Condensed Interim Consolidated Financial Statements

Abba Medix Group Inc.

(Formerly "Saratgoga Electronic Solutions Inc.")

For the Three and Nine Months ended April 30, 2015

Unaudited

INDEX

NOTICE TO READER

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

Abba Medix Group Inc.

Condensed Interim Consolidated Statement of Financial Position as at April 30, 2015
Unaudited - See Notice to Reader

	April 30, 2015	July 31, 2014 (Audited)
Assets		
Current Assets		
Cash	$ 8,554	$ 213,962
Share subscriptions receivable	310,025	-
HST Recoverable	390,409	59,889
Other receivables	12,283	-
Prepaid expenses and deposits	223,426	63,302
Short-term advances receivable (note 9)	92,134	-
Short-term advances to related party (note 6)	-	25,000
	1,036,831	371,024
Distribution and Licensing Rights (note 8)	-	314,500
Property and Equipment (note 7)	1,676,623	258,686
	$ 2,713,454	$ 944,210
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,134,821	$ 437,315
Short-term advances payable (note 10)	97,337	-
Due to director (note 11)	1,697	-
Promissory notes payable (note 12)	450,000	-
Short-term advance from related party (note 6)	120,000	-
	1,803,855	437,315
Deferred Lease Inducement (note13)	8,245	11,670
	1,812,100	448,985
Shareholders' Equity		
Share Capital (note 14)	7,891,726	750,001
Contributed Surplus (note 15)	531,867	-
Deficit	(7,522,239)	(254,776)
	901,354	495,225
	$ 2,713,454	$ 944,210

Basis of Presentation and Going Concern (note 2)
Subsequent Events (note 20)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.
Approved on behalf of the Board of Directors

Signed "Ahmad Rasouli", Director   Signed "Paul Andersen", Director

Abba Medix Group Inc.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss
For the Three and Nine Months Ended April 30, 2015
Unaudited - See Notice to Reader

	Three Months Ended		Nine Months Ended	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014 (1)
Revenue	$ -	$ -	$ -	$ -
Expenses				
Advertising and promotion	97,469	-	117,411	-
Amortization of distribution and licensing rights (note 8)	-	-	14,960	-
Bank charges	679	55	1,569	115
Consulting fees	252,026	102,000	452,457	102,000
Directors fees	4,500	-	4,500	-
Loss on foreign exchange	-	-	(7,435)	-
Insurance	11,709	-	11,709	-
Interest on promissory notes	812	-	812	-
License and registration fees	138,986	-	138,986	-
Listing and filing fees	16,915	-	16,915	-
Occupancy	56,647	20,568	170,828	30,069
Office and general	18,209	26	50,823	26
Professional fees	68,706	-	115,745	1,242
Salaries and benefits	119,951	-	233,325	-
Training and education	1,895	-	8,272	-
Transaction costs	5,642,378	-	5,916,307	-
Travel	10,251	-	20,279	-
	6,441,133	122,649	7,267,463	133,452
Loss and comprehensive loss for the period	$ (6,441,133)	$ (122,649)	$ (7,267,463)	$ (133,452)
Loss per Share - basic and diluted	$ (0.19)	$ -	$ (0.61)	$ -
Weighted Average Number of Common Shares Outstanding - basic and diluted	34,310,137	6,400,000	11,902,370	6,400,000

(1) For the period from August 21, 2013 to April 30, 2014.

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

Abba Medix Group Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
For the Three and Nine Months Ended April 30, 2015
Unaudited - See Notice to Reader

	Number of Common Shares	Issued Capital	Contributed Surplus	Deficit	Total Equity
Opening balance as at August 1, 2014	1,000,000	$ 750,001	$ -	$ (254,776)	$ 495,225
Common shares issued for cash	322,011	2,414,900	-	-	2,414,900
Common shares issued as settlement of trade payables	14,866	111,500	-	-	111,500
Additional Common shares issued to shareholders of Abba in connection with the Transaction	41,443,187	-	-	-	-
Common shares issued to pre-Transaction shareholders of the Company in connection with the Transaction	18,461,300	4,615,325	-	-	4,615,325
Warrants issued in connection with the Transaction	-	-	531,867	-	531,867
Net loss for the period	-	-	-	(7,267,463)	(7,267,463)
Balance as at April 30, 2015	61,241,364	$ 7,891,726	$ 531,867	$ (7,522,239)	$ 901,354

	Number of Common Shares	Issued Capital	Share Subscriptions Payable	Deficit	Total Equity
Opening balance as at August 21, 2013 upon incorporation	200,000	$ 1	$ -	$ -	$ 1
Class A Common shares issued for cash	-	-	-	-	-
Net loss for the period	-	-	-	(133,452)	-
Balance as at April 30, 2014	200,000	$ 1	$ -	$ (133,452)	$ 1

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

Abba Medix Group Inc.

Condensed Interim Consolidated Cash Flow Statement
For the Three and Nine Months Ended April 30, 2015
Unaudited - See Notice to Reader

	Three Months Ended		Nine Months Ended	
	April 30, 2015	April 30, 2014	April 30, 2015	April 30, 2014 (1)
Operating Activities				
Net loss for the period	$ (6,441,133)	$ (122,649	$ (7,267,463)	(133,452)
Items not affecting cash flow from operations:				
Transaction costs	5,642,378	-	5,916,307	-
Interest on promissory notes	812	-	812	812
Items not involving cash:				
Amortization of distribution and license rights	-	-	14,960	-
Deferred lease inducement	(1,142)	8,667	(3,425)	8,667
	(799,085)	(113,982	(1,338,809)	(124,785)
Net changes in non-cash working capital:				
Decrease (increase) in HST recoverable	(90,439)	(17,955	(325,751)	(20,327)
Decrease (increase) in other receivables	(712)	-	(712)	-
Decrease (increase) in prepaid expenses and deposits	(67,075)	1,667	(126,519)	(20,764)
Increase (decrease) in accounts payable and accrued liabilities	148,312	76,666	333,999	77,618
	(9,914)	60,378	(118,983)	36,527
	(808,999)	(53,604	(1,457,792)	(88,258)
Investing Activities				
Property and equipment	(351,055)	(7,342	(1,180,958)	(7,342)
Short-term advance receivable	(92,134)	-	(92,134)	-
	(443,189)	(7,342	(1,273,092)	(7,342)
Financing Activities				
Issuance of share capital	512,000	1	2,024,375	1
Short-term advance to/ from related party	120,000	25,000	145,000	37,000
Due to/ from related company	-	149,000	8,871	172,178
Short-term advances payable	61,600	-	118,370	-
Promissory notes	450,000	-	450,000	-
Cash acquired upon completion of Transaction	876	-	876	-
Transaction costs	(173,050)	-	(222,016)	-
	971,426	174,001	2,525,476	209,179
Change in cash	(280,762)	113,055	(205,408)	113,579
Cash - beginning of period	289,316	524	213,962	-
Cash - end of period	$ 8,554	$ 113,579	$ 8,554	113,579
Significant Non-Cash Transactions Not Disclosed Above				
Common shares issued pursuant to settlement of accounts payable	$ 111,500	$ -	$ 111,500	-
Transaction costs	$ 4,807,750	$ -	$ 4,807,750	-
Warrants issued in connection with the Transaction	$ 531,867	$ -	$ 531,867	-

(1) For the period from August 21, 2013 to April 30, 2014.

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

1. Nature of Operations

Abba Medix Group Inc. (the "Company"), formerly "Saratoga Electronic Solutions Inc.", is incorporated under the Canada Business Corporations Act and is listed on the Canadian Securities Exchange under the symbol "ABA". These condensed interim consolidated financial statements of the Company for the three-month and nine-month periods ended April 30, 2015, comprise the results of the Company and its wholly-owned subsidiary Abba Medix Corp. ("Abba").

On February 24, 2015, the shareholders of Abba entered into a definitive share exchange agreement (the "Share Exchange Agreement") with the Company pursuant to which, each shareholder of Abba will exchange, transfer and assign all of the Class A Common shares of Abba he, she or it owns to Saratoga in consideration of the Company's issuance to such shareholder a number of common shares of the Company on the basis of thirty-two (32) common shares of the Company for each one (1) Class A Common share of Abba (the "Transaction"). Pursuant to the Share Exchange Agreement, the deemed value of the common shares of the Company issued to the shareholders of Abba shall be $0.25 per share.

Upon completion of the Transaction, the former shareholders of Abba became the controlling shareholders of the Company. For accounting purposes, Abba is the deemed acquirer and the Company the deemed acquired company, and accordingly, Abba's balