	37,500
Common shares issued pursuant to the conversion of promissory notes (note 17d)	1,625,958	264,024	-	-	-	264,024
Issuance costs (note 17b)	-	(518,320)	(379,399)	(39,851)	-	(937,570)
Agent warrants issued in connection with the Financing (note 18d)	-	-	577,240	-	-	577,240
Warrants issued in connection with the Transaction (note 18c)	-	-	1,685,014	-	-	1,685,014
Share-based compensation (note 19)	-	-	399,059	-	-	399,059
Net loss for the period	-	-	-	-	(21,167,917)	(21,167,917)
Balance as at January 31, 2017 (note 17)	118,798,857	$ 19,012,601	$ 4,279,419	$ 165,271	$ (20,953,705)	$ 2,503,586

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Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three and Nine Months Ended January 31, 2017 and 2016
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Stated in Canadian Dollars

	Number of Common Shares	Issued Capital	Contributed Surplus	Equity Component of Convertible Promissory Notes	Deficit	Total Equity
Opening balance as at April 30, 2015	100	$ 100	$ -	$ -	$ (61,146)	$ (61,046)
Repurchase of common shares	(2)	(2)	-	-	(29,998)	(30,000)
Net income and comprehensive income for the period	-	-	-	-	313,409	313,409
Balance as at January 31, 2016	98	$ 98	$ -	$ -	$ 222,265	$ 222,363

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Canada House Wellness Group Inc.

Condensed Interim Consolidated Cash Flow Statements
For the Three and Nine Months Ended January 31, 2017 and 2016
Unaudited - See Notice to Reader
Stated in Canadian Dollars

	Three Months Ended		Nine Months Ended	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Operating Activities				
Net loss for the period	$ (21,383,345)	$ 152,724	$ (21,167,917)	$ 313,409
Items not affecting cash flows from operations:				
Transaction costs	20,369,745	-	20,369,745	-
Interest on convertible and promissory notes	33,052	-	33,052	-
Items not involving cash:				
Amortization of property and equipment	46,611	10,477	75,366	31,431
Stock-based compensation	399,059	-	399,059	-
Deferred lease inducement	(1,142)	-	(1,142)	-
Interest accretion	32,691	-	32,691	-
Deferred income taxes	-	-	17,496	-
Gain on settlement of debt	(314,770)	-	(314,770)	-
	(818,099)	163,201	(556,420)	344,840
Net changes in non-cash working capital (note 20)	(913,243)	89,746	(592,498)	27,865
	(1,731,342)	252,947	(1,148,918)	372,705
Investing Activities				
Consideration paid pursuant to Transaction	(250,000)	-	(250,000)	-
Property and equipment	(1,198,402)	(74,459)	(1,395,773)	(97,296)
Loan receivable	-	-	(30,000)	-
	(1,448,402)	(74,459)	(1,675,773)	(97,296)
Financing Activities				
Issuance of Equity Units	4,750,000	-	4,750,000	-
Issuance of Convertible Debenture Units	1,275,000	-	1,275,000	-
Issuance costs	(536,694)	-	(536,694)	-
Promissory notes	(200,000)	-	(200,000)	-
Exercise of warrants	37,500	-	37,500	-
Short-term advances	(16,700)	-	(16,700)	-
Convertible promissory notes	(137,500)	-	(137,500)	-
Long-term debt	(37,014)	(22,493)	(166,135)	(127,015)
Short-term advances to/ from related party	(102,143)	-	(102,143)	-
Due to shareholders	(92,348)	(21,712)	(91,758)	(66,822)
Interest on convertible and promissory notes	(33,052)	-	(33,052)	-
Cash acquired upon completion of Transaction	31,189	-	31,189	-
Transaction costs	(115,925)	-	(115,925)	-
Redemption of common shares	-	(30,000)	-	(30,000)
	4,822,313	(74,205)	4,693,782	(223,837)
Change in cash	1,642,569	104,283	1,869,091	51,572
Cash - beginning of period	267,285	279,637	40,763	332,348
Cash - end of period	$ 1,909,854	$ 383,920	$ 1,909,854	$ 383,920

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

Stated in Canadian Dollars

1. Nature of Operations

Canada House Wellness Group Inc. (the "Company"), was incorporated September 29, 1982 under the Company Act of the Province of British Columbia and is listed on the Canadian Securities Exchange under the symbol "CHV". These condensed interim consolidated financial statements of the Company for the thee and nine months ended January 31, 2017, comprise the results of the Company and its wholly-owned subsidiaries Abba Medix Corp. ("Abba"), 672800 NB Inc. doing business as Marijuana for Trauma ("MFT"), The Longevity Project Corp ("TLP"). and its wholly owned subsidiary Ananda Clinics Inc. ("Ananda"). Abba has applied to Health Canada for a license to produce medical marijuana under the Marihuana for Medical Purposes Regulations ("MMPR"). There is no assurance that any prospective project in the medical marijuana industry will be successfully initiated or completed. The registered office is located at 1773 Bayly Street, Pickering, Ontario.

2. Business Acquisition

On June 15, 2016, the shareholders of the Company entered into a Share Exchange Agreement (the "Agreement") with the shareholders of MFT and TLP (together the "Target Shareholders") to exchange a sufficient amount of shares of the Company for all of the issued and outstanding shares of MFT and TLP (the "Transaction"), such that immediately following the completion of the Transaction on November 7, 2016, approximately 66% of all of Company's issued and outstanding shares were owned by the Target Shareholders. In connection with the Transaction, the Company effected a consolidation of their common shares such that each one and one-half pre-consolidation common shares became one post-consolidation common share in the resulting issuer (the "Share Consolidation").

i) Acquisition of TLP

Upon completion of the Transaction, the former shareholders of TLP controlled 15% of the issued and outstanding common shares of the Company. The Agreement also includes an Earn-Out payment of an aggregate amount of $2,000,000, of which the former shareholders of TLP are entitled to 22.73% ($454,600). The timing of the payment of the Earn-Out payment by the Company to the former shareholders of TLP, is dependent on MFT and TLP (collectively the "Target Business") meeting specific EBITDA performance targets at certain milestones, but will be paid in full by the third anniversary of the Transaction. For accounting purposes, the Company has been identified as the acquirer and TLP the acquired company, and this transaction has been accounted for as a business combination. As such, TLP's balances are accounted for at fair value, with the balance of the purchase price in excess of the fair value of the acquired assets and liabilities of TLP accounted for as goodwill. TLP's historical share capital and retained earnings have been eliminated.

The allocation of the consideration transferred is as follows:

14,607,460 shares at a price of $0.25 per share	$ 3,651,865
Earn-Out payment	454,600
Total consideration transferred	4,106,465
Net assets of TLP acquired	143,213
Goodwill	$ 3,963,252

Stated in Canadian Dollars

2. Business Acquisition (continued)

ii) Acquisition of MFT

Upon completion of the Transaction, the former shareholders of MFT controlled 51% of the issued and outstanding common shares of the Company. The Agreement also includes a cash payment of $250,000 on close of the Transaction, an Earn-Out payment of an aggregate amount of $2,000,000, of which the former shareholders of MFT are entitled to 77.27% ($1,545,400), and a Bonus Earn-Out payment of $2,000,000 payable to the former shareholders of MFT. The timing of the payment of the Earn-Out and Bonus Earn-Out payments by the Company to the former shareholders of TLP, are dependent on the Target Business meeting specific EBITDA performance targets at certain milestones, but will be paid in full by the third anniversary of the Transaction. For accounting purposes, MFT is the deemed acquirer and the Company the deemed acquired company, and accordingly, MFT's balances are accounted for at cost and the Company's balances are accounted for at fair value. Since the Company's operations do not constitute a business, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the Company's share capital, deficit, contributed surplus and equity component of convertible promissory notes payable have been eliminated, the consideration transferred by the Company will be allocated to share capital, and the transaction costs will be expensed.

The allocation of the consideration transferred is as follows:

49,665,364 shares at a price of $0.25 per share	$ 12,416,341
Cash payment on close of the Transaction	250,000
Earn-Out payment	1,545,400
Bonus Earn-Out payment	2,000,000
Total consideration transferred	16,211,741
Net assets (liabilities) of the Company acquired	(2,042,147)
Transaction costs	$ 18,253,888

The acquisition-date fair value of the consideration transferred by the Company for its interest in MFT is based on the number of equity interests MFT would have had to issue to give the owners of the Company the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated in that way is used as the fair value of consideration transferred in exchange for MFT. An adjustment has been booked to adjust the fair market value of the Company's equity interest in MFT accordingly.

During the nine month period ended January 31, 2017, the Company incurred professional fees of $65,967 in connection with the Transaction that have been expensed as transaction costs on the statement of loss and comprehensive loss. Upon close of the transaction, the Company issued 15,000,000 warrants to a an officer and director, a director and a consultant. The warrants vest as to one third on the grant date, one third on the first anniversary of the Transaction and one third on the second anniversary of the grant date. The fair value of the warrants will be recognized as a transaction cost expense over the vesting period. As such, $1,685,014 has been expensed as transaction costs on the statement of loss and comprehensive loss for the three and nine months ended January 31, 2017.

3. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2016, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited financial statements for the year ended April 30, 2017. These condensed interim consolidated financial statements have not been subject to audit and were approved by the Company's Board of Directors on April 3, 2017.

The comparative figures presented throughout these condensed interim financial statements are the historical results of MFT.

b) Basis of Presentation

The condensed interim consolidated financial statements, presented in Canadian Dollars, have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value.

c) Basis of Consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Abba, MFT, TLP and Ananda.

The financial statements of subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date control ceases. The subsidiaries are controlled by the Company, as the Company is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries by way of its ownership of all of the issued and outstanding common shares of the subsidiaries.

The functional currency of the Company and its subsidiaries is the Canadian Dollar, which is the presentation currency of the condensed interim consolidated financial statements.

Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing the condensed interim consolidated financial statements.

3. Basis of Presentation and Going Concern (continued)

d) Going Concern

These condensed interim consolidated financial statements are prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future.

The Company's ability to continue as a going concern is dependent upon, but not limited to, generating positive cash flows from operations, obtaining a licence to produce medical marijuana under the MMPR, and its ability to raise financing necessary to discharge its liabilities as they become due. To date the Company has not obtained its license to produce medical marijuana under the MMPR, and has not generated revenue from operations. During the nine month period ended January 31, 2017, the Company incurred a net loss of $21,167,917 (2015 - net income of $315,949) and as of that date, the Company's deficit was $20,953,705 (April 30, 2016 - retained earnings of $214,212). As at January 31, 2017, the Company has current assets of $3,774,535 (April 30, 2016 - $989,460) and current liabilities of $4,338,698 (April 30, 2016 - $872,025) resulting in a working capital deficiency of $564,163 (April 30, 2016 working capital - $117,435).

These conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern in the foreseeable future. These condensed interim consolidated financial statements do not give effect to adjustments that may be necessary, should the Company be unable to continue as a going concern. If the going concern assumption is not used then the adjustments required to report the Company's assets and liabilities at liquidation values could be material to these condensed interim consolidated financial statements.

4. Significant Accounting Policies

The accounting policies are consistent with those of the Company's audited consolidated financial statements for the year ended July 31, 2016, and the audited financial statements of MFT for the year ended April 30, 2016, with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which are applicable for annual periods beginning on or after January 1, 2016.

5. Future Accounting Pronouncements

FRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

IFRS 16 Leases was issued in January 2016 and replaces IAS 17 Leases. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied.

In January 2016, the IASB issued the disclosure initiative amendments to IAS 7, statement of Cash Flow. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash and non-cash changes.

The Company has not yet completed its evaluations of the effect of adopting the above standards and amendment and the impact it may have on its condensed interim consolidated financial statements.

Stated in Canadian Dollars

6. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments, estimates and assumptions include those related to the ability of the Company to continue as a going concern, the valuation of deferred taxes, impairment of its financial and non-financial assets, evaluation of contingencies, the evaluation of indicators of impairment as they pertain to goodwill, the fair value of convertible debentures and promissory notes, inputs used in accounting for share-based payment transactions and in the valuation of options and warrants included in shareholders' equity, including volatility, the fair value of financial instruments and the determination of the discount rate used to estimate the fair value of the liability component of convertible promissory notes.

Management has determined that judgments, estimates and assumptions reflected in these condensed interim consolidated financial statements are reasonable.

7. Due from Related Company

The amount due from a related company is non-interest bearing, unsecured, and had no specific terms of repayment. The transaction was measured at fair value. The Company and the related company have shareholders in common.

8. Loan Receivable

Loan receivable consists of the following as at January 31, 2017 and April 30, 2016:

	January 31, 2017	April 30, 2016
Mary Jane Vapes Inc.	$ 30,000	$ -
Less: current portion	(10,000)	-
	$ 20,000	$ -

On June 21, 2016, the Company loaned $30,000 to Mary Jane Vapes Inc. for the purpose of enabling it to open a location in Oromocto, New Brunswick, and to allow the two companies to cross-sell their products. Mary Jane Vapes Inc. is a related corporation as the shareholders of the Company are also significant shareholders of Mary Jane Vapes Inc,. The loan is unsecured, no-interest bearing and is repayable annually at $10,000 per year and is due on June 21, 2019.

9. Short-term Advances from Related Party

The short-term advances from a related party bear interest at 6% per annum compounded monthly, are unsecured, and have no specific terms of repayment. All transactions are measured at fair value. The related party is the Company's former Chief Executive Officer. Subsequent to January 31, 2017, the advances were repaid in full.

Stated in Canadian Dollars

10. Property and Equipment

As at January 31, 2017	Leasehold Improvements	Security Equipment	Computer Equipment	Computer Software	Manufacturing Equipment	Furniture and Equipment	Vehicles	Building	Land	Total
Cost										
Balance, beginning of period	$ 30,372	$ -	$ 19,566	$ 34,155	$ -	$ 69,120	$ 71,854	$ -	$ -	$ 225,067
Additions	1,446,243	214,279	52,694	227,087	186,127	347,212	23,969	255,000	465,351	3,217,962
Balance, end of period	1,476,615	214,279	72,260	261,242	186,127	416,332	95,823	255,000	465,351	3,443,029
Accumulated depreciation										
Balance, beginning of period	6,442	-	6,242	7,493	-	11,940	26,296	-	-	58,413
Depreciation	16,252	14,285	9,267	5,665	-	19,087	9,310	1,500	-	75,366
Balance, end of period	22,694	14,285	15,509	13,158	-	31,027	35,606	1,500	-	133,779
Net carrying amount as at January 31, 2017	$ 1,453,921	$ 199,994	$ 56,751	$ 248,084	$ 186,127	$ 385,305	$ 60,217	$ 253,500	$ 465,351	$ 3,309,250

As at April 30, 2016	Leasehold Improvements	Security Equipment	Computer Equipment	Computer Software	Manufacturing Equipment	Furniture and Equipment	Vehicles	Building	Land	Total
Cost										
Balance, beginning of period	$ 27,671	$ -	$ 10,100	$ -	$ -	$ 36,771	$ 60,854	$ -	$ -	$ 135,396
Additions	29,767	-	9,466	34,155	-	32,349	11,000	-	-	116,737
Disposals	(27,066)	-	-	-	-	-	-	-	-	(27,066)
Balance, end of period	30,372	-	19,566	34,155	-	69,120	71,854	-	-	225,067
Accumulated depreciation										
Balance, beginning of period	4,177	-	2,119	-	-	6,495	9,128	-	-	21,919
Depreciation	7,678	-	4,123	7,493	-	5,445	17,168	-	-	41,907
Depreciation	(5,413)	-	-	-	-	-	-	-	-	(5,413)
Balance, end of period	6,442	-	6,242	7,493	-	11,940	26,296	-	-	58,413
Net carrying amount as at As at April 30, 2016	$ 23,930	$ -	$ 13,324	$ 26,662	$ -	$ 57,180	$ 45,558	$ -	$ -	$ 166,654

11. Due to Shareholders

The amounts due to shareholders are non-interest bearing, unsecured, and have no specific terms of repayment.

12. Lease Inducements

Upon signing two leases, the Company received lease inducements including certain rent-free periods. These lease inducements are being amortized to rent expense on a straight-line basis over the term of the leases. The leases will expire on January 31, 2019.

