Condensed Interim Consolidated Financial Statements

Canada House Wellness Group Inc.

For the Three Months Ended July 31, 2017 and 2016

Unaudited

(Expressed in Canadian Dollars)

INDEX

NOTICE TO READER

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

Canada House Wellness Group Inc.
(Formerly Abba Medix Group Inc.)
Consolidated Statements of Financial Position
Stated in Canadian Dollars

	July 31, 2017	April 30, 2017 (audited)
Assets		
Current Assets		
Cash	$ 790,434	$ 729,156
Accounts receivable	442,960	1,275,370
Prepaid expenses and deposits	90,852	106,906
Short term advance to related party (note 6)	34,870	34,870
Short term advances (note 7)	160,350	-
Current portion of loan receivable (note 8)	10,000	10,000
	1,529,466	2,156,302
Loan Receivable (note 8)	10,000	20,000
Property, Plant and Equipment (note 9)	3,280,130	3,218,622
	$ 4,819,596	$ 5,394,924
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,538,938	$ 2,895,497
Due to shareholders (note 10)	108,499	108,499
Sales taxes payable (note 12)	8,698	91,220
Income taxes payable	60,030	66,252
Current portion of long-term debt (note 16)	14,847	41,481
Promissory notes (note 13)	1,005,040	-
	3,736,052	3,202,949
Convertible Debentures (note 15)	519,639	495,032
Long-Term Debt (note 16)	41,609	59,847
Deferred Income Tax Liabilities	181,886	181,886
Deferred Lease Inducement (note 11)	6,470	7,611
Purchase Consideration Payable (note 2)	2,771,670	2,656,693
	7,257,326	6,604,018
Shareholders' Deficit		
Share Capital (note 17)	9,000,137	9,000,137
Contributed Surplus (notes 18, 19 and 20)	4,082,473	3,730,784
Equity Component of Convertible Debentures (note 15)	298,841	298,841
Retained Earnings (Accumulated Deficit)	(15,819,181)	(14,238,856)
	(2,437,730)	(1,209,094)
	$ 4,819,596	$ 5,394,924

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

The accompanying notes form an integral part of these condensed interim 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 three months ended ended July 31, 2017 and 2016
Stated in Canadian Dollars

	2017	2016
Revenue	$ 826,607	$ 1,493,649
Expenses		
Advertising and promotion	49,097	194,399
Amortization of property, plant and equipment (note 9)	68,204	12,126
Bad debts	-	20,000
Bank charges and interest	8,230	2,052
Insurance	7,721	12,323
Interest on late payments	939	5,134
Interest on long term debt (note 16)	3,100	2,232
Interest on convertible debentures (note 15)	27,306	-
Interest on promissory notes (note 13)	5,040	-
Interest accretion (notes 2 and 15)	139,584	-
Listing and filing fees	4,844	-
Memberships and licenses	68,312	62,245
Occupancy (note 24)	212,475	66,617
Office and general	44,497	41,342
Other operating expenses	3,264	41,379
Professional fees (note 24)	313,236	148,251
Property taxes	3,310	-
Repairs and maintenance	30,323	17,704
Salaries and benefits	949,691	576,715
Stock-based compensation (notes 19 and 24)	351,689	-
Subcontractor	81,462	48,664
Supplies and utilities	57,631	22,060
Travel	61,174	100,970
	2,491,129	1,374,213
Less: interest income	(214)	-
Less: gain on settlement of debt	(64,983)	-
Less: reversal of impairment loss recognized in prior period (note 9)	(19,000)	-
	2,406,932	1,374,213
(Loss) Income before Income Taxes	(1,580,325)	119,436
Income Tax Expense	-	16,098
Deferred Income Tax Expense	-	6,017
(Loss) Income and Comprehensive (Loss) Income for the Year	$ (1,580,325)	$ 97,321
(Loss) Earnings per Share - basic and diluted	$ (0.01)	$ 993.07
Weighted Average Number of Common Shares Outstanding - basic and diluted	19,877,626	98

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

Canada House Wellness Group Inc.

(Formerly Abba Medix Group Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the three months ended ended July 31, 2017 and 2016
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, 2017	119,877,626	$ 9,000,137	$ 3,730,784	$ 298,841	$ (14,238,856)	$ (1,209,094)
Warrants issued in connection with the Transaction (note 18(c))	-	-	271,966	-	-	271,966
Share-based compensation (note 19(a))	-	-	79,723	-	-	79,723
Net loss for the period	-	-	-	-	(1,580,325)	(1,580,325)
Balance as at July 31, 2017	119,877,626	$ 9,000,137	$ 4,082,473	$ 298,841	$ (15,819,181)	$ (2,437,730)

	Number of Common Shares	Issued Capital	Contributed Surplus	Equity Component of Convertible Promissory Notes	Deficit	Total Equity
Opening balance as at April 30, 2016	98	$ 98	$ -	$ -	$ 214,212	$ 214,310
Net income and comprehensive income for the period	-	-	-	-	97,321	97,321
Balance as at July 31, 2016	98	$ 98	$ -	$ -	$ 311,533	$ 311,631

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

Canada House Wellness Group Inc.
(Formerly Abba Medix Group Inc.)
Consolidated Cash Flow Statements
For the three months ended ended July 31, 2017 and 2016
Stated in Canadian Dollars

	2017	2016
Operating Activities		
Net (loss) income for the year	$ (1,580,325)	$ 97,321
Items not affecting cash flows from operations:		
Transaction costs	-	-
Interest on convertible and promissory notes	32,346	-
Items not affecting cash:		
Amortization of property and equipment	68,204	12,126
Reversal of impairment of property, plant and equipment	(19,000)	-
Stock-based compensation	351,689	-
Deferred lease inducement	(1,141)	-
Interest accretion	139,584	-
Gain on settlement of debt	(64,983)	-
Deferred income tax recovery	-	6,017
	(1,073,626)	115,464
Net changes in non-cash working capital (note 21):	468,144	299,406
	(605,482)	414,870
Investing Activities		
Net cash used in investing activities (note 22)	(280,062)	(174,635)
Financing Activities		
Net cash provided by (used in) financing activities (note 23)	946,822	(65,534)
Change in cash	61,278	174,701
Cash - beginning of year	729,156	40,763
Cash - end of year	$ 790,434	$ 215,464
Significant Non-Cash Transactions Not Disclosed Above		
Interest paid	$ 27,306	$ 9,790
Income taxes paid	$ 2,222	$ -

The accompanying notes form an integral part of these condensed interim 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 three months ended July 31, 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 ACMPR. 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 July 31, 2017, the net present value of the Earn-Out payment attributable to TLP using a discount of 18% was $315,000 (April 30, 2017 - $301,933). 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.

Stated in Canadian Dollars

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

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 July 31, 2017, the net present value using a discount rate of 18% of the Earn-Out payment attributable to MFT was $1,070,835 (April 30, 2017 - $1,026,414) and the Bonus Earn-Out payment was $1,385,835 (April 30, 2017 - $1,328,347). 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.

Stated in Canadian Dollars

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 were 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 condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

3. Basis of Presentation and Going Concern (continued)

a) Statement of Compliance (continued)

These condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the Company's audited financial statements for the year ended April 30, 2018. These condensed interim consolidated financial statements have not been subject to audit and were approved by the Company's Board of Directors on November 20, 2017.

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

b) Basis of Presentation

The condensed interim consolidated financial statements 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 condensed interim 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 condensed interim 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 condensed interim consolidated financial statements.

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

3. Basis of Presentation and Going Concern (continued)

d) Going Concern

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

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 three months ended July 31, 2017, the Company incurred a net loss of $1,580,325 (2016 - net income of $97,321) and as of that date, the Company's accumulated deficit was $15,819,181 (April 30, 2017 - $14,238,856). As at July 31, 2017, the Company has current assets of $1,529,466 (April 30, 2017 - $2,156,302) and current liabilities of $3,736,052 (April 30, 2017 - $3,202,949) resulting in a working capital deficiency of $2,206,586 (April 30, 2017 - $1,046,647).

