Consolidated Financial Statements

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

For the years ended April 30, 2017 and 2016

(Expressed in Canadian Dollars)

INDEX

Auditors' Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Loss and Comprehensive Loss	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Cash Flow Statements	7
Notes to the Consolidated Financial Statements	8 - 45

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Canada House Wellness Group Inc. (Formerly Abba Medix Group Inc.)

We have audited the accompanying consolidated financial statements of Canada House Wellness Group Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at April 30, 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year 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 audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained 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 financial position of Canada House Wellness Group Inc. and its subsidiaries as at April 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Canada House Wellness Group Inc.'s ability to continue as a going concern.

Other matter

The comparative financial statements are for 672800 NB Inc., doing business as Marijuana for Trauma (see Note 2). These comparative financial statements as at and for the year ended April 30, 2016 were audited by other auditors who expressed an unmodified opinion on those statements on October 31, 2016.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
October 29, 2017
Toronto, Ontario

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Statements of Financial Position as at April 30
Stated in Canadian Dollars

	2017	2016
Assets		
Current Assets		
Cash	$ 729,156	$ 40,763
Accounts receivable (note 25)	1,275,370	897,055
Prepaid expenses and deposits	106,906	51,642
Short term advance to related party (note 6)	34,870	-
Current portion of loan receivable (note 7)	10,000	-
	2,156,302	989,460
Loan Receivable (note 7)	20,000	-
Property, Plant and Equipment (note 8)	3,218,622	166,654
	$ 5,394,924	$ 1,156,114
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 25)	$ 2,895,497	$ 470,381
Due to shareholders (note 9)	108,499	38,035
Sales taxes payable (note 11)	91,220	-
Income taxes payable	66,252	103,873
Current portion of long-term debt (note 15)	41,481	259,736
	3,202,949	872,025
Convertible Debentures (note 14)	495,032	-
Long-Term Debt (note 15)	59,847	58,275
Deferred Income Tax Liabilities (note 20)	181,886	11,504
Deferred Lease Inducement (note 10)	7,611	-
Purchase Consideration Payable (note 2)	2,656,693	-
	6,604,018	941,804
Shareholders' Deficit		
Share Capital (note 16)	9,000,137	98
Contributed Surplus (notes 17, 18 and 19)	3,730,784	-
Equity Component of Convertible Debentures (note 14)	298,841	-
Retained Earnings (Accumulated Deficit)	(14,238,856)	214,212
	(1,209,094)	214,310
	$ 5,394,924	$ 1,156,114

Basis of Presentation and Going Concern (note 3)
Commitments (note 27)
Subsequent Events (note 28)
Business Acquisition and Reverse Takeover (note 2)

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

Approved on behalf of the Board

Signed "Larry Bortles", Director

Signed "Scott Purdy", Director

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Statements of Loss and Comprehensive Loss
For the years ended April 30
Stated in Canadian Dollars

	2017	2016
Revenue	$ 6,207,294	$ 3,085,864
Expenses		
Advertising and promotion	$ 578,195	$ 414,492
Amortization of property, plant and equipment (note 8)	185,548	41,907
Bad debts	40,707	-
Bank charges and interest	56,844	6,946
Insurance	102,389	22,009
Impairment of property, plant and equipment (note 8)	23,354	-
Impairment of goodwill and intangible assets (note 2)	1,198,017	-
Impairment of loans (note 4)	696,133	-
Interest on late payments	9,740	1,528
Interest on long term debt (note 15)	3,837	12,800
Interest on convertible debentures (note 14)	51,101	-
Interest on promissory notes (note 12)	19,502	-
Interest on related party debt	(472)	-
Interest accretion (notes 13 and 14)	241,469	-
Listing and filing fees	59,377	-
Loss on disposal of assets	-	21,653
Memberships and licenses	540,662	6,085
Occupancy (note 24)	658,041	169,499
Office and general	364,641	219,580
Professional fees (note 24)	1,273,226	258,757
Property taxes	15,685	-
Repairs and maintenance	83,583	67,537
Salaries and benefits	2,570,539	645,720
Stock-based compensation (notes 18)	1,551,386	-
Subcontractor	615,585	273,876
Supplies and utilities	174,908	54,195
Transaction costs and license application fees (note 2)	9,080,441	-
Travel	463,364	179,201
	20,657,802	2,395,785
Less: interest income	(10,708)	-
Less: gain on settlement of debt	(16,428)	-
	20,630,666	2,395,785
(Loss) Income before Income Taxes	(14,423,372)	690,079
Income Tax Expense (note 20)	29,696	123,219
Deferred Income Tax Expense (note 20)	-	11,504
(Loss) Income and Comprehensive (Loss) Income for the Year	$(14,453,068)	$ 555,356
(Loss) Earnings per Share - basic and diluted	$ (0.25)	$ 5,666.90
Weighted Average Number of Common Shares Outstanding - basic and diluted	56,851,969	98

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

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the year ended April 30, 2017
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, 2016	98	$ 98	$ -	$ -	$ 214,212	$ 214,310
Common shares issued to pre-transaction shareholders of the Company pursuant to the Transaction (note 2)	45,110,252	-	-	-	-	-
Additional common shares issued to pre-transaction shareholders of MFT pursuant to the Transaction (note 2)	49,665,266	4,436,181	436,294	102,693	-	4,975,168
Common shares issued to pre-transaction shareholders of TLP pursuant to the Transaction (note 2)	14,607,460	1,062,141	-	-	-	1,062,141
Common shares cancelled in connection with the Transaction (note 16(f))	(12,000,000)	-	-	-	-	-
Common shares and warrants issued pursuant to Financing (notes 16(b) and 17(a))	19,001,000	3,311,660	1,438,340	-	-	4,750,000
Common shares issued pursuant to debt settlements (note 16(c))	1,642,592	386,430	(45,000)	-	-	341,430
Issuance of convertible debentures and related warrants (notes 14 and 17(b))	-	-	100,234	509,494	-	609,728
Common shares issued pursuant to the exercise of warrants (note 16(f))	100,000	43,001	(5,501)	-	-	37,500
Common shares issued pursuant to the conversion of promissory notes (note 16(e))	1,625,958	301,376	-	(102,693)	-	198,683
Common shares issued pursuant to the conversion of convertible debentures (note 16(h))	125,000	30,892	-	(12,198)	-	18,694
Issuance costs (note 16(b))	-	(571,642)	(248,322)	(198,455)	-	(1,018,419)
Agent options issued in connection with the Financing (note 18(b))	-	-	503,354	-	-	503,354
Warrants issued in connection with the Transaction (note 17(c))	-	-	1,236,649	-	-	1,236,649
Share-based compensation (note 18(a))	-	-	314,736	-	-	314,736
Net loss for the period	-	-	-	-	(14,453,068)	(14,453,068)
Balance as at April 30, 2017	119,877,626	$ 9,000,137	$ 3,730,784	$ 298,841	$ (14,238,856)	$ (1,209,094)

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

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the year ended April 30, 2017
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)
Dividends paid	-	-	-	-	(250,000)	(250,000)
Net income and comprehensive income for the period	-	-	-	-	555,356	555,356
Balance as at April 30, 2016	98	$ 98	$ -	$ -	$ 214,212	$ 214,310

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

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Cash Flow Statements
For the years ended April 30
Stated in Canadian Dollars

	2017	2016
Operating Activities		
Net (loss) income for the year	$(14,453,068)	$ 555,356
Items not affecting cash flows from operations:		
Transaction costs	8,879,671	-
Items not affecting cash:		
Amortization of property and equipment	185,548	41,907
Bad debts	40,707	-
Impairment of property, plant and equipment	23,354	-
Impairment of goodwill	1,198,017	-
Impairment of loans	696,133	-
Stock-based compensation	1,551,386	-
Deferred lease inducement	(2,284)	-
Interest accretion	241,469	-
Gain on settlement of debt	(16,428)	-
Deferred income tax recovery	-	11,504
Loss on disposal of assets	-	21,653
	(1,655,495)	630,420
Net changes in non-cash working capital (note 21):	(147,657)	(324,922)
	(1,803,152)	305,498
Investing Activities		
Net cash used in investing activities (note 22)	(1,764,449)	(116,737)
Financing Activities		
Net cash provided by (used in) financing activities (note 23)	4,255,994	(480,346)
Change in cash	688,393	(291,585)
Cash - beginning of year	40,763	332,348
Cash - end of year	$ 729,156	$ 40,763
Significant Non-Cash Transactions Not Disclosed Above		
Interest paid	$ 105,490	$ 21,276
Income taxes paid	$ 81,487	$ 19,346
Deemed transaction costs (note 2)	$ 8,879,671	$ -

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

1. Nature of Operations

Canada House Wellness Group Inc. (the “Company” or "CHWG"), formerly "Abba Medix Group Inc.", 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" (formerly "ABA"). These consolidated financial statements of the Company for the year ended April 30, 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") and The Longevity Project Corp ("TLP"). The Company is engaged in the business of helping veterans with post traumatic stress disorder by providing services to assist them in selecting a licensed producer of cannabis, identify appropriate strains, and consult and support veterans with respect to the use of medical cannabis. The Company also provides resources to Canadians considering medical cannabis as an alternative to prescription medication using its team of knowledgeable wellness consultants who guide and support clients in understanding safe and effective treatments for their conditions. Subsequent to the year ended April 30, 2017 Abba received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). 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 and Reverse Takeover

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, TLP and MFT became wholly-owned legal subsidiaries of Canada House Wellness Group Inc., and approximately 66% of all of Company's issued and outstanding shares were owned by the Target Shareholders. The primary reason for the acquisitions of TLP and MFT were to leverage TLP and MFT's existing client relationships in anticipation of Abba obtaining its license under the AMCPR. 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%. As at April 30, 2017, the net present value of the Earn-Out payment attributable to TLP using a discount of 18% was $279,089. 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 if targets are not met. 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.

2. Business Acquisition and Reverse Takeover (continued)

i) Acquisition of TLP (continued)

The allocation of the consideration transferred is as follows:

2,191,119 shares issued upon completion of the Transaction	$ 406,509
12,416,341 shares held in escrow	655,632
Earn-Out payment	279,089
Total consideration transferred	1,341,230
Net assets of TLP acquired	143,213
Goodwill and intangible assets	$ 1,198,017

With respect to the consideration transferred to acquire TLP, the Company does not expect any of the goodwill to be deductible for income tax purposes. From the period November 7, 2016, the date of the completion of the Transaction to April 30, 2017, TLP had revenues of $367,649 and a net loss of $380,092.

ii) Reverse Takeover of MFT

Upon completion of the Transaction, the Company acquired 100% of the issued and outstanding common shares of MFT, in exchange for 49,655,364 common shares of the Company, such that the former shareholders of MFT controlled 51% of the issued and outstanding common shares of the Company. As a result of the former shareholders of MFT controlling the Company following the Transaction, the acquisition constituted a reverse takeover of the Company by MFT. 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%, and a Bonus Earn-Out payment of $2,000,000 payable to the former shareholders of MFT. As at April 30, 2017, the net present value using a discount rate of 18% of the Earn-Out payment attributable to MFT was $948,755 and the Bonus Earn-Out payment was $1,227,845. The timing of the payment of the Earn-Out and Bonus Earn-Out payments by the Company to the former shareholders of MFT, 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 if targets are met. For accounting purposes, MFT is the deemed acquirer and the Company the deemed acquired company, and accordingly, MFT's assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from November 7, 2016, the date of completion of the Transaction, with assets and liabilities recorded initially at fair value. Since the Company's operations do not meet the definition of a business under IFRS 3, 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.

2. Business Acquisition and Reverse Takeover (continued)

ii) Reverse Takeover of MFT (continued)

The allocation of the consideration transferred is as follows:

4,966,536 shares issued upon completion of the Transaction	$ 921,421
44,698,828 shares held in escrow	3,514,760
Cash payment on close of the Transaction	250,000
Fair value of existing warrants of the Company	388,489
Fair value of existing options of the Company	2,805
Fair value of equity portion of existing convertible promissory notes of the Company	102,693
Fair value of shares to be issued	45,000
Earn-Out payment	948,755
Bonus Earn-Out payment	1,227,845
Total consideration transferred	7,401,768
Net assets (liabilities) of the Company acquired	(1,477,903)
Deemed Transaction costs and license application	$ 8,879,671

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. The acquisition of MFT included a late-stage license application which did not meet the definition of an intangible asset pursuant to IFRS 38. As such, the associated costs have been included in transaction costs.

The common shares issued to the former shareholders of MFT and TLP (the "Consideration Shares") are subject to a three year escrow period, subject to accelerated release in fulfillment of certain performance targets (the "Contractual Escrow"). The Contractual Escrow is as follows:

a) 20% of the Consideration Shares shall be delivered on the closing of the Acquisition.

b) subject to MFT and TLP, on a continued basis (the "Target Business") achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the six month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 29% has been applied to reflect the escrow period. The Target Business did not meet the EBITDA targets applicable to the release of these shares from escrow.

c) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the twelve month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 42% has been applied to reflect the escrow period.

2. Business Acquisition and Reverse Takeover (continued)

d) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the eighteen month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 49% has been applied to reflect the escrow period.

e) subject to the Target Business achieving the applicable EBITDA target, 20% of the Consideration Shares shall be released from escrow on the twenty-four month anniversary of the closing date of the Transaction. For purposes of calculating the fair value of these shares, a discount of 55% has been applied to reflect the escrow period.