13. Promissory Notes

During the year ended July 31, 2015, the Company issued the following unsecured promissory notes:

a) Principal of $200,000 with interest accrued at a rate of 2.5% per annum, with principal and interest due and payable on the earlier of: (i) upon demand by the Lender at any time after the Company closes its next round of private placement equity financing; and June 7, 2015, the date which is sixty days following the date of the promissory note. This promissory note was repaid in full during the period ended January 13, 2017.

b) Principal of $160,000 with interest accrued at a rate of 2.5% per annum, with principal and interest due and payable on the earlier of: (i) upon demand by the Lender at any time after the Company closes its next round of private placement equity financing; and June 1, 2015, the date which is sixty days following the date of the promissory note.

c) Principal of $90,000 with interest accrued at a rate of 2.5% per annum, with principal and interest due and payable on the earlier of: (i) upon demand by the Lender at any time after the Company closes its next round of private placement equity financing; and June 1, 2015, the date which is sixty days following the date of the promissory note.

During the period ended January 31, 2017, the Company entered into a debt settlement agreement with the holder of the $160,000 and $90,000 promissory notes, pursuant to which the Company issued 322,581 common shares as settlement of the two promissory notes and another short-term advance payable to the same party in the amount of $43,000. The Company recognized a gain on the settlement of debt of $115,580, which represents the difference between the fair value of the shares of $177,420 and the aggregate carrying amount of the debt of $293,000.

Stated in Canadian Dollars

14. Convertible Promissory Notes

During the year ended July 31, 2015, the Company issued the following unsecured convertible promissory notes:

a) Principal of $250,000 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts shall be due and payable on August 4, 2015. As of the date of these financial statements the principal of this convertible promissory note was still outstanding. During the period ended January 31, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $125,000 during the period ended January 31, 2017 with a further $125,000 due on or before February 28, 2017. In addition, the Company has committed to issuing 281,106 common shares of the Company in full satisfaction of the outstanding principal and accrued interest of $87,419. Subsequent to January 31, 2017, the final payment of $125,000 was made and the common shares were issued.

b) Principal of $25,000 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts shall be due and payable on August 4, 2015. As of the date of these financial statements the principal of this convertible promissory note was still outstanding. As at April 30, 2016, accounts payable and accrued liabilities included $2,500 of accrued interest related to this convertible promissory note. During the period ended January 31, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $12,500 during the period ended January 31, 2017 with a further $12,500 due on or before February 28, 2017. In addition, the Company has committed to issuing 140,611 common shares of the Company in full satisfaction of the outstanding principal and accrued interest of $8,742. Subsequent to January 31, 2017, the final payment of $12,500 was made and the common shares were issued.

c) Principal of $25,000 with interest at a rate of 2% per month due and payable on a monthly basis beginning 30 days from the effective date until the maturity date of August 4, 2015. The outstanding principal amounts shall be due and payable on August 4, 2015. During the period ended January 31, 2017, the promissory note and accrued interest was paid in full.

The aggregate carrying value of the convertible promissory notes as at January 31, 2017 is calculated as follows:

Balance as at April 30, 2016	$ 300,000
Less: principal repayments	(162,500)
Balance, January 31, 2017	$ 137,500

Stated in Canadian Dollars

15. Convertible Debentures

During the nine month period ended January 31, 2017, the Company issued 1,275 Debenture Units for gross proceeds of $1,275,000. Each Convertible Debenture Unit is comprised of one 8.5% secured debenture with a principal amount of $1,000 and a Maturity Date of November 7, 2020, and 1,000 Convertible Debenture Warrants (a "CD Warrant") which entitles the holder thereof to acquire one common share for an exercise price of $0.40 per share for the initial 24 months following the grant date; at an exercise price of $0.75 from 24 months to 36 months following the grant date; and at an exercise price of $1.00 from 36 months to 48 months following the grant date. Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company at any time prior to the Maturity Date at a conversion price of $0.40 per share, being a ratio of 2,500 shares per $1,000 principal amount of Convertible Debentures. The Company has allocated the proceeds from the issuance of the Convertible Debenture Units as follows:

Convertible debentures, principal	$ 907,800
Fair value of conversion option	205,122
Deferred income tax liability	96,900
Fair value of CD Warrant	65,178
	$ 1,275,000

The fair value of the CD warrants of $65,178 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	2 years
Expected volatility	187%

The aggregate carrying value of the convertible debentures as at January 31, 2017 is calculated as follows:

Principal balance	$ 1,275,000
Less: fair value of conversion option	(205,122)
Less: fair value of CD Warrants	(65,178)
Less: deferred tax liability	(96,900)
Less: issuance costs	(176,364)
Carrying value at upon issuance	731,436
Add: Interest accretion for the year	32,691
Balance, January 31, 2017	$ 764,127

The aggregate carrying value of the convertible debentures conversion feature as at January 31, 2017 is calculated as follows:

Fair value of conversion option	$ 205,122
Less: issuance costs	(39,851)
Balance, January 31, 2017	$ 165,271

Stated in Canadian Dollars

16. Long-Term Debt

Long-term debt consists of the following as at January 31, 2017 and April 30, 2016:

	January 31, 2017	April 30, 2016
Aphria Inc. Promissory note (a)	$ 85,428	$ 274,550
Scotia Bank Loan (b)	38,161	43,461
Royal Bank of Canada Loan (c)	28,287	-
Total debt	151,876	318,011
Less: current portion	(99,128)	(259,736)
	$ 52,748	$ 58,275

a) In March 2015, the Company signed a promissory note and borrowed $500,000 from Aphria Inc., a publicly-traded company (TSXV: "APH") for working capital purposes. The promissory note bears interest at 3% per annum, repayable in equal monthly instalments of $21,491 (including interest) commencing on June 30, 2015 and matures on March 29, 2017.

b) In July 2014, the Company obtained an 8-year loan from the Bank of Nova Scotia to purchase a vehicle. The loan is collateralized against the vehicle and bears interest at 3.99% per annum, repayable in bi-weekly instalments of $298 commencing on July 31, 2014 and matures on July 31, 2022.

c) In July 2015, the Company obtained a 4.5-year loan from the Royal Bank of Canada to purchase a vehicle. The loan is collateralized against the vehicle and bears interest at 5.99% per annum, repayable in semi-monthly instalments of $299 commencing on July 29, 2015 and matures on February 19, 2020.

17. Share Capital

The Company is authorized to issue an unlimited number of common shares.

During the nine months ended January 31, 2017, the Company:

a) Issued 109,382,968 common shares of the Company in connection with the Transaction discussed in note 2.

Stated in Canadian Dollars

17. Share Capital (continued)

b) Issued 19,001,000 Equity Units at a subscription price of $0.25 per Equity Unit for gross proceeds of $4,750,250. Each Equity Unit consists of one common share and one common share purchase warrant. Of the total gross proceeds received, $1,968,327 was allocated to warrants (see note 18(a)).

In connection with the issuance of the Equity Units and the Convertible Debentures Units (see note 15), the Company paid commissions and professional fees of $536,694 and issued 2,401,100 broker warrants, the fair value of which was $577,240.

c) Issued 688,833 shares pursuant to various debt settlement agreements to settle outstanding debt of $679,622. The fair value of the common shares issued pursuant to the debt settlement agreements was $343,420, resulting in a gain on the settlement of debt of $336,202.

d) Issued 1,625,958 common shares pursuant to the conversion of promissory notes payable in the aggregate principal and accrued interest of $264,024.

e) Issued 100,000 common shares pursuant to the exercise of 100,000 warrants.

f) Cancelled 12,000,000 common shares in connection with the Transaction discussed in note 2.

18. Warrants

During the nine months ended January 31, 2017, the Company:

a) Issued 19,001,000 warrants in connection with the issuance of Equity Units as disclosed in note 17(b). Each warrant entitles the holder to purchase one common share of the Company at a price of $0.40 per share for a period of 24 months following the grant date.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	2 years
Expected volatility	187%

Stated in Canadian Dollars

18. Warrants (continued)

b) Issued 1,275,000 warrants in connection with the issuance of Convertible Debenture Units as disclosed in note 15. Each warrant entitles the holder to purchase one common share of the Company at a price for an exercise price of $0.40 per share for the initial 24 months following the grant date; at an exercise price of $0.75 from 24 months to 36 months following the grant date; and at an exercise price of $1.00 from 36 months to 48 months following the grant date.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	4 years
Expected volatility	187%
Share price	$0.25
Forfeiture rate	Nil

c) Issued 15,000,000 warrants to an officer and director, a former director and a consultant in connection with the Transaction discussed in note 2. Each warrant entitles the holder to purchase one common share of the Company for a period of five years following the grant date at a price of $0.25 per share. The warrants vest as to one third on the grant date, one third on the first anniversary of the Transaction and one third on the second anniversary of the grant date.

The fair value of the warrants of $3,750,000 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	5 years
Expected volatility	257%
Share price	$0.25
Forfeiture rate	Nil

d) Issued 2,401,100 agent warrants to an agent in connection with the Transaction discussed in note 2. Each agent warrant entitles the holder to purchase one Equity Unit as disclosed in note 17(b), at a price of $0.25 per unit for a period of three years from the grant date.

The fair value of the agent warrants of $577,240 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	3 years
Expected volatility	234%
Share price	$0.25
Forfeiture rate	Nil

Stated in Canadian Dollars

18. Warrants (continued)

The following table summarizes the warrant activities for the nine months ended January 31, 2017:

	Number of Warrants	Weighted Average Exercise Price
Balance - April 30, 2016	3,658,482	$ 0.38
Issued for cash	20,276,000	0.40
Issued for services rendered	18,734,434	0.25
Exercised	(100,000)	0.38
Balance - January 31, 2017	42,568,916	$ 0.34

As at January 31, 2017, the Company had the following warrants outstanding:

Exercise Price	Warrants Vested	Warrants Unvested	Remaining Contractual Life (Years)	Expiry Date
$ 0.38	3,558,482	-	1.11	March 13, 2018
$ 0.40	19,001,000	-	1.77	November 7, 2018
$ 0.40	1,275,000	-	1.77	November 7, 2018
$ 0.25	1,333,334	-	2.24	May 1, 2019
$ 0.25	5,000,000	10,000,000	4.77	November 7, 2021
$ 0.25	2,401,100	-	2.77	November 7, 2019
	32,568,916	10,000,000	2.84	

19. Stock Options

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees and consultants. The maximum number of common shares reserved for issuance and available for purchase pursuant to options granted under the Plan cannot exceed 10% of the total number of common shares of the Company issued and outstanding at the date of any grant made. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares. Options pursuant to the Plan are granted at the discretion of the Board of Directors, vest at schedules determined by the Board which shall not exceed five years from the date of grant, and have an exercise price of not less than that permitted by the stock exchange on which the shares are listed.

Stated in Canadian Dollars

19. Stock Options (continued)

During the period ended January 31, 2017, the Company granted 5,100,000 stock options to certain of its directors, officers and employees, each entitling the holder to acquire one common share of the Company at an exercise price of $0.25 per share for a period of five years from the grant date. The options vest as to 1,100,000 options at the date of grant, 800,000 options on the first anniversary of the date of grant, and 1,600,000 on each of the third and fourth anniversaries of the date of grant.

The fair value of the stock options of $1,275,000 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.56%
Expected life	5 years
Expected volatility	257%
Share price	$0.25
Forfeiture rate	Nil

During the nine months ended January 31, 2017, the Company recognized share based compensation expense of $399,059 with respect to these options.

The following table summarizes the stock option activities for the period ended January 31, 2017:

	Number of Options	Weighted Average Exercise Price
Balance - April 1, 2016	133,333	$ 0.69
Granted	5,100,000	0.25
Expired	(33,333)	(0.69)
Balance - January 31, 2017	5,200,000	$ 0.25
Exercisable at January 31, 2017	1,200,000	$ 0.29

As at January 31, 2017, the Company had the following stock options outstanding:

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
$ 0.69	100,000	-	3.35	June 8, 2020
$ 0.25	1,100,000	4,000,000	4.77	November 7, 2021
	1,200,000	4,000,000	4.74	

Stated in Canadian Dollars

20. Changes in Non-cash Working Capital

The changes to the Company's non-cash working capital for the three and nine month periods ended January 31 are as follows:

	Three Months Ended		Nine Months Ended	
	January 31, 2017	January 31, 2016	January 31, 2017	January 31, 2016
Decrease (increase) in inventory	$ (16,943)	$ -	$ (40,903)	$ -
Decrease (increase) in accounts receivables	(205,617)	170,046	(572,178)	47,870
Decrease (increase) in prepaid expenses and deposits	144,822	(7,911)	91,295	(9,266)
Decrease (increase) in sales taxes payable	(167,508)	(20,009)	(134,411)	(20,009)
Increase (decrease) in accounts payable and accrued liabilities	(559,726)	(35,446)	67,943	26,204
Increase (decrease) in income taxes payable	(108,271)	(16,934)	(4,244)	(16,934)
	$ (913,243)	$ 89,746	$ (592,498)	$ 27,865

21. Related Party Transactions and Balances

During the nine months ended January 31, 2017 the Company incurred the following related party transactions:

a) A total of $51,432 in occupancy expenses were charged by a company whose shareholders are related to the shareholders of one of the Company's corporate shareholders. As at January 31, 2017, prepaid expenses included $48,802, deferred lease inducement included $8,753 and accounts payable and accrued liabilities included $17,359 payable to this company.

b) A total of $6,000 of accounting fees and $6,000 of consulting fees were charged by an accounting firm in which an officer of the Company is a partner. As at January 31, 2017, accounts payable and accrued liabilities included $200,582 payable to this accounting firm.

c) A total of $364,689 of salaries were charged by the various officers, directors and key members of the Company's managment team.

d) A total of $172,868 of professional fees were charged by an accounting firm in which a former director of the Company is a partner. As at January 31, 2017, accounts payable and accrued liabilities included $12,560 payable to this accounting firm.

21. Related Party Transactions and Balances (continued)

e) The amount of stock-based compensation expense for the period ended January 31, 2017 related to stock options granted to directors and key members of management during the period ended January 31, 2017 was $399,059.

Included in transaction costs for the period ended January 31, 2017 is $1,685,014 related the fair value of warrants issued to a director and officer, a former director and a key member of mangement as discussed in note 18(c).

All related party transactions were in the normal course of operations and are measured at the exchange amount.

22. Financial Instruments and Other Risks

License Risk

The Company is exposed to risk with respect to its application to Health Canada for a license to produce medical marijuana under the MMPR, as the Company cannot start generating revenue from the production of medical marijuana until the license is received. The Company engaged specialists who assisted in the preparation of the application and the Company continues to monitor the progress of the application with Health Canada.

Fair Values

The carrying amounts for the Company's cash, other receivable, amounts due from a related company, short-term advance from a related party, accounts payable and accrued liabilities, amounts due to director, short term advances, promissory notes and convertible promissory notes approximate their fair values because of the short-term nature of these items.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

The Company is not exposed to any significant credit risk as at January 31, 2017. The Company's cash is on deposit with a highly rated financial institution in Canada.

Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at January 31, 2017, the Company has current assets of $3,774,535 and current liabilities of $4,338,698. The Company has a working capital deficiency as at January 31, 2017 of $564,163. The Company raises capital as needed to mitigate its liquidity risk.

22. Financial Instruments and Other Risks (continued)

Interest Rate Risk

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in market interest rates.

As at January 31, 2017, all of the Company's interest-bearing financial instruments, which include short-term advances from a related party, promissory notes and convertible promissory notes, are at fixed interest rates. As such, there is no significant interest rate risk associated with the Company's financial instruments.

Contractual Maturities of Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases related to operating and financing activities, and property and equipment. The usual credit period taken for trade purchases is between 30 to 90 days.

23. Subsequent Events

Subsequent to January 31, 2017:

a) 100,000 stock options expired unexercised.

b) In addition to making cash payments of $445,000, the Company issued 734,758 common shares to creditors pursuant to debt settlement agreements to settle aggregate debt of $818,772. The fair value of the shares was estimated to be $356,084, which resulted in the Company incurring gain on the settlement of debt of $17,688. The cash payments made pursuant to the debt settlemetns amounted to 54% of the debt owed by the Company.