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

4. Significant Accounting Policies

The accounting policies are consistent with those of the Company's audited consolidated financial statements for the year ended April 30, 2017 with the exception of the impact of certain amendments to accounting standards or new interpretations issued by the IASB, which are applicable for annual periods beginning on or after January 1, 2017.

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.

4. Significant Accounting Policies (continued)

Future Accounting Pronouncements (continued)

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.

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 9), impairment of its financial and non-financial assets (note 9), 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 15). 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, inputs used in accounting for share-based payment transactions and in the valuation of options and warrants included in shareholders' equity, including volatility (notes 18 and 19), 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 15) 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.

Stated in Canadian Dollars

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. Short-term Advances

The short-term advances are non-interest bearing and payable on demand. The amounts are due from the company described in note 27(c).

8. Loan Receivable

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

	July 31, 2017	April 30, 2017
Principal balance	$ 20,000	$ 30,000
Less: current portion	(10,000)	(10,000)
	$ 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.

Stated in Canadian Dollars

9. Property, Plant and Equipment

As at July 31, 2017	Leasehold Improvements	Security Equipment	Computer Equipment	Computer Software	Manufacturing Equipment	Furniture and Equipment	Vehicles	Building	Land	Total
Cost										
Balance, beginning of period	$ 1,593,495	$ 214,279	$ 105,086	$ 307,443	$ 186,127	$ 233,861	$ 93,357	$ 260,675	$ 465,351	$ 3,459,674
Additions	51,025	-	18,826	49,802	-	10,059	-	-	-	129,712
Disposals	-	-	-	-	-	-	-	-	-	-
Balance, end of period	1,644,520	214,279	123,912	357,245	186,127	243,920	93,357	260,675	465,351	3,589,386
Accumulated depreciation										
Balance, beginning of period	37,842	28,571	26,672	56,485	-	40,984	40,071	10,427	-	241,052
Depreciation	7,093	14,285	8,956	20,689	-	10,683	3,996	2,502	-	68,204
Disposals	-	-	-	-	-	-	-	-	-	-
Balance, end of period	44,935	42,856	35,628	77,174	-	51,667	44,067	12,929	-	309,256
Net carrying amount as at July 31, 2017	$ 1,599,585	$ 171,423	$ 88,284	$ 280,071	$ 186,127	$ 192,253	$ 49,290	$ 247,746	$ 465,351	$ 3,280,130

Stated in Canadian Dollars

9. Property, Plant and Equipment (continued)

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. During the three months ended July 31, 2017, the Company disposed of the vehicle for gross proceeds of $19,000. As such, during the three months ended July 31, 2017, the Company has reversed $19,000 of the impairment loss recorded during the year ended April 30, 2017. The result is no gain or loss on the disposition of the vehicle.

As at July 31, 2017 and 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.

Stated in Canadian Dollars

10. Due to Shareholders

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

11. 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.

12. 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.

13. Promissory Notes

During the three months ended July 31, 2017, the Company issued three promissory notes with aggregate principal of $1,000,000. The promissory notes bear interest at 5% per annum, with principal and accrued interest payable on or before August 1, 2018. Should the Company choose to make a public offering of its common stock, warrants or debenture, the note holders may have the right to convert any or all of the outstanding principal into participation in the offering, receiving at the such time of the election, payment of all accrued interest to liquidate the note. If the notes are not paid in accordance with the above terms, the principal and accrued interest thereon shall draw interest at a rate of 8% per annum, and that failure to make any payment of principal or interst when due shall cause the entire note to become due at once, or the interest to be counted as principal, at the option of the holder of the note, and all costs of collection, including attorney and court costs, will be borne by the maker of this note.

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

Balance as at May 1, 2017	$ -
Issued for cash	1,000,000
Add: Accrued interest	5,040
Balance, July 31, 2017	$ 1,005,040

13. Promissory Notes (continued)

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 17(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 17(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.

Stated in Canadian Dollars

14. 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 17(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 17(d)). 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 17(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 17(d)). 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 values of the convertible promissory notes as at July 31, 2017 and April 30, 2017 are 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 and July 31, 2017	$ -

Stated in Canadian Dollars

14. 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 17(e)) of the Company.

The aggregate carrying value of the convertible promissory notes as at July 31, 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 and July 31, 2017	$ -

Stated in Canadian Dollars

15. Convertible Debentures

During the year 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%.

Stated in Canadian Dollars

15. 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(h)).

The aggregate carrying value of the convertible debentures as at July 31, 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
Add: interest accretion for the period		24,607
Balance, July 31, 2017	$	519,639

The aggregate carrying value of the convertible debentures conversion feature as at July 31, 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 and July 31, 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 19(b)).

16. Long-Term Debt

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

	July 31, 2017		April 30, 2017	
Aphria Inc. Promissory note (a)	$	-	$	18,870
Scotia Bank Loan (b)		34,725		36,512
Royal Bank of Canada Loan (c)		-		23,162
Bank of Montreal Loan (d)		21,731		22,784
Total debt		56,456		101,328
Less: current portion		(14,847)		(41,481)
	$	41,609	$	59,847

16. 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. During the three months ended July 31, 2017, the loan was repaid in full.

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. During the period ended, the Company sold the vehicle in exchange for the purchaser assuming $19,000 of the outstanding debt. The Comapny repaid the remaining balance of $3,162 during the three months ended July 31, 2017.

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.

17. 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 18(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 19(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.

Stated in Canadian Dollars

17. 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 14). 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.

18. 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 17(b). Each warrant entitles the holder to purchase one common share of the Company at a price of $0.40 per share for a period of 24 months following the grant date.

The fair value of the warrants of $1,438,340 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

Stated in Canadian Dollars

18. 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. During the three months ended July 31, 2017 the Company recognized stock-based compensation expense of $271,965 (2016 - $Nil) related to the vesting of these warrants.

Stated in Canadian Dollars

18. **Warrants** (continued)

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.

The following table summarizes the warrant activities for the year ended April 30, 2017 and the three months ended July 31, 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
Continued vesting of warrants issued in prior year	-	271,965	0.37
Balance - July 31, 2017	40,167,816	$ 3,182,105	$ 0.37

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

Exercise Price	Warrants Vested	Warrants Unvested	Remaining Contractual Life (Years)	Expiry Date
$ 0.38	3,558,482	-	0.62	March 13, 2018
$ 0.40	20,276,000	-	1.27	November 7, 2018
$ 0.25	1,333,334	-	2.17	November 7, 2019
$ 4.53	5,000,000	10,000,000	4.27	September 30, 2019
	30,167,816	10,000,000	1.73	

Stated in Canadian Dollars

19. Stock Options

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

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. During the three months ended July 31, 2017, the Company recognized stock-based compensation expense of $79,723 (2016 - $Nil) with respect to these options.

b) Issued 2,410,000 agent options to an agent in pursuant to the Company's issance of Equity Units discussed in note 17(b) and Convertible Debenture Units discussed in note 15. 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

Stated in Canadian Dollars

19. Stock Options (continued)

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.

The following table summarizes the stock option activities for the year ended April 30, 2017 and the three months ended July 31, 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 and July 31, 2017	7,576,767	$ 0.25
Exercisable at July 31, 2017	3,576,767	$ 0.26

As at July 31, 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	-	1.60	March 7, 2019
$ 0.25	3,510,100	4,000,000	2.09	September 2, 2019
	3,576,767	4,000,000	2.08	

Stated in Canadian Dollars

20. 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 18(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 18(b))		100,234
Fair value of CHWG options assumed in Transaction (note 19(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 17(c))		(45,000)
Fair value of Agent options issued in connection with the Financing (note 19)		503,354
Fair value of CHWG warrants assumed in connection with the Transaction (note 19)		388,489
Share-based compensation (note 19)		314,736
Less: issuance costs (note 18)		(248,322)
Less: exercise of warrants (note 18)		(5,501)
Balance, April 30, 2017	$	3,730,784
Continued vesting of warrants issued in prior period (note 18(c))		271,966
Continued vesting of options issued in prior period (note 19(a))		79,723
Balance, July 31, 2017	$	4,082,473

21. Changes in Non-Cash Working Capital

The changes to the Company's non-cash working capital for the three months ended July 31, 2017 and 2016 are as follows:

	2017	2016
Decrease (increase) in accounts receivable	$ 832,410	$ (233,917)
Decrease (increase) in prepaid expenses and deposits	16,054	(10,338)
Increase (decrease) in sales taxes payable	(82,522)	24,796
Increase (decrease) in income taxes payable	(6,222)	16,098
Increase (decrease) in accounts payable and accrued liabilities	(291,576)	502,767
	$ 468,144	$ 299,406

Stated in Canadian Dollars

22. Changes in Cash Flows from Investing Activities

The changes to the Company's cash flows from investing activities for the three months ended July 31, 2017 and 2016 are as follows:

	2017	2016
Property and equipment	$ (129,712)	$ (144,635)
Loan receivable	10,000	(30,000)
Cash consideration paid in connection with Transaction	-	-
Short-term advances receivable	(160,350)	-
	$ (280,062)	$ (174,635)

23. Changes in Cash Flows from Financing Activities

The changes to the Company's cash flows from financing activities for the three months ended July 31, 2017 and 2016 are as follows:

	2017	2016
Proceeds of promissory notes	$ 1,000,000	$ -
Repayment of long-term debt	(25,872)	(64,668)
Interest on convertible and promissory notes	(27,306)	-
Due to shareholders	-	(866)
	$ 946,822	$ (65,534)

24. Related Party Transactions and Balances

During the three months ended July 31, 2017 and 2016, the Company incurred the following related party transactions:

a) A total of $51,653 (2016 - $Nil) in occupancy expenses was charged by a company whose shareholders are related to the shareholders of one of the Company's corporate shareholders. As at July 31, 2017, prepaid expenses included $41,302 (2016 - $Nil), deferred lease inducement included $6,470 (2016 - $Nil) and accounts payable and accrued liabilities included $50,233 (2016 - $Nil) payable to this company.

b) A total of $6,000 (2016 - $Nil) of accounting fees and $6,000 (2016 - $Nil) of consulting fees were charged by an accounting firm in which an officer of the Company is a partner. As at July 31, 2017, accounts payable and accrued liabilities included $259,723 (2016 - $Nil) payable to this accounting firm.

c) A total of $160,898 (2016 - $Nil) of salaries were charged by the various officers, directors and key members of the Company's management team.

d) The amount of stock-based compensation expense for the period ended July 31, 2017 related to stock options granted to directors and key members of management during the three months ended July 31, 2017 was $79,273 (2016 - $Nil).

e) The amount of stock-based compensation expense for the period ended July 31, 2017 related to warrants granted to director and officer, a former director and a key member of management during the three months ended July 31, 2017 was $271,965 (2016 - $Nil).

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

Total compensation of $524,586 (2016 - $Nil) comprised of short-term employee benefits of $172,898 (2016 - $Nil) and share-based payments of $351,688 (2016 - $Nil) were paid to the Company's key members of management during the three months ended July 31, 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 three months ended July 31, 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, short-term advances, 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:

Credit Risk

The Company is exposed to credit risk as at July 31, 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.

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 July 31, 2017, the Company has current assets of $1,529,466 and current liabilities of $3,736,052. The Company has a working capital deficiency as at July 31, 2017 of $2,206,586. The Company plans to raise capital as needed to mitigate its liquidity risk.

25. Financial Instruments and Other Risks (continued)

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 July 31, 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 $9,052 (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 July 31, 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. Subsequent Events

Subsequent to the three months ended July 31, 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.

27. 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.

An additional subsequent event is disclosed in note 1.