# BELEAVE INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## YEARS ENDED MARCH 31, 2017 AND 2016

## (EXPRESSED IN CANADIAN DOLLARS)

## Independent Auditors' Report

To the Shareholders of Beleave Inc.:

We have audited the accompanying consolidated financial statements of Beleave Inc., which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Beleave Inc. as at March 31, 2017 and March 31, 2016 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Toronto, Ontario
July 31, 2017

Chartered Professional Accountants
Licensed Public Accountants

**BELEAVE INC.**
**Consolidated Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| | As at March 31, 2017 | As at March 31, 2016 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (Note 6) | **$ 2,058,929** | $ 230,694 |
| Sales tax receivable | **171,342** | - |
| Prepaid expenses | **10,380** | 16,556 |
| **Total current assets** | **2,240,651** | 247,250 |
| **Non-current assets** | | |
| Property, plant and equipment (Note 7) | **1,902,114** | 901,785 |
| **Total non-current assets** | **1,902,114** | 901,785 |
| **Total Assets** | **$ 4,142,765** | $ 1,149,035 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$ 1,125,964** | $ 674,257 |
| **Total current liabilities** | **1,125,964** | 674,257 |
| **Shareholders' Equity** | | |
| Share capital (Note 8) | **10,783,834** | 1,943,035 |
| Shares to be issued (Note 8(b)(xi)) | **647,500** | - |
| Units to be issued (Note 8) | **-** | 216,801 |
| Reserve for share-based payments (Note 10) | **3,148,494** | 1,252,200 |
| Reserve for warrants (Note 9) | **1,122,314** | 1,196,050 |
| Deficit | **(12,685,341)** | (4,133,308) |
| **Total Shareholders' Equity** | **3,016,801** | 474,778 |
| **Total Liabilities and Shareholders' Equity** | **$ 4,142,765** | $ 1,149,035 |

**Nature of operations and going concern** (Note 1)
**Related party transactions** (Note 12)
**Commitments** (Note 15)
**Subsequent events** (Note 16)

Approved on behalf of the Board:

"Bojan Krasic", Director
Bojan Krasic

"Roger Ferreira", Director
Roger Ferreira

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

## BELEAVE INC.
**Consolidated Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**

| **Years Ended March 31,** | **2017** | 2016 |
|---|---|---|
| **Expenses** | | |
| Marketing and promotion | **$ 519,985** | $ 93,350 |
| Professional services | **693,705** | 282,253 |
| Office expenses | **397,474** | 95,275 |
| Research and development | **18,660** | 56,100 |
| Share-based compensation (Notes 8(b)(xi), 10 and 12) | **5,958,794** | 749,700 |
| Rent and facilities (Note 12) | **315,671** | 81,360 |
| Listing costs (Note 3) | **-** | 1,468,071 |
| Loss on debt settlement (Note 8(b)(iii)(x)) | **46,589** | 44,512 |
| Management and consulting fees (Note 12) | **584,367** | 121,755 |
| Supplies and consumables | **16,788** | - |
| **Net loss and comprehensive loss for the year** | **$ (8,552,033)** | $ (2,992,376) |
| **Loss per share - basic and diluted** (Note 11) | **$ (0.40)** | $ (0.22) |
| **Weighted average number of shares outstanding - basic and diluted** (Note 11) | **21,560,102** | 13,816,912 |