In the event that the Target Business does not meet the applicable EBITDA targets by the applicable anniversary date of the closing date of the Transaction, then such portion of the Consideration Shares shall remain in escrow until the third anniversary of the closing date of the Transaction. As of the date of these financial statements, the EBITDA targets have not been met. In addition to the Contractual Escrow, the release of the Consideration Shares will be subject to statutory escrow provisions such that 10% will be released upon listing on the Canadian Stock Exchange with subsequent releases of 15% every six months thereafter. For the purposes of calculating the fair value of these shares, a discount has been applied to reflect the escrow period. A discount of 29% has been applied to reflect the escrow period of six months, 42% for twelve months, 49% for eighteen months, 55% for twenty-four months, 83% for thirty months, and 87% for thirty-six months.

The former shareholders of MFT control the voting rights to 13,146,654 common shares held by the former shareholders of TLP pursuant to the terms of a voting trust agreement, representing 11% of outstanding common shares immediately following the Transaction. The former shareholders of MFT may exercise all of the voting rights attached to the common shares held by the former shareholders of TLP at all annual and special meetings of the shareholders of the Company held on or before June 30, 2018.

During the year ended April 30, 2017, the Company incurred professional fees of $200,770 in connection with the Transaction which have been included in the transaction costs of $9,080,441 on the statement of loss and comprehensive loss.

3. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and their interpretations issued by the IFRS Interpretations Committee ("IFRIC") and were approved by the Company's Board of Directors on October 29, 2017.

3. Basis of Presentation and Going Concern (continued)

b) Basis of Presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 4.

c) Basis of Consolidation

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

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

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

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

d) Going Concern

These 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.

The Company’s ability to continue as a going concern is dependent upon, but not limited to, generating positive cash flows from operations, and its ability to raise financing necessary to discharge its liabilities as they become due. While the Company has obtained its license to cultivate medical marijuana under the ACMPR, it is uncertain whether it will be successful in obtaining a license to sell marijuana under the ACMPR. During the year ended April 30, 2017, the Company incurred a net loss of $14,453,068 (2016 - net income of $555,356) and as of that date, the Company's accumulated deficit was $14,238,856 (2016 - retained earnings of $214,212). As at April 30, 2017, the Company has current assets of $2,156,302 (2016 - $989,460) and current liabilities of $3,202,949 (2016 - $872,025) resulting in a working capital deficiency of $1,046,647 (2016 - working capital of $117,435).

3. Basis of Presentation and Going Concern (continued)

d) Going Concern (continued)

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 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 consolidated financial statements.

4. Significant Accounting Policies

Cash

Cash includes bank deposits with an original maturity of three months or less which are readily convertible into a known amount of cash.

Accounts Payable and Accrued Liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle this obligation are both probable and able to be reliably measured.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are measured at the fair value of consideration transferred.

4. Significant Accounting Policies (continued)

Revenue Recognition

The Company earns referral fee revenue from various licensed producers of cannabis by providing educational services to prospective consumers of cannabis products and referring the consumers to a licensed producer. The Company educates consumers on different strains of cannabis plants and how to properly use the products of licensed producers based on the consumers' ailments and ultimately refers these clients to the cannabis producers. Revenue is measured at the fair value of the consideration received or receivable for the rendering of services/referral in the ordinary course of the Company's activities and which are generally met once the referral is made and the client purchases cannabis from the licensed producers. Revenue is recognized when all of the following conditions are met:

(i) it is probable that the economic benefits associated with the transaction will flow to the Company;

(ii) the costs incurred or to be incurred in respect of the transaction can be measured reliably; and

(iii) the amount of revenue can be measured reliably.

The Company also earns revenue for Skype fees which are earned for arranging an appointment between the Company's clients and a physician to obtain a prescription for the medical cannabis. These fees are paid by the patient and billed at the time when the appointment is arranged. Revenue is recognized when all of the conditions above (i, ii, and iii) are met.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is recognized so as to write off the cost of assets less their residual values over their useful lives. Amortization begins when an asset is available for use, meaning that it is in the location and condition necessary for it to be used in the manner intended by management. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

Amortization is calculated applying the following useful lives:

Vehicles	30% on a declining balance basis
Furniture and equipment	20% on a declining balance basis
Security Equipment	5 years on a straight line basis
Computer Equipment	30% on a declining balance basis
Computer Software	30% on a declining balance basis
Buildings	4% on a declining balance basis
Leasehold improvements	5 years on a straight line basis

4. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs of disposal and their value in use. Fair value is the price at which the asset could be bought or sold in an orderly transaction between market participants. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Intangible Assets

Intangible assets are initially measured at cost. The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. If impairment indicators are present, these assets are subject to an impairment review. Amortization is calculated using the straight line method over the estimated useful lives.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

Goodwill

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Impairment of Non-Financial Assets

For all non-financial assets, except for intangible assets with indefinite useful lives and intangible assets not yet available for use, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

4. Significant Accounting Policies (continued)

Impairment of Non-Financial Assets (continued)

When goodwill has been allocated to a cash-generating unit, the carrying amount of goodwill is tested annually for impairment, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of unit, the unit and the goodwill allocated to that unit shall be regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, the entity shall recognise the impairment loss in the period.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income (loss).

Impairment losses, except for impairment losses for goodwill, may be reversed in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

During the year ended April 30, 2017, the Company determined that goodwill and intangible assets in the amount of $1,198,017 recognized on the acquisition of TLP was impaired, as it was determined by management that the operational synergies and relationships that were expected as part of the acquisition of TLP were not realized, and were not expected to be realized in the future as originally contemplated. In the opinion of management, the absence of these synergies and relationships were the most significant elements of value with respect to the acquisition of TLP. As such, the Company has expensed the full amount of the goodwill on the consolidated statement of loss and comprehensive loss for the year ended April 30, 2017. In addition, the Company determined that the property, plant and equipment acquired upon the acquisition of TLP in the amount of $23,354 was impaired. As such, the Company has expensed the full amount these assets on the consolidated statement of loss and comprehensive loss during the year ended April 30, 2017.

Impairment of Financial Assets

An impairment loss in respect of a financial asset measured at amortized cost, such as accounts receivable and other receivable, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the corresponding asset.

During the year ended April 30, 2017, the Company determined that various loans in the aggregate amount of $696,133 were not collectible and, a such, were impaired. The Company expensed the full amount on the consolidated statement of loss and comprehensive loss for the year ended April 30, 2017. The Company has assessed its other financial assets, and has determined that conditions indicating potential impairment were not present as at April 30, 2017 and April 30, 2016.

4. Significant Accounting Policies (continued)

Foreign Currency Translation

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using exchange rates prevailing at the end of the reporting period. All exchange gains and losses are included in the statement of loss and comprehensive loss.

Current Taxes

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Taxes

Deferred taxes are determined, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted by the date of the statement of financial position are used to determine the deferred tax expense.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences or unused tax losses can be utilized.

Deferred tax is charged or credited in the statement of loss and comprehensive loss, except when it relates to items credited or charged directly to other comprehensive income or equity, in which case the deferred tax is treated accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As of April 30, 2017 and 2016, the Company did not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Significant Accounting Policies (continued)

Financial Instruments

Financial assets and liabilities within the scope of IAS 39 (Financial Instruments: Recognition and Measurement) are classified as financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets and liabilities at initial recognition.

All of the Company's financial instruments are initially measured at fair value, with subsequent measurements dependent upon the classification of each financial instrument.

Financial assets classified as fair value through profit or loss include cash which is measured at fair value. Loans and receivables, which includes accounts receivable, short-term advance to related party, and loan receivable, are recorded at amortized cost less impairment losses.

Other financial liabilities, which include accounts payable and accrued liabilities, due to shareholders, long-term debt, purchase consideration payable and convertible debentures are recorded at amortized cost using the effective interest method.

Transaction costs on assets and liabilities classified at amortized cost are included in the balance and amortized to the statement of loss and comprehensive loss using the effective interest method. Transaction costs on assets or liabilities classified at fair value through profit and loss are recognized in profit or loss as incurred.

The effective interest method is used to calculate the amortized cost of a financial asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that is used to discount estimated future cash receipts or payments over the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company does not have any derivatives designated as hedging instruments in an effective hedge.

The Company’s financial assets and liabilities recorded at fair value on the statement of financial position or disclosed in the notes have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at April 30, 2017, the Company’s cash is categorized as Level I measurement. The Company does not hold any Level II or III financial assets or liabilities.

4. Significant Accounting Policies (continued)

Financial Instruments (continued)

Compound financial instruments issued by the Company comprise convertible debentures that are convertible to share capital at the option of the holder, and the number of shares to be issued are at a fixed number at a fixed amount, and do not vary with changes in their fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Upon conversion to equity, the liability and equity components of a compound financial instruments are included in the fair value of the common shares issued and charged to share capital.

Earning (Loss) Per Share

Earnings (Loss) per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings (loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, and conversions of convertible debt if dilutive.

Share Based Compensation

Share Based Payment Transactions

Transactions with non-employees that are settled in equity instruments of the Company are measured at the fair value of the goods received or services rendered. In situations where the fair value of the goods or services received by the entity as consideration cannot be reliably measured, transactions are measured at fair value of the equity instruments granted. The fair value of the share based payments is recognized together with a corresponding increase in equity over a period that services are provided or goods are received.

Equity Settled Transactions

Directors of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity settled transactions with employees are measured by reference to the fair value of the equity instruments at the date on which they are granted, using the Black-Scholes option pricing model.

4. Significant Accounting Policies (continued)

Share Based Compensation (continued)

Equity Settled Transactions (continued)

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. The value of common shares issued to settle debt is calculated based on the fair value of the shares as at the date the associated debt is de-recognized. Any difference between the carrying amount of the debt and the fair value of the common shares issued is treated as a gain or loss on the settlement of debt and is included in the loss and comprehensive loss for the period in which the debt is settled.

No expense is recognized for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings (loss) per share.

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received net of tax. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Share Capital

In situations where the Company issues units containing a common share and a whole or fractional warrant, the fair value of shares and warrants are recorded based on relative fair values. The relative fair value of the warrants, as calculated as of the date of issue using the Black-Scholes pricing model, is included in the Company's contributed surplus.

Equity Component of Convertible Promissory Notes and Convertible Debentures

The equity component of convertible promissory notes and convertible debentures are included in shareholders' equity.

4. Significant Accounting Policies (continued)

Revaluation of Warrants

When the terms of warrants previously granted are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the holder of the warrants as measured at the date of modification.

Future Accounting Pronouncements

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.

IFRS 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 15, Revenue from Contracts and Customers (“IFRS 15”) was issued by the IASB in May 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

4. Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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 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.

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 consolidated financial statements.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these 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 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 include those related to the ability of the Company to continue as a going concern (note 3), the determination of when property and equipment are available for use (note 8), impairment of its financial and non-financial assets (notes 4 and 8), the assessment of whether acquisitions are asset acquisitions (note 2), the assessment of the Transaction as a reverse takeover versus a business combination (note 2) and the classification and presentation of convertible debt (note 14). The most significant estimates and assumptions include those related to the fair value of common shares issued in connection with the Transaction (note 2), the valuation of consideration in the Transaction, including discount on deferred cash payments, discount on shares in escrow, the fair values of warrants and options and the inputs used in the Black Scholes valuation model which include share price volatility, the risk-free rate of interest, expected dividend yield, and expected forfeiture rate (note 2), the valuation of deferred taxes (note 20), inputs used in accounting for share-based payment transactions and in the valuation of options and warrants included in shareholders' equity, including volatility (notes 17 and 18), 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 debentures (note 14) and the fair value of the net assets acquired pursuant to the Transaction (note 2). Management has determined that judgments, estimates and assumptions reflected in these consolidated financial statements are reasonable.

6. Short-term Advance to Related Party

The short-term advance to related party bears interest at 6% per annum, is unsecured, and has no specific terms of repayment. The related party is the Company's former Chief Executive Officer who is also a shareholder.

7. Loan Receivable

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

	April 30, 2017	April 30, 2016
Principal balance	$ 30,000	$ -
Less: current portion	(10,000)	-
	$ 20,000	$ -

On June 21, 2016, the Company loaned $30,000 to a company (the "Debtor") 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. The Debtor is a related corporation as the shareholders of the Company are also significant shareholders of the Debtor. The loan is unsecured, non-interest bearing, is repayable annually at $10,000 per year with a final payment on June 21, 2019.

8. Property, Plant and Equipment

As at April 30, 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	297,516	-	58,958	273,288	-	130,758	29,092	260,675	465,351	1,515,638
Acquired in connection with the Transaction	1,265,607	214,279	26,562	-	186,127	33,983	23,354	-	-	1,749,912
Disposals	-	-	-	-	-	-	(30,943)	-	-	(30,943)
Balance, end of period	1,593,495	214,279	105,086	307,443	186,127	233,861	93,357	260,675	465,351	3,459,674
Accumulated depreciation										
Balance, beginning of period	6,442	-	6,242	7,493	-	11,940	26,296	-	-	58,413
Depreciation	31,400	28,571	20,430	48,992	-	29,044	16,684	10,427	-	185,548
Disposals	-	-	-	-	-	-	(2,909)	-	-	(2,909)
Balance, end of period	37,842	28,571	26,672	56,485	-	40,984	40,071	10,427	-	241,052
Net carrying amount as at April 30, 2017	$ 1,555,653	$ 185,708	$ 78,414	$ 250,958	$ 186,127	$ 192,877	$ 53,286	$ 250,248	$ 465,351	$ 3,218,622

Included in disposals of vehicles for the year ended April 30, 2017, is $23,354 related to a vehicle that was determined to be impaired.

As at April 30, 2017, the Company's manufacturing equipment and certain leasehold improvements acquired were not yet available for use. As such, the cost of the assets have been capitalized but not yet amortized.

8. Property, Plant and Equipment (continued)

As at April 30, 2016	Leasehold Improvements	Computer Equipment	Computer Software	Furniture and Equipment	Vehicles	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

9. Due to Shareholders

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

10. 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.

