Financial Statements of

MEDIPHARM LABS CORP.

(formerly POCML 4 Inc., a Capital Pool Corporation)

(Expressed in Canadian Dollars)
For the Years Ended September 30, 2018 and 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MediPharm Labs Corp. (formerly POCML 4 Inc.)

We have audited the accompanying financial statements of MediPharm Labs Corp., which comprise the statement of financial position as at September 30, 2018, the statements of net 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of MediPharm Labs Corp. as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about MediPharm Labs Corp.'s ability to continue as a going concern

Other Matter

The financials statements of MediPharm Labs Corp. for the period from January 23, 2017 (inception) to September 30, 2017 were audited by another auditor who expressed an unmodified opinion of those statements on October 11, 2017.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 23, 2019

MEDIPHARM LABS CORP.

(formerly POCML 4 Inc.)
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Notes		September 30, 2018		September 30, 2017
ASSETS					
Current					
Cash		$	461,028	$	400,000
Total assets		$	461,028	$	400,000
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Accounts payable		$	3,811	$	-
Accrued liabilities			30,134		-
Total liabilities			33,945		-
Shareholders' equity					
Share capital	3		555,756		400,000
Reserve	4		82,430		-
Deficit			(211,103)		-
Total shareholders' equity			427,083		400,000
Total liabilities and shareholders' equity		$	461,028	$	400,000

Subsequent event (Note 1)

Approved and authorized for issue by the Board of Directors on January 23, 2019

"Christopher Hobbs" (signed)
Chris Hobbs
Director

"Patrick McCutcheon" (signed)
Patrick McCutcheon
Director

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

MEDIPHARM LABS CORP.

(formerly POCML 4 Inc.)
Statements of Net and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	For the year ended September 30, 2018	For the period from inception on January 23, 2017 to September 30, 2017
EXPENSES			
Operating, general and administrative		$ 81,831	$ -
Professional fees		56,686	-
Share-based compensation	4 & 5	75,021	-
		213,538	$ -
Other item			
Interest income		2,435	-
Net and comprehensive loss		**$ 211,103**	**$ -**
Loss per share – basic and diluted		**$ (0.33)**	**-**
Weighted average number of common shares outstanding		**646,575**	**-**

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

MEDIPHARM LABS CORP.

(formerly POCML 4 Inc.)
Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Note	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance, January 23, 2017		**-**	**$ -**	**$ -**	**$ -**	**$ -**
Issuance of common shares	3	4,000,000	400,000	-	-	400,000
Loss		-	-	-	-	-
Balance, September 30, 2017		**4,000,000**	**400,000**	**-**	**-**	**400,000**
Issuance of common shares	3	1,000,000	200,000	-	-	200,000
Share issuance costs	3	-	(44,244)	7,409	-	(36,835)
Share-based compensation	4	-	-	75,021	-	75,021
Loss		-	-	-	(211,103)	(211,103)
Balance, September 30, 2018		**5,000,000**	**$ 555,756**	**$ 82,430**	**$ (211,103)**	**$ 427,083**

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

MEDIPHARM LABS CORP.

(formerly POCML 4 Inc.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended September 30, 2018	For the period from inception on January 23, 2017 to September 30, 2017
Cash flows used in operating activities:		
Loss	$ (211,103)	$ -
Items not involving cash		
Share-based compensation	75,021	-
Changes in non-cash working capital items:		
Accounts payable and accruals	33,945	-
Net cash used in operating activities	(102,137)	-
Financing activities		
Net proceeds from private placement	163,165	400,000
Net cash provided by financing activities	163,165	400,000
Increase in cash	61,028	400,000
Cash, beginning	400,000	-
Cash, ending	$ 461,028	$ 400,000

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

1. Nature of operations and going concern

MediPharm Labs Corp. (formerly POCML 4 Inc.) (the “Corporation”) was incorporated under the Ontario Business Corporation Act on January 23, 2017 and prior to the Transaction (as defined below) was classified as a Capital Pool Corporation (“CPC”) as defined in the Policy 2.4 of the TSX Venture Exchange (the “Exchange”). Subsequent to the Transaction, the Corporation’s shares began trading on the Exchange on October 4, 2018 under the trading symbol “LABS”.

The head office and the registered and records office of the Corporation is located at 130 King Street West, Suite 2210, Toronto, Ontario M5X 1E4.

On October 1, 2018, the Corporation and 2645354 Ontario Inc., the Corporation’s wholly owned subsidiary, completed a three cornered amalgamation with MediPharm Labs Inc. (“MediPharm Inc.) (the “Transaction”), which served as a reverse takeover transaction. MediPharm Labs is a medical marijuana extraction company licensed to produce pursuant to the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). Pursuant to the Transaction, the Corporation acquired all of the issued and outstanding shares of MediPharm Inc. in exchange for post-consolidation shares of the Corporation on the basis of 12.68 post-consolidation shares for every one MediPharm Inc. share.

At the close of the Transaction there were an aggregate of 96,866,628 post-consolidation shares issued and outstanding, of which the former shareholders of Corporation hold 5,000,000 post-consolidation shares and the former shareholders of MediPharm Inc. hold 91,866,628 post-consolidation shares.

These financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. Significant accounting policies

(a) Statement of Compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

On January 22, 2019, the Board of Directors approved the financial statements for the year ended September 30, 2018.

2. Significant accounting policies (continued)

(b) Basis of presentation:

The financial statements of the Corporation have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

The preparation of the Corporation's financial statements in accordance with IFRS requires the Corporation to make estimates and judgments concerning the future. The Corporation's management reviews these estimates and underlying judgments on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting period include determining the fair value of measurements of financial instruments, and the recoverability and measurement of deferred tax assets.

(c) Financial Instruments:

The Corporation classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Corporation's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

2. Significant accounting policies (continued)

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Corporation does not have any derivative financial assets and liabilities.

(d) Loss per share:

Basic loss per common share is determined by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding during the period, excluding shares in escrow. Diluted loss per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. Shares held in escrow or are contingently held, are not included in the calculation of the weighted average number of common shares outstanding and loss per share.

(e) Share-based compensation:

The Corporation accounts for all share-based compensation awarded to directors and officers and non-employees using the fair value method. Under this method, cost is measured at the grant date at fair value using the Black-Scholes option pricing model that takes into account the exercise price, the expected life of the option, the current price of the underlying stock, the expected volatility, the expected dividends and the risk-free interest rate for the expected term of the option. The compensation cost will be expensed in the statements of loss over the service period, that is the vesting period for directors and officers and over the performance period for awards provided to non-employees in exchange for goods and services. On the exercise of the stock options, the proceeds received by the Corporation, together with the respective amount from reserves, are credited to share capital.

(f) Income taxes:

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

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

2. Significant accounting policies (continued)

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

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

(g) Measurement uncertainty:

The preparation of condensed interim financial statements in conformity with IFRS accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the condensed interim financial statements.

(h) Accounting standards issued but not yet applied:

Certain new mandatory standards, interpretations and amendments to existing standards, have been issued by the IASB or the IFRS Interpretations Committee ("IFRIC",), which the Corporation reasonably expects to be applicable for later periods are listed below. The Corporation has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Other accounting pronouncements with future effective dates are not expected to have a significant impact on the Corporation's financial statements.

(Expressed in Canadian Dollars)

3. Share capital

(a) Authorized
Unlimited number of common shares
Unlimited number of special shares

(b) Share consolidated
Effective August 23, 2018, the Corporation consolidated its issued and outstanding common shares on a 2 to 1 basis, which resulting in 5,000,000 shares outstanding post-consolidation. All references to common shares in these financial statements have been adjusted to reflect this change.

(c) Issued
On September 15, 2017, the Corporation issued 4,000,000 common shares at $0.10 per share for total proceeds of $400,000.

The issued and outstanding common shares will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on the completion of the Corporation's Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24th, 30th and 36th months following the initial release.

On February 6, 2018, the Corporation completed an initial public offering of 1,000,000 common shares at $0.20 per share for gross proceeds of $200,000 pursuant to a prospectus dated November 14, 2017. The Corporation paid commission of $14,000, a corporate finance fee of $10,000, and other expenses of $12,835.

The Corporation issued 70,000 agent options with a fair value of $7,409, using the Black-Scholes pricing model with the following assumptions: share price of $0.20, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.83% and an expected life of 2 years. Each agent option entitles the holders to purchase the common shares at a price of $0.20 per common share until February 9, 2020.

4. Share-based payments

The Corporation has adopted an incentive stock option plan (the "Plan") under which it is authorized to grant options to directors, officers and employees of, and consultants to, the Corporation enabling them to acquire up to a maximum of 10% of the issued and outstanding common shares of the Corporation. The options can be granted for a maximum of 10 years and vest as determined by the board of directors. The exercise price of options granted under the Plan shall not be less than the closing price of the Corporation's share on the last trading day preceding the date of grant on which there was a closing price.

	Number of Options	Weighted Average Exercise Price
Balance, September 30, 2017	-	$ -
Granted	570,000	0.20
Balance, September 30, 2018	570,000	0.20

The total share-based payments calculated for stock options granted during the year ended September 30, 2018 was $75,021 (2017 - $nil) using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

4. Share-based payments (continued)

The Corporation granted an aggregate of 500,000 options to purchase common shares, exercisable at a price of $0.20 per shares for five years from the date of grant valued at $75,021 using the Black-Scholes pricing model with the following assumptions: share price of $0.20, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 2.11% and an expected life of 5 years (Note 5).

The Corporation issued 70,000 agent options with a fair value of $7,409 using the Black-Scholes pricing model with the following assumptions: share price of $0.20, expected dividend yield of 0%, expected volatility of 100%, risk-free rate of return of 1.83% and an expected life of 2 years. Each agent option entitles the holders to purchase the common shares at a price of $0.20 per common share until February 9, 2020.

5. Related Party Share-based payments

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and directors (executive and non-executive) of the Company.

The Company incurred the following transactions with related parties, including key management personnel:

	For the year ended September 30, 2018	For the period from inception on January 23, 2017 to September 30, 2017
Share-based compensation (Note 4)	$ 75,021	$ -

6. Financial Risk Management Objectives and Policies

(a) Capital Management:

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners. The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the period from inception on January 23, 2017 to September 30, 2017.

(b) Risk Disclosures and Fair Values:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

6. Financial Risk Management Objectives and Policies (continued)

Credit risk:
Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution and amounts receivable from the Government of Canada. As such, the Company's credit risk exposure is minimal.

Market risk:
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk:
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal

interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

Currency risk:
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

Equity price risk:
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risk as it has no investments in marketable equity securities.

Liquidity risk:
Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company will need to source funds from either loans or private placements to meet other obligations as they arise.

(Expressed in Canadian Dollars)

7. Income taxes

A reconciliation of the statutory tax rate to the average effective rate for the period ended September 30, 2018 is as follows:

	For the year ended September 30, 2018	For the period from inception on January 23, 2017 to September 30, 2017
Loss before income taxes	$ (211,103)	$ -
Statutory tax rate	27%	26%
Expected tax recovery at statuary income tax rates	(56,998)	-
Non-deductible expenditures	8,310	-
Change in valuation allowance	48,688	-
Income tax recovery	$ -	$ -

Temporary differences that give rise to the following deferred tax assets are:

	For the year ended September 30, 2018	For the period from inception on January 23, 2017 to September 30, 2017
Share issuance costs	$ 11,946	$ -
Non-capital loss carry forwards	36,742	-
Valuation allowance	$ 48,688	$ -

As at September 30, 2018, the Corporation has approximately $136,000 of non-capital losses in Canada that may be used to offset future taxable income, expiring in 2038.

Tax attributes are subject to review, and potential adjustment, by tax authorities.