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

## BELEAVE INC.
### Consolidated Statement of Changes in Shareholders' Equity
### (Expressed in Canadian Dollars)

| | Share Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Shares to be issued | Units to be issued | Number of common shares | Amount | Reserve for Warrants | Reserve for share-based payments | Deficit | Total |
| **Balance, March 31, 2015** | **$ -** | **$ -** | **13,216,667** | **$ 753,125** | **$ 712,180** | **$ 550,000** | **$ (1,140,932)** | **$ 874,373** |
| Equity financing, net of costs (Note 8(b)(i)(ii)) | - | - | 276,666 | 131,865 | 30,600 | - | - | 162,465 |
| Shares issued for debt settlement (Note 8(b)(iii)) | - | - | 228,068 | 112,712 | 27,800 | - | - | 140,512 |
| Shares issued for services (Note 8(b)(iv)) | - | - | 40,000 | 30,000 | 15,900 | - | - | 45,900 |
| Reverse takeover transaction (Note 3) | - | - | 1,182,579 | 886,933 | 417,970 | 38,000 | - | 1,342,903 |
| Exercise of warrants | - | - | 40,000 | 28,400 | (8,400) | - | - | 20,000 |
| Share-based compensation (Note 10(i)(ii)(iii)) | - | - | - | - | - | 664,200 | - | 664,200 |
| Units to be issued (Note 8(b)(v)) | - | 216,801 | - | - | - | - | - | 216,801 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | - | (2,992,376) | (2,992,376) |
| **Balance, March 31, 2016** | **$ -** | **$ 216,801** | **14,983,980** | **$ 1,943,035** | **$ 1,196,050** | **$ 1,252,200** | **$ (4,133,308)** | **$ 474,778** |
| Equity financing (Note 8(b)(v)(vi)(vii)(viii)(ix)) | - | (216,801) | 5,486,834 | 1,354,822 | 767,479 | - | - | 1,905,500 |
| Issuance of broker units (Note 8(b)(xii)) | - | - | 174,999 | 50,750 | 36,750 | - | - | 87,500 |
| Costs of issue (Note 8(b)) | - | - | - | (37,873) | - | - | - | (37,873) |
| Shares issued for debt settlement (Note 8(b)(x)) | - | - | 1,425,837 | 864,449 | - | - | - | 864,449 |
| Bonus shares (Note 8(b)(xi)) | 647,500 | - | 2,200,000 | 3,505,000 | - | - | - | 4,152,500 |
| Shares issued for exercise of warrants | - | - | 4,413,872 | 2,225,686 | - | - | - | 2,225,686 |
| Reclassification of fair value of warrants exercised | - | - | - | 877,965 | (877,965) | - | - | - |
| Share-based compensation (Note 10(iv)(v)) | - | - | - | - | - | 1,896,294 | - | 1,896,294 |
| Net loss and comprehensive loss for the year | - | - | - | - | - | - | (8,552,033) | (8,552,033) |
| **Balance, March 31, 2017** | **$ 647,500** | **$ -** | **28,685,522** | **$ 10,783,834** | **$ 1,122,314** | **$ 3,148,494** | **$(12,685,341)** | **$ 3,016,801** |

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

**BELEAVE INC.**
**Consolidated Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Year Ended March 31, 2017 | Year Ended March 31, 2016 |
|---|---|---|
| **Cash (used in) provided by:** | | |
| **Operating Activities** | | |
| Net loss for the year | **$ (8,552,033)** | $ (2,992,376) |
| Add items not affecting cash: | | |
| Listing cost - non-cash | **-** | 1,420,571 |
| Loss on debt settlement (Note 8(b)(x)) | **46,589** | 44,512 |
| Share-based compensation (Note 10) | **5,958,794** | 749,700 |
| | **(2,546,650)** | (777,593) |
| Net changes in non-cash working capital items: | | |
| Sales tax receivable | **(171,342)** | - |
| Prepaid expenses | **6,176** | (9,776) |
| Accounts payable and accrued liabilities | **1,447,067** | 421,867 |
| **Net cash used in operating activities** | **(1,264,749)** | (355,726) |
| **Investing Activities** | | |
| Purchase of property, plant and equipment (Note 7) | **(1,000,329)** | (39,310) |
| **Net cash used in investing activities** | **(1,000,329)** | (39,310) |
| **Financing Activities** | | |
| Proceeds from issuance of units (Note 8) | **1,905,500** | 182,465 |
| Cost of issue | **(37,873)** | - |
| Proceeds from exercise of warrants | **2,225,686** | - |
| Proceeds from units to be issued | **-** | 216,801 |
| **Net cash provided by financing activities** | **4,093,313** | 399,266 |
| **Net increase (decrease) in cash and cash equivalents during the year** | **1,828,235** | (5,546) |
| **Cash acquired from the RTO transaction** (Note 3) | **-** | 5,137 |
| **Cash and cash equivalents, beginning of year** | **230,694** | 231,103 |
| **Cash and cash equivalents, end of year** | **$ 2,058,929** | $ 230,694 |

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

## 1. Nature of operations and going concern

Beleave Inc. (formerly known as Stream Ventures Inc. ("Stream")) ("Beleave" or the "Company") was incorporated under the Business Corporations Act (Ontario) on May 26, 2000, and had no operations and was seeking new business opportunities.

First Access Medical Inc. ("FAM") was incorporated on July 8, 2013 under the Canada Business Corporation Act. FAM is in the application process and has submitted its application to Health Canada (Healthy Environments and Consumer Safety Branch) on January 31, 2014 to become a "Licensed Producer" under the Marihuana for Medical Purposes Regulations (the "MMPR").

On December 22, 2015, the Company entered into an acquisition agreement with FAM pursuant to which the Company acquired from the FAM shareholders all of the issued and outstanding shares of FAM in exchange for an equal number of common shares in the Company (the "Transaction"). Upon completion of the Transaction FAM became a wholly-owned subsidiary of the Company and Stream changed its name to Beleave Inc. on December 16, 2015. The common shares of Beleave are listed on the Canadian Securities Exchange (the "Exchange") under the trading symbol "BE". The Company registered office and its main facility in development is located at 1653 Hwy 6 North, Hamilton, Ontario.

As at the date of the preparation of the consolidated financial statements, the main activities of the Company are conducted to comply with MMPR and preparation of facilities.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the year ended March 31, 2017, the Company had not yet achieved profitable operations, incurred a net loss of $8,552,033 (year ended March 31, 2016 - loss of $2,992,376) and, as of that date, the Company has an accumulated deficit of $12,685,341 (March 31, 2016 - $4,133,308). The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments as they come due, all of which casts substantial doubt upon the Company's ability to continue as a going concern.

Management’s view is that the success of the Company is dependent upon financing the remaining portion of its capital requirements and, obtaining approval from Health Canada in order to produce, sell and distribute medicinal cannabis in Canada and achieving profitable operations.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments if required, could be material.

## 2. Basis of presentation

*(a) Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The policies set out below are based on IFRS issued and outstanding as of July 31, 2017, the date the Board of Directors approved the audited consolidated financial statements.

*(b) Basis of presentation*

The consolidated financial statements have been prepared on historical cost basis except for financial instruments which are measured at fair value as explained in the accounting policies.

*(c) Basis of consolidation*

Pursuant to the RTO transaction, the consolidated financial statements as at March 31, 2017 and 2016, and for the years ended March 31, 2017 and 2016, reflect the assets, liabilities, and results of operations of of FAM prior to the RTO and the consolidated assets, liabilities, and results of operations of FAM (identified acquirer) and Stream Ventures Inc. ("Stream") (identified acquiree) subsequent to the RTO. The consolidated financial statements are deemed to be a continuation of FAM. The consolidated financial statements include the accounts of Stream and FAM. All significant intercompany accounts and transactions have been eliminated.

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

*(d) Cash and cash equivalents*

Cash and cash equivalents includes cash on deposit at banking institutions and amounts held in trust on behalf of the Company.

*(e) Property, plant and equipment ("PPE")*

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

| | |
|---|---|
| Production Equipment | Straight-line 5 years |
| IT and related equipment | Straight-line 3 years |
| Leasehold improvements | Straight-line over lease term |

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted if appropriate.

**2. Basis of presentation (continued)**

*(f) Impairment of non-financial assets*

Long-lived assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been previously recognized.

*(g) Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of a provision is the best estimate of the consideration at the end of the reporting period. Provisions measured using estimated cash flows required to settle the obligation are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company has no material provisions as at March 31, 2017 and March 31, 2016.

*(h) Share capital and warrants*

Common shares and warrants are classified as equity. The share capital represents the amount received upon issuance of shares. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period in which the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes option pricing model to determine the fair value of warrants issued.

*(i) Share-based payment transactions*

The Company has a share-based payment plan that grants stock options to employees and non-employees. This plan is an equity-settled plan. For equity-settled share-based payment transactions, the Company measures the goods and services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, using an option pricing model.

The expense is recognized over the vesting period of the options granted and is recognized as an expense in earnings with a corresponding credit to reserve for share-based payments. At the end of each reporting period the Company re-assesses its estimate of the number of stock options expected to vest and recognizes the impact of the revisions in the consolidated statement of loss and comprehensive loss. Any consideration paid by employees and directors on exercise of stock options is credited to share capital combined with any related share-based compensation expense originally recorded in reserve for share-based payments.

**2. Basis of presentation (continued)**

*(j) Qualifying listing costs*

Costs incurred with respect to the Transaction are charged to the consolidated statement of loss and comprehensive loss.

*(k) Income taxes*

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

*(l) Loss per share*

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares to the extent that that are not anti-dilutive.

*(m) Research and development*

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

**2. Basis of presentation (continued)**

*(n) Financial instruments*

Financial assets
The Company initially recognizes financial assets at fair value on the date that they are originated. The Company classifies its financial assets as financial assets at fair value through profit and loss, available for sale, or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition.

Financial liabilities
The Company initially recognizes financial liabilities at fair value on the date that they are originated. The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

| | Classification |
|---|---|
| Cash and cash equivalents | Fair value through profit and loss |
| Accounts payable and accrued liabilities | Other liabilities |

*(o) Impairment of financial assets*

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

*(p) Significant accounting judgments and estimates*

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the inputs used in the Black-Scholes option pricing model (volatility; interest rate; expected life and forfeiture rate) in accounting for share-based payment transactions;
- the valuation allowance of income tax accounts;
- accrued liabilities; and
- going concern assumption

## 2. Basis of presentation (continued)

*(q) Recent accounting pronouncements*

(i) IFRS 9, Financial Instruments (“IFRS 9”) was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for accounting periods beginning on January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The Company is evaluating the potential impact of this new standard on the consolidated financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer, regardless of type of revenue transaction or the industry. IFRS 15 will also apply to the recognition and measurement of gains and losses on sale of certain non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is evaluating the potential impact of this new standard on the consolidated financial statements.

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements that have no material impact to the Company are not included above. The Company has not early adopted these standards.

**(Expressed in Canadian Dollars)**

## 3. Reverse takeover transaction

On December 22, 2015, FAM completed a reverse takeover ("RTO") of Stream. As a result of the RTO, FAM became a direct, wholly-owned subsidiary of Stream. The RTO was treated as an issuance of common shares by the continuing entity of FAM.

The shareholders equity accounts as at December 22, 2015 of the Company represented the gross proceeds of the issuance of common shares. The net proceeds from the transaction are:

| **Equity consideration to shareholder of Stream** | **Number** | **Amount** |
|---|---|---|
| Beleave common shares | 1,182,579 | $ 886,933 |
| Beleave warrants | 700,000 | 417,970 |
| Beleave options | 60,000 | 38,000 |
| | | 1,342,903 |
| **Net working capital deficiency acquired from Stream** | | |
| Cash | | (5,137) |
| Accounts payable and accruals | | 82,805 |
| | | 1,420,571 |
| Transaction costs | | 47,500 |
| **Listing costs** | | $ 1,468,071 |

In accordance with IFRS 3, Business Combinations, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as an acquisition of a stock exchange listing with FAM being identified as the acquirer and the equity consideration being measured at fair value.

## 4. Capital risk management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at March 31, 2017, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its Shareholders equity as capital which as at March 31, 2017 is $3,016,801 (2016 - $474,778).

## 5. Financial instruments and risk factors

### Fair values

At March 31, 2017 and 2016, the Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

### Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year, there were no transfer of amounts between levels.

The fair value hierarchy requires te use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and cash equivalents is classified as level 1.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk; and
- Liquidity risk

(i) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. All of the Company’s cash is held at two financial institutions which are Canadian Chartered Banks or fund held in trust with legal counsel in which management believes that the risk of loss is minimal but the Company is subject to concentration of credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations with out of cash. As at March 31, 2017, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. There have been no changes in the Company's strategy with respect to credit/liquidity risk in the year.

**(Expressed in Canadian Dollars)**

## 6. Cash and cash equivalents

| | March 31, 2017 | March 31, 2016 |
|---|---|---|
| Cash at bank and in hand | **$ 2,058,929** | $ 230,694 |

## 7. Property, plant and equipment

| | Production | IT and related | Leasehold | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| At March 31, 2015 | **$ 124,170** | **$ 226,267** | **$ 512,038** | **$ 862,475** |
| Additions | 24,102 | 15,208 | - | 39,310 |
| At March 31, 2016 | $ 148,272 | $ 241,475 | $ 512,038 | $ 901,785 |
| Additions | - | 347,045 | 653,284 | 1,000,329 |
| **At March 31, 2017** | **$ 148,272** | **$ 588,520** | **$ 1,165,322** | **$ 1,902,114** |
| **Accumulated depreciation** | | | | |
| **At March 31, 2015, 2016 and 2017** | $ - | $ - | - | $ - |
| **Carrying value** | | | | |
| At March 31, 2016 | $ 148,272 | $ 241,475 | $ 512,038 | $ 901,785 |
| **At March 31, 2017** | $ 148,272 | $ 588,520 | $ 1,165,322 | $ 1,902,114 |

Items of property, plant and equipment for $1,902,114 (March 31, 2016 - $901,785) have not been depreciated, since they are related to a production facility in development and were not ready for the use as of March 31, 2017 and March 31, 2016.

**(Expressed in Canadian Dollars)**

## 8. Share capital

### (a) Authorized:

The Company is authorized to issue an unlimited number of common shares with no par value.

### (b) Issued common shares:

| | Number of shares | | Amount |
|---|---|---|---|
| **Balance, March 31, 2015** | **13,216,667** | **$** | **753,125** |
| Shares issued on private placement, net of issue costs (i)(ii) | 276,666 | | 162,465 |
| Valuation of warrants on private placement (i) | - | | (30,600) |
| Shares issued for debt settlement (iii) | 228,068 | | 112,712 |
| Shares issued for services (iv) | 40,000 | | 30,000 |
| Shares issued for exercise of warrants (Note 9) | 40,000 | | 20,000 |
| Valuation of exercised warrants | - | | 8,400 |
| Shares issued relating to the RTO (Note 3) | 1,182,579 | | 886,933 |
| **Balance, March 31, 2016** | **14,943,980** | **$** | **1,943,035** |
| Shares issued on private placement, net of issue costs (vi)(vii)(viii)(ix) | 5,486,834 | | 1,316,949 |
| Shares issued in broker units (xii) | 174,999 | | 50,750 |
| Shares issued for debt settlement (x) | 1,425,837 | | 864,449 |
| Shares issued for exercise of warrants (Note 9) | 4,413,872 | | 2,225,686 |
| Reclassification of fair value of warrants exercised | - | | 877,965 |
| Bonus shares issued (xi) | 2,200,000 | | 3,505,000 |
| **Balance, March 31, 2017** | **28,685,522** | **$** | **10,783,834** |

(i) During April and May 2015 the Company completed a non-brokered placement raising aggregate gross proceeds of $90,000 through the sale of 180,000 units at $0.50 per unit. Each unit comprised one common share and one warrant of the Company. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $30,600 (Assumptions used were as follows: expected volatility – 151.21%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 1 year).

(ii) Concurrent with the RTO, the Company issued 96,666 subscription receipts to be automatically exchanged for shares at a price of $0.75 per subscription receipt for gross proceeds of $72,500.

(iii) On August 31, 2015 the Company settled an outstanding payable with value of $35,000 by issuing 70,000 units exercisable at $0.50 per unit. Each unit comprised one common share and one warrant of the Company and are exercisable at a price of $0.50 into one common share until the date that is earlier of: (a) 30 days following the date the Company provides notice to warrant holders that it has received its licence to produce marihuana from Health Canada; or (b) March 20, 2017. Based on the Black-Scholes pricing model, the warrants included in these units have been allocated a fair value of $27,800 using the following inputs/assumptions: expected volatility - 107.19%, risk-free interest rate - 0.44%, expected dividend yield - 0% and expected life of 1 year. As a result of this transaction a loss on debt settlement of $45,300 was recognized.

On December 1, 2015, the Company issued 158,068 common shares with a fair value of $57,212 to settle debts in amount of $58,000. As a result of this settlement, a gain on debt settlement of $788 was recognized.

(iv) On August 31, 2015 the Company issued 40,000 units to a service provider exercisable at $0.50 per unit. Each unit comprised one common share and one warrant of the Company and are exercisable into one common share until the date that is the earlier of: (a) 30 days following the date the Company provides notice to warrant holders that it has received its licence to produce marihuana from Health Canada; or (b) March 20, 2017. Based on the Black-Scholes pricing model, the warrants included in these units had an estimated fair value of $15,900 (Assumptions/inputs used were as follows: expected volatility – 107.19%, risk-free interest rate – 0.44%, expected dividend yield – 0% and expected life of 1 year).

**8. Share capital (continued)**

**(b) Issued common shares (continued):**

(v) As at March 31, 2016, the Company received $216,801 for units that were issued subsequent to year end. These proceeds have been reported as units to be issued under shareholders' equity. Each unit comprises one common share and one common share purchase warrant of the Company. Each warrant is exercisable into one common share at an exercise price of $0.50 until the date that is 24 months following the issue date.

(vi) On April 12, 2016, the Company closed the first tranche of a private placement financing for gross proceeds of $439,301. Upon closing the financing, Beleave issued 1,464,336 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.50 for a period of two years from closing. A director of the Company has also participated in the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $155,220 (Assumptions used were as follows: expected volatility – 120.3%, risk-free interest rate – 0.58%, expected dividend yield – 0% and expected life of 2 years). $216,801 of these proceeds were received prior to the March 31, 2016 year end.

(vii) On June 9, 2016, the Company closed a second tranche of a private placement financing for gross proceeds of $28,000. Upon closing the financing, Beleave issued 93,332 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.50 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $9,613 (Assumptions used were as follows: expected volatility – 113.7%, risk-free interest rate – 0.52%, expected dividend yield – 0% and expected life of 2 years).

(viii) On September 21, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of $1,405,000. Pursuant to the non-brokered private placement financing the Company issued an aggregate of 3,512,500 units at a price of $0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.50 for a period of two years from date of closing. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period. No finder's fees were paid in connection with the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $509,313 (Assumptions used were as follows: expected volatility – 98.36%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years).

(ix) On October 6, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of $250,000. Upon closing the financing, Beleave issued 416,666 units at a price of $0.60 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.75 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of $93,333 (Assumptions used were as follows: expected volatility – 102.91%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years). The Company incurred a total cost of issue of $31,623. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

(x) The Company completed a shares-for-debt transaction during the year ended March 31, 2017 with related parties and other parties of the Company whereby the Company issued common shares for the settlement of the amounts owing to such creditors. Pursuant to the debt settlement, the Company settled $864,449 of existing debt through the issuance of 1,425,837 shares. Included in the debt settlement was 465,987 common shares issued to its officers in lieu of cash for consulting fees in the amount of $299,024. A loss on debt settlement of $46,589 was recorded in the consolidated statements of loss and comprehensive loss.

(xi) The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. During the year ended March 31, 2017, the Company issued 2,200,000 shares valued at $3,505,000, which includes $90,000 for 300,000 shares that were expensed during the year ended March 31, 2016. In addition, 250,000 shares are issuable as at March 31, 2017 with fair value of $647,500. Those shares were issued subsequently on April 3, 2017.

**(Expressed in Canadian Dollars)**

**8. Share capital (continued)**

**(b) Issued common shares (continued):**

(xii) During the year ended March 31, 2017, in settlement of accrued liabilities of $87,500, the Company issued 174,999 broker units with each unit consisting of one common share of the Company and one warrant exercisable for one common share of the Company at $0.5 per share expiring on the date that is earlier of: (i) 30 days following the date of the Company provides notice to the warrant holders that it has received its license to produce marijuana for medical purposes from Health Canada, and (ii) March 4, 2017.

**9. Warrants**

As of March 31, 2017 and 2016, the Company has the following warrants outstanding with the corresponding average exercise prices:

| | Number of warrants | | Weighted average exercise price |
|---|---|---|---|
| **Balance at March 31, 2015** | **3,466,667** | **$** | **0.50** |
| Warrants from private placement (Note 8(b)(i)) | 180,000 | | 0.50 |
| Warrants from debt settlement (Note 8(b)(ii)) | 70,000 | | 0.50 |
| Warrants issued for services (Note 8(b)(iii)) | 40,000 | | 0.50 |
| Warrants exercised | (40,000) | | 0.50 |
| Warrants issued relating to the RTO (Note 3) | 700,000 | | 0.50 |
| **Balance at March 31, 2016** | **4,416,667** | **$** | **0.50** |
| Warrants issued (Note 8(b)(v)(vi)(vii)(viii)(ix)) | 5,486,833 | | 0.52 |
| Warrants issued in Broker Units (Note 8(b)(xii)) | 174,999 | | 0.50 |
| Warrants exercised (including 174,999 of broker warrants) | (4,413,872) | | 0.50 |
| Expiring of broker warrants | (250,000) | | 0.50 |
| Expiring of warrants | (50,002) | | 0.50 |
| **Balance at March 31, 2017** | **5,364,625** | **$** | **0.52** |

The following table reflects the actual warrants issued and outstanding as of March 31, 2017:

| Expiry date | Exercise price ($) | Number of warrants |
|---|---|---|
| April 2017 | 0.50 | 110,000 |
| June 2017 | 0.50 | 575,000 |
| April 2018 | 0.50 | 881,002 |
| June 2018 | 0.50 | 93,332 |
| September 2018 | 0.50 | 3,363,625 |
| October 2018 | 0.75 | 341,666 |
| | | **5,364,625** |

**(Expressed in Canadian Dollars)**

**10. Share-based compensation and stock options**

The Company has a stock option plan (the "Plan") which allows, at the discretion of the Board of Directors, eligible directors, employees, consultants or affiliates to be granted incentive stock options exercisable to purchase common shares.

The plan was amended at the Annual General meeting held on November 18, 2016, which increased the maximum number authorised for issuance to 4,288,437. The options can be granted for a maximum term of ten years.

The Board shall establish a vesting period or periods at the time each option is granted to eligible persons, provided that options granted to eligible persons providing investor relations services are required to vest in stages over 12 months with no more than one quarter of the options vesting in any three-month period.

The following table shows the continuity of options:

| | Number of options | Weighted average exercise price |
|---|---|---|
| **Balance, March 31, 2015** | **1,250,000** | **$ 0.50** |
| Granted (i) | 1,250,000 | 0.50 |
| Granted (ii) | 80,000 | 0.50 |
| Granted (iii) | 90,000 | 0.50 |
| Options issued relating to the RTO (Note 3) | 60,000 | 0.50 |
| **Balance, March 31, 2016** | **2,730,000** | **$ 0.50** |
| Granted (iv)(v) | 2,110,000 | 0.50 |
| Forfeited | (560,000) | 0.50 |
| **Balance, March 31, 2017** | **4,280,000** | **$ 0.89** |

(i) On May 5, 2015 the Company approved the grant of 1,250,000 options to various parties to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of $0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of $562,500 which vested immediately.

(ii) On June 25, 2015 the Company approved the grant of 80,000 options to various parties to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of $0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of $36,000 which vested immediately.

(iii) On September 17, 2015 the Board of Directors approved special compensation to advisors of the Company granting 90,000 options to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of $0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of $65,700 which vested immediately.

**(Expressed in Canadian Dollars)**

## 10. Share-based compensation and stock options (continued)

(iv) On June 27, 2016 the Company approved the grant of 790,000 options to various parties to purchase common shares with an exercise price of $0.50. 480,000 of these options expire in 5 years and 310,000 options expire in two years. Based on the Black-Scholes pricing model, 480,000 of the options had an estimated fair value of $204,340 which vested immediately and 310,000 had an estimated fair value of $78,651 which vested immediately.

(v) On January 11, 2017, the Company granted 1,320,000 options exercisable at $1.75 per common share to various consultants and members of the board of directors. These options expire in 5 years. Based on the Black-Scholes pricing model, 1,220,000 of the options had an estimated fair value of $1,531,588 which vested immediately and 100,000 of these options had an estimated fair value of $125,440 which vest 25% on grant date with quarterly increase of 25%. The estimated fair value expensed during the year ended March 31, 2017 was $1,613,303.

The following table reflects the actual stock options issued and outstanding as of March 31, 2017:

| Expiry date | Exercise price ($) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) |
|---|---|---|---|---|
| June 27, 2018 | 0.50 | 1.24 | 310,000 | 310,000 |
| March 28, 2020 | 0.50 | 2.99 | 1,000,000 | 1,000,000 |
| December 22, 2020 | 0.50 | 3.73 | 1,080,000 | 1,080,000 |
| September 17, 2021 | 0.50 | 4.47 | 90,000 | 90,000 |
| June 27, 2021 | 0.50 | 4.24 | 480,000 | 480,000 |
| January 11, 2022 | 1.75 | 4.79 | 1,320,000 | 1,245,000 |
| | | **3.78** | **4,280,000** | **4,205,000** |

## 11. Net loss per common shares

The calculation of basic and diluted loss per share for the year ended March 31, 2017 was based on the loss attributable to common shareholders of $8,552,033 (year ended March 31, 2016 - loss of $2,992,376) and the weighted average number of common shares outstanding of 21,560,102 (year ended March 31, 2016 - 13,816,912).

## 12. Related party transactions

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and equipment which are included in the financial statements as follows:

| Years ended March 31, | 2017 | 2016 |
|---|---|---|
| **Expenses:** | | |
| Rent | **$ 84,780** | $ 81,360 |

See Note 8(xi) for shares-for-debt transaction with officers.

As at March 31, 2017, there was $150,500 (March 31, 2016 - $150,950) outstanding payables to related parties.

**(Expressed in Canadian Dollars)**

## 10. Related party transactions (continued)

Key management compensation is comprised of the following:

| Years Ended March 31, | 2017 | 2016 |
|---|---|---|
| Short term benefits | **$ 457,200** | $ 59,470 |
| Share-based compensation | **$ 3,214,661** | $ 303,900 |

## 13. Income taxes

(i) Income tax expense

The Company does not have any current income tax expense. The following table reconciles the expected income tax recovery at the statutory income tax rate of 26.5% (2016 - 26.5%) to the expense in the consolidated statement of loss and comprehensive loss:

| Years ended March 31, | 2017 | 2016 |
|---|---|---|
| Net loss for the year | $ (8,552,033) | $ (2,992,376) |
| Expected income tax recovery at statutory income tax rates | (2,266,290) | (792,980) |
| Tax rate changes and other adjustments | (300) | - |
| Share based compensation and non-deductible expenses | 1,083,030 | 586,702 |
| Change in tax benefit not recognized | 1,183,560 | 206,278 |
| Income tax recovery | $ - | $ - |

(ii) Unrecognized deferred tax asset

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | 2017 | 2016 |
|---|---|---|
| Property, plant and equipment | $ 738,300 | $ - |
| Non-capital losses carried-forward | 5,203,630 | 2,224,748 |
| Share issuance costs | 209,660 | 240,530 |
| Unrecognized deductible temporary differences | $ 6,151,590 | 2,465,278 |

**(Expressed in Canadian Dollars)**

## 13. Income taxes (continued)

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2022.

The Company's Canadian non-capital income tax losses expire as follows:

| Expiry | Amount |
|---|---|
| 2035 | $ 239,780 |
| 2036 | 423,820 |
| 2037 | 4,540,030 |
| | $ 5,203,630 |

## 14. Segmented information

The Company operates in only one business segment, namely as an applicant to be a licensed producer of marihuana for medical purposes. All of the Company's assets are located in Canada.

## 15. Commitments

On July 1, 2015 the Company signed a long term net lease agreement with a related party for a term of 8.5 years and the option to extend the lease for 5 years, twice. For the first 3.5 years, the net rent payable is $14,875 monthly until December 2018, with 5% annual increase from January 1st, 2019 and each subsequent year.

The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process.

The total number of shares to be issued over the remaining milestones of the agreement is 4,500,000 shares. Subsequent to year end, 1,500,000 shares became issuable due to an additional milestone being met.

## 16. Subsequent events

(i) On April 6, 2017 the Company entered into an interim streaming agreement with PanCann Streaming Corp. (“PanCann”) to finance the purchase and construction of a proposed second production facility to be identified, in exchange for equity participation in, and a production yield allocation from the proposed facility.

The parties will work cooperatively to identify an appropriate second site to be acquired and developed by a newly formed subsidiary of Beleave. Once such a site and the construction budget for the new facility have been agreed on, PanCann will provide, among other things, (i) up to $5 million to fund the purchase of the second site and (ii) all necessary funding to complete the construction of the new facility. In return, PanCann will receive a 50% equity interest in a the new subsidiary and 50% of the proceeds (net of certain costs) of future wholesale or retail sales.

(ii) Subsequent to March 31, 2017 700,042 warrants were exercised for cash proceeds of $544,021.

(iii) On April 24, 2017 the company entered into a research partnership agreement with a physician and researcher affiliated with McMaster University , to investigate the therapeutic use of cannabinoids for management of pain in musculoskeletal disorders. Under this agreement the company is committed to fund $47,500 in cash plus certain expenses.

**16. Subsequent events (continued)**

(iv) On May 18, 2017 the Company’s wholly-owned subsidiary, First Access Medical Inc. (“FAM”), was granted a licence to cultivate medical cannabis pursuant to the Access to Cannabis for Medical Purposes Regulations (the "ACMPR").

(v) Consequently with the license to cultivate as indicated, the Company issued 1,500,000 as bonus shares to management on June 9, 2017 (Note 15) and 200,000 discretionary shares on the same date.