11. Sales Taxes Payable

The amounts included in sales taxes payable represent amounts owed to Revenu Quebec for sales taxes collected by the Company prior to completion of the Transaction, as well as GST and HST collected on revenue net of the amount of GST, HST and QST paid on purchases made by the Company.

12. Promissory Notes

As a result of the Transaction, the following unsecured promissory notes were acquired at fair value, which were originally issued by CHWG during the year ended July 31, 2015:

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 year ended April 30, 2017. In addition, the Company issued 11,872 common shares (note 16(c))related to accrued interest in the amount of $8,014. The fair value of the shares issued approximated the carrying amount of the debt on the settlement date, thus there was no gain recognized on the settlement of the debt.

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 year ended April 30, 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 (note 16 (c))as settlement of the two promissory notes and another short-term advance payable to the same party in the amount of $43,000. The fair value of the shares issued approximated the carrying amount of the debt on the settlement date, thus there was no gain recognized on the settlement of the debt.

13. Convertible Promissory Notes

As a result of the Transaction, the following unsecured convertible promissory notes were acquired at fair value, which were originally issued by CHWG during its year ended July 31, 2015:

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. During the year ended April 30, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $250,000 and issued 281,106 common shares (note 16(c)) of the Company in full satisfaction of the outstanding principal and accrued interest of $87,419. In addition, the Company issued 125,000 common shares previously recognized as shares to be issued, as a financing charge related to the issuance of the convertible promissory note (note 16(c)). The fair value of the shares issued approximated the carrying amount of the accrued interest on the settlement date, thus there was no gain recognized on the settlement of the debt.

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 at April 30, 2016, accounts payable and accrued liabilities included $2,500 of accrued interest related to this convertible promissory note. During the year ended April 30, 2017, the Company entered into a debt settlement agreement with the noteholder pursuant to which the Company paid $25,000 and issued 140,611 common shares (note 16(c)) of the Company in full satisfaction of the outstanding principal and accrued interest of $8,742. In addition, the Company issued 125,000 common shares previously recognized as shares to be issued, as a financing charge related to the issuance of the convertible promissory note (note 16(c)). The fair value of the shares issued approximated the carrying amount of the accrued interest on the settlement date, thus there was no gain recognized on the settlement of the debt.

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 year ended April 30, 2017, the promissory note and accrued interest was paid in full.

The aggregate carrying value of the convertible promissory notes as at April 30, 2017 is calculated as follows:

Balance as at April 30, 2016	$	-
Assumed upon completion of the Transaction		300,000
Less: principal repayments		(300,000)
Balance, April 30, 2017	$	-

13. Convertible Promissory Notes (continued)

As a result of the Transaction, the following unsecured convertible promissory notes were acquired at fair value, which were originally issued by CHWG during its year ended July 31, 2016:

a) Principal of $50,000 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 3, 2018. The outstanding principal amounts shall be due and payable on May 3, 2018.

b) Principal of $50,000 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 13, 2018. The outstanding principal amounts shall be due and payable on May 13, 2018.

c) Principal of $50,000 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of May 20, 2018. The outstanding principal amounts shall be due and payable on May 20, 2018.

d) Principal of $50,000 with interest at a rate of 15% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December the effective date until the maturity date of June 1, 2018. The outstanding principal amounts shall be due and payable on June 1, 2018.

e) Principal of $75,000 with interest at a rate of 8.5% per annum and payable in arrears on a quarterly basis on the last day of each of March, June, September and December commencing June 30, 2016 until the maturity date of June 21, 2018. The outstanding principal amounts shall be due and payable on June 21, 2018.

During the year ended April 30, 2017, the aggregate principal of $275,000 of all of the convertible promissory notes noted above, as well as accrued interest of $17,672 were converted into 1,625,958 common shares (note 16(e)) of the Company.

The aggregate carrying value of the convertible promissory notes as at April 30, 2017 is calculated as follows:

Balance as at April 30, 2016	$ -
Assumed upon completion of the Transaction	155,999
Less: converted to common shares of the Company	(155,999)
Balance, April 30, 2017	$ -

14. Convertible Debentures

During the year period ended April 30, 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 Convertible Debentures are secured by a general security agreement over all present and after-acquired property of the Company. The Convertible Debentures will be senior in right of payment of principal and interest to all obligations of the Company, and rank senior with all present and future debentures of the Company. Within the first twelve months following the escrow release date, provided that the volume weighted average price of the Common Shares of the Company on the Exchange for the twenty consecutive trading days ending five trading days prior to the date of the redemption notice, is equal to or greater than $0.50 per share, the Convertible Debentures may be redeemed, in whole or in part, from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price of $0.40 per Convertible Debenture, plus the full 8.5% interest for the first twelve months following the escrow release date. From and after the date that is twelve months from the escrow release date until the date that is 48 months from the Escrow Release Date, provided that the volume weighted average price of the shares of the Company on the Exchange for the 20 consecutive trading days ending five trading days prior to the date of the redemption notice, is equal to or greater than $0.50 per share, the Convertible Debentures may be redeemed, in whole or in part, from time to time at the option of the Company on not more than 60 days and not less than 30 days prior notice, at a price of $0.40 per Convertible Debenture, plus accrued and unpaid interest up to and excluding the date of the redemption notice.

The Company has allocated the proceeds from the issuance of the Convertible Debenture Units as follows:

Convertible debentures, principal	$ 632,050
Conversion option	472,568
Deferred income tax liability	170,382
	$ 1,275,000

The value of the conversion option was calculated by subtracting the net present value of the debenture and the deferred tax liability from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 18% over a term of 48 months. The deferred tax liability was calculated using a corporate tax rate of 27%.

14. Convertible Debentures (continued)

During the year ended April 30, 2017, a convertible debenture with a principal amount of $50,000 was converted into 125,000 common shares of the Company (note 17(g)).

The aggregate carrying value of the convertible debentures as at April 30, 2017 is calculated as follows:

Principal balance	$ 1,275,000
Less: conversion option	(472,568)
Less: deferred tax liability	(170,382)
Less: issuance costs	(158,789)
Carrying value upon issuance	473,261
Add: interest accretion for the year	39,038
Less: converted to common shares of the Company	(17,267)
Balance, April 30, 2017	$ 495,032

The aggregate carrying value of the convertible debentures conversion feature as at April 30, 2017 is calculated as follows:

Value of conversion option	$ 472,568
Less: issuance costs	(161,529)
Less: converted to common shares of the Company	(12,198)
Balance, April 30, 2017	$ 298,841

In connection with the issuance of the convertible debentures, the Company incurred issuance costs of $320,318, of which $113,570 were paid in cash and $206,748 relate to the fair value of 510,000 agent options (note 17(d)).

15. Long-Term Debt

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

	April 30, 2017	April 30, 2016
Aphria Inc. Promissory note (a)	$ 18,870	$ 274,550
Scotia Bank Loan (b)	36,512	43,461
Royal Bank of Canada Loan (c)	23,162	-
Bank of Montreal Loan (d)	22,784	-
Total debt	101,328	318,011
Less: current portion	(41,481)	(259,736)
	$ 59,847	$ 58,275

15. Long-Term Debt (continued)

a) In March 2015, the Company signed an unsecured promissory note and borrowed $500,000 from Aphria Inc., a publicly-traded company (TSE: "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. As at April 30, 2017, this promissory note was in default, however, as of the date of these consolidated financial statements, Aphria Inc. has not demanded repayment.

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 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 July 19, 2020.

d) In December 2015, the Company obtained a 5-year loan from the Bank of Montreal to purchase a vehicle. The loan is collateralized against the vehicle and bears interest at 4.99% per annum, repayable in bi-weekly instalments of $273 commencing on December 2, 2015 and matures on November 15, 2020.

16. Share Capital

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

During the year ended April 30, 2017, the Company:

a) Issued 109,382,968 common shares of the Company with an aggregate fair value of $5,498,322 in connection with the Transaction discussed in note 2.

b) Issued 19,001,000 Equity Units at a subscription price of $0.25 per Equity Unit for gross proceeds of $4,750,000. Each Equity Unit consists of one common share and one common share purchase warrant. Of the total gross proceeds received, $1,438,340 was allocated to warrants (see note 17(a)).

In connection with the issuance of the Equity Units, the Company paid commissions and professional fees of $396,840 and issued 1,900,100 agent options, the fair value of which was $396,840 (note 17(b)).

c) Issued 1,393,592 common shares pursuant to various debt settlement agreements to settle outstanding debt with a carrying amount of $341,430. The fair value of the common shares issued pursuant to the debt settlement agreements was $341,430.

d) Issued 250,000 common shares pertaining to shares to be issued from CHWG's fiscal year ended July 31, 2016. The shares to be issued were acquired at their fair value of $45,000 in the reverse takeover transaction.

16. Share Capital (continued)

e) Issued 1,625,958 common shares pursuant to the conversion of promissory notes payable in the aggregate principal and accrued interest of $264,024 (note 13). The fair value of the shares issued approximated the carrying amount of the debt on the settlement date, thus there was no gain recognized on the settlement of the debt.

f) Issued 100,000 common shares pursuant to the exercise of 100,000 warrants. The warrants had a carrying value of $5,501 and were exercised for proceeds of $37,500.

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

h) Issued 125,000 common shares pursuant to the conversion of convertible debentures with a face value of $50,000. The carrying value of the debt and equity components of convertible debt on the date of conversion were $18,694 and $12,198 respectively.

17. Warrants

During the year ended April 30, 2017, the Company:

a) Issued 19,001,000 warrants on November 7, 2016 in connection with the issuance of Equity Units on as disclosed in note 16(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 of $1,225,073 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	0.62%
Expected life	2 years
Expected volatility	110%
Share price	$0.19
Forfeiture rate	Nil

17. Warrants (continued)

b) Issued 1,275,000 warrants on November 7, 2016 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 to be $100,234 based on a binomial option valuation model using the following assumptions:.

	Initial 24 Months	24-36 Months	36-48 Months
Expected dividend yield	Nil	Nil	Nil
Risk-free interest rate	0.55%	0.57%	0.64%
Expected life	2 years	1 year	1 year
Expected volatility	110%	110%	110%
Share price	$0.19	$0.19	$0.19
Forfeiture rate	Nil	Nil	Nil

c) Issued 15,000,000 warrants on November 7, 2016 to an officer and director, a former director and a consultant. 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 $2,158,000 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	0.59%
Expected life	5 years
Expected volatility	183%
Share price	$0.19
Forfeiture rate	Nil

The fair value of the warrants will be expensed as stock-based compensation over the vesting period of the warrants. During the year ended April 30, 2017, the Company recognized stock-based compensation expense of $1,236,650 related to the vesting of these warrants.

d) As a result of the Transaction, the Company acquired 4,991,816 warrants at a fair value of $388,489, of which 3,658,482 were originally issued by CHWG during the year ended July 31, 2015, and 1,333,334 were issued during CHWG's fiscal quarter ended January 31, 2017. Of these warrants, 3,558,482 warrants allow the holder to acquire one common share of the Company at a price of $0.375 per share at any time until March 13, 2018. The remaining 1,333,334 warrants allow the holder to acquire one common share of the Company at a price of $0.25 per share at any time until November 7, 2019.

17. Warrants (continued)

The following table summarizes the warrant activities for the year ended April 30, 2017:

	Number of Warrants	Fair Value of Warrants	Weighted Average Exercise Price
Balance - May 1, 2015 and April 30, 2016	-	$ -	$ -
Issued pursuant to Transaction	4,991,816	388,489	0.38
Issued for cash	20,276,000	1,538,824	0.40
Issued for services rendered	15,000,000	1,236,649	0.25
Exercised	(100,000)	(5,501)	0.38
Issuance costs	-	(248,321)	-
Balance - April 30, 2017	40,167,816	$ 2,910,140	$ 0.37

As at April 30, 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	-	0.87	March 13, 2018
$ 0.40	20,276,000	-	1.52	November 7, 2018
$ 0.25	1,333,334	-	2.42	November 7, 2019
$ 4.53	5,000,000	10,000,000	4.52	September 30, 2019
	30,167,816	10,000,000	1.98	

18. 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.

18. Stock Options (continued)

During the year ended April 30, 2017, the Company

a) 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 $756,139 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	0.59%
Expected life	5 years
Expected volatility	187%
Share price	$0.19
Forfeiture rate	Nil

During the year ended April 30, 2017, the Company recognized stock-based compensation expense of $314,736 (2016 - $Nil) with respect to these options.

b) Issued 2,410,000 agent options to an agent in connection with the Transaction discussed in note 2. Each agent option 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 options of $503,354 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	0.59%
Expected life	3 years
Expected volatility	181%
Share price	$0.19
Forfeiture rate	Nil

c) As a result of the Transaction, the Company acquired 66,667 options at a fair value of $2,805,which were originally issued by CHWG during the year ended July 31, 2015. Each option allows the holder to acquire one common share of the Company at a price of $0.69 per share at any time until March 7, 2019.

18. Stock Options (continued)

The following table summarizes the stock option activities for the period ended April 30, 2017:

	Number of Options	Weighted Average Exercise Price
Balance - April 1, 2016	-	$ -
Issued pursuant to Transaction	66,667	0.69
Granted	7,510,100	0.25
Balance - April 30, 2017	7,576,767	$ 0.25
Exercisable at April 30, 2017	3,567,767	$ 0.26

As at April 30, 2017, the Company had the following stock options outstanding:

Exercise Price	Options Vested	Options Unvested	Remaining Contractual Life (Years)	Expiry Date
$ 0.69	66,667	-	1.85	March 7, 2019
$ 0.25	3,510,100	4,000,000	2.34	September 2, 2019
	3,576,767	4,000,000	2.33	

19. Contributed Surplus

Balance, May 1, 2015 and April 30, 2016	$ -
Fair value of warrants issued to Directors and a consultant in connection with the Transaction (notes 2 and 17(c))	1,236,649
Fair value of warrants issued in connection with the Financing (note 18(a))	1,438,340
Fair value of Convertible Debenture Warrants (note 17(b))	100,234
Fair value of CHWG options assumed in Transaction (note 18(c))	2,805
Fair value of CHWG shares to be issued assumed in Transaction (note 2)	45,000
Common shares issued pursuant to debt settlements (note 16(c))	(45,000)
Fair value of Agent options issued in connection with the Financing (note 18)	503,354
Fair value of CHWG warrants assumed in connection with the Transaction (note 18)	388,489
Share-based compensation (note 18)	314,736
Less: issuance costs (note 17)	(248,322)
Less: exercise of warrants (note 17)	(5,501)
Balance, April 30, 2017	$ 3,730,784

20. Income Taxes

a) Deferred Income Taxes

	2017	2016
Income (Loss) before income taxes	$ (14,423,372)	$ 690,079
Statutory rate	26.5%	26.5%
Expected income tax recovery	(3,822,194)	186,322
Non-deductible expenses	1,004,750	4,776
Transaction costs non-deductible for tax purposes	2,406,317	(60,833)
Share issuance costs	(29,255)	-
Other	(9,633)	(7,045)
Amounts related to prior period	29,696	-
Net deferred tax liabilities recognized	-	11,504
Change in deferred tax assets not recognized	450,015	-
Income tax expense	$ 29,696	$ 134,724

b) Deferred Income Tax Assets

The tax effects of temporary differences that give rise to the deferred income tax assets and liabilities at April 30, 2017 and 2016 are as follows:

	2017	2016
Non-capital loss carry forwards	$ 1,859,426	$ -
Convertible debt	(170,382)	-
Property, plant and equipment	72,058	(11,749)
Share issuance costs	115,400	-
Cumulative eligible capital	-	245
	1,876,502	(11,504)
Deferred tax (assets) liabilities not recognized	(2,058,388)	-
Net deferred income tax assets (liabilities)	$ (181,886)	$ (11,504)

A valuation allowance has been applied against all of the above deferred income tax assets.

d) Non-Capital Losses

The Company has a non-capital loss carried forward of approximately $7,016,876 available to reduce future years' taxable income which will expire as follows:

Fiscal Year	Amount
2034	$ 265,320
2035	$ 2,971,479
2036	$ 2,081,904
2037	$ 1,697,998

21. Changes in Non-cash Working Capital

The changes to the Company's non-cash working capital for the years ended April 30, 2017 and 2016 are as follows:

	2017	2016
Decrease (increase) in accounts receivable	$ (329,728)	$ (786,025)
Decrease (increase) in prepaid expenses and deposits	156,197	(50,142)
Increase (decrease) in sales taxes payable	(205,045)	-
Increase (decrease) in income taxes payable	(81,487)	103,873
Increase (decrease) in accounts payable and accrued liabilities	312,406	407,372
	$ (147,657)	$ (324,922)

The working capital cash flows shown in the consolidated statements of cash flows differ from the consolidated statement of financial position due to the current assets and liabilities acquired pursuant to the Transaction (note 2).

22. Changes in Cash Flows from Investing Activities

The changes to the Company's cash flows from investing activities for the years ended April 30, 2017 and 2016 are as follows:

	2017	2016
Property and equipment	$ (1,515,638)	$ (116,737)
Loan receivable	(30,000)	-
Cash consideration paid in connection with Transaction	(250,000)	-
Cash acquired upon completion of Transaction	31,189	-
	$ (1,764,449)	$ (116,737)

23. Changes in Cash Flows from Financing Activities

The changes to the Company's cash flows from financing activities for the years ended April 30, 2017 and 2016 are as follows:

	2017	2016
Proceeds from issuance of Equity Units	$ 4,750,000	$ -
Proceeds from issuance of Convertible Debenture Units	1,275,000	-
Proceeds from exercise of warrants	37,500	-
Share issuance costs	(536,693)	-
Repurchase of common shares	-	(30,000)
Dividends paid	-	(250,000)
Repayment of long-term debt	(250,712)	(230,705)
Repayment of convertible promissory notes	(300,000)	-
Repayment of promissory notes	(205,000)	-
Short-term advance to/ from related party	(65,000)	-
Short-term advances payable	(11,700)	-
Due from related company	(437,401)	-
Due to shareholders	-	30,359
	$ 4,255,994	$ (480,346)

24. Related Party Transactions and Balances

During the years ended April 30, 2017 and 2016, the Company incurred the following related party transactions:

a) A total of $108,556 (2016 - $Nil) in occupancy expenses and $14,611 (2016 - $Nil) of interest were charged by a company whose shareholders are related to the shareholders of one of the Company's corporate shareholders. As at April 30, 2017, prepaid expenses included $43,802 (2016 - $Nil), deferred lease inducement included $7,611 (2016 - $Nil) and accounts payable and accrued liabilities included $110,233 (2016 - $Nil) payable to this company.

b) A total of $42,000 (2016 - $Nil) of accounting fees and $10,000 (2016 - $Nil) of consulting fees were charged by an accounting firm in which an officer of the Company is a partner. As at April 30, 2017, accounts payable and accrued liabilities included $252,942 (2016 - $Nil) payable to this accounting firm.

c) A total of $595,503 (2016 - $Nil) of salaries were charged by the various officers, directors and key members of the Company's management team.

d) A total of $21,627 (2016 - $Nil) of salaries were charged by individuals related to various officers, directors and key members of the Company's management team.

24. Related Party Transactions and Balances (continued)

e) A total of $190,820 (2016 - $Nil) of professional fees were charged by an accounting firm in which a former director of the Company is a partner. As at April 30, 2017, accounts payable and accrued liabilities included $Nil payable to this accounting firm.

f) The amount of stock-based compensation expense for the period ended April 30, 2017 related to stock options granted to directors and key members of management during the year ended April 30, 2017 was $314,736 (2016 - $Nil).

g) The amount of stock-based compensation expense for the period ended April 30, 2017 related to warrants granted to director and officer, a former director and a key member of management during the year ended April 30, 2017 was $1,236,649 (2016 - $Nil).

h) A total of $16,990 (2016 - $Nil) was donated to a not-for-profit entity operated by a director and another key member of management during the period ended April 30, 2017.

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

Total compensation of $2,146,888 (2016 - $Nil) comprised of short-term employee benefits of $595,503 (2016 - $Nil) and share-based payments of $1,551,385 (2016 - $Nil) were paid to the Company's key members of management during the year ended April 30, 2017.

25. 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 sell medical marijuana under the ACMPR, 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. Subsequent to the year ended April 30, 2017, the Company received a license to produce/ cultivate, but has not yet received a license to sell.

Fair Values

The carrying amounts for the Company’s cash, accounts receivable, short-term advance to related party, loan receivable, accounts payable and accrued liabilities, amounts due to shareholders, sales taxes payable and income taxes payable approximate their fair values because of the short-term nature of these items. The carrying amounts of long-term debt, convertible debentures and purchase consideration payable approximate their fair values as the interest rates are based on market rates.

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

25. Financial Instruments and Other Risks (continued)

Credit Risk

The Company is exposed to credit risk as at April 30, 2017 on its accounts receivable, short-term advance to related party, and loan receivable. This risk related to accounts receivable is mitigated as the accounts receivable relate to amounts due from licensed producers, who receive revenue proceeds from insurance companies from their patients, who in turn pays a commission to the Company. Therefore, the underlying amounts to be collected are due from medical insurance companies rather than individual patients. The risks related to the short-term advance receivable, other receivable and loan receivable are mitigated as the parties to whom the amounts are advanced are related parties or other parties close to the Company. The Company's cash is on deposit with a highly rated financial institution in Canada.

An aging of accounts receivable as at April 30, 2017 and 2016 is as follows:

	Accounts Receivable Due By Period				
	0-30 days	**31- 60 days**	**61-90 days**	**91 + days**	**Total**
2017	$ 1,025,357	$ 2,256	$ 204,974	$ 42,783	$ 1,275,370
2016	$ 490,880	$ 401,983	$ -	$ 4,192	$ 897,055

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 April 30, 2017, the Company has current assets of $2,156,302 and current liabilities of $3,202,949. The Company has a working capital deficiency as at July 31, 2016 of $1,046,647. The contractual maturities of the Company's accounts payable and accrued liabilities are disclosed in a table included later in note 25. The Company plans to raise capital as needed to mitigate its liquidity risk.

25. Financial Instruments and Other Risks (continued)

Liquidity Risk (continued)

The following is an analysis of the Company's financial obligations based on their maturities as at April 30, 2017 and 2016:

	Payments Due by Period			
	Less than 1 year	**Between 1 and 3 years**	**Greater than 3 years**	**Total**
April 30, 2017				
Accounts payable and accrued liabilities	$ 2,895,497	$ -	$ -	$ 2,895,497
Due to shareholders	108,499	-	-	108,499
Sales taxes payable	91,220	-	-	91,220
Income taxes payable	66,252	-	-	66,252
Convertible debentures	-	-	495,032	495,032
Purchase consideration payable	-	2,656,693	-	2,656,693
Long-term debt	41,481	54,170	5,677	101,328
	$ 3,202,949	$ 2,710,863	$ 500,709	$ 6,414,521
April 30, 2016				
Accounts payable and accrued liabilities	$ 470,381	$ -	$ -	$ 470,381
Due to shareholders	38,035	-	-	38,035
Income taxes payable	103,873	-	-	103,873
Long-term debt	259,736	34,517	23,758	318,011
2016	$ 872,025	$ 34,517	$ 23,758	$ 930,300

Currency Risk

The Company is exposed to currency risk on the outstanding balance of US$72,500 (2016 - US$Nil) included in accounts payable and accrued liabilities that are denominated in United States Dollars. At April 30, 2017, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the year would have been $9,734 (2016 - $Nil) higher (lower).

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 April 30, 2017, all of the Company's interest-bearing financial instruments, which include short-term advance to related party, convertible debentures and long-term debt, are at fixed interest rates. As such, there is no significant cash flow interest rate risk associated with the Company's financial instruments.

26. Capital Disclosures

The Company includes equity, comprised of share capital, contributed surplus (including the fair value of equity instruments to be issued), equity component of convertible debentures and deficit, in the definition of capital.

The Company's objectives when managing capital are as follows:

(i) to safeguard the Company's assets and ensure the Company's ability to continue as a going concern;

(ii) to raise sufficient capital to finance the construction of its production facility and obtain a licence to produce medical marijuana under the ACMPR; and

(iii) to raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it, based on the general economic conditions, the Company's short-term working capital requirements, and its planned capital requirements and strategic growth initiatives.

The Company's principal source of capital is from the issuance of common shares. In order to achieve its objectives, the Company expects to spend its working capital, when applicable, and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

27. Commitments

a) The Company has commitments under operating leases for its facilities and vehicles. The minimum lease payments due are as follows:

Fiscal Year	Amount
2018	$ 756,438
2019	$ 639,795
2020	$ 451,246
2021	$ 357,608
2022 and thereafter	$ 186,418

28. Subsequent Events

Subsequent to the year ended April 30, 2017:

a) The Company issued 253 unsecured convertible debenture units for gross proceeds of $253,000. Each Unit is comprised of: (i) $1,000 principal amount of 8.0% unsecured convertible debentures ("Convertible Debentures") in the capital of the Company with a maturity date ("Maturity Date") of three years from the date of issuance; and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "Warrant").

Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "CD Share") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1,000 principal amount of Convertible Debentures. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange.

Each Warrant shall be exercisable into one common share of the Company (each, a "CD Warrant Share") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance.

In connection with the issuance of the Convertible Debentures, the Company paid a loan processing fee equal to $75 per unit payable in common shares of the Company at a price of $0.15 per common share.

All securities issued pursuant to the financing are subject to a four-month hold period in accordance with applicable Canadian securities laws.

b) The Company issued 149.5 unsecured convertible debenture units for gross proceeds of $149,500. Each Unit is comprised of: (i) $1,000 principal amount of 8.0% unsecured convertible debentures ("Convertible Debentures") in the capital of the Company with a maturity date ("Maturity Date") of three years from the date of issuance; and (ii) 6,667 detachable common share purchase warrants of the Company (each, a "Warrant").

Each Convertible Debenture shall be convertible at the holder's option into fully-paid common shares of the Company (each, a "CD Share") at any time prior to the Maturity Date at a conversion price of $0.15 per CD Share, being a ratio of 6,667 CD Shares per $1,000 principal amount of Convertible Debentures. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share, subject to the rules and policies of the Canadian Securities Exchange.

Each Warrant shall be exercisable into one common share of the Company (each, a "CD Warrant Share") at a price of $0.15 per CD Warrant Share on or prior to two years from the date of issuance.

All securities issued pursuant to the financing are subject to a four-month hold period in accordance with applicable Canadian securities laws.

28. Subsequent Events (continued)

c) Entered into an agreement to acquire all issued and outstanding shares of Knalysis Technologies Inc. in exchange for 5,000,000 common shares of the Company. As of the date of these financial statements, the shares have yet to be issued.

d) Issued 780,000 common shares and made a cash payment of $35,000 to settle outstanding accounts payable with an aggregate value of $422,177 pursuant to debt settlement agreements.

e) Entered into a new lease agreement for its registered office. The lease has the effect of extending the current leases at the location and is effective upon the expiry of the current leases at various dates. Purusant to the new lease, the Company will pay $24,598 plus HST per month until January 31, 2029.

An additional subsequent event is disclosed in note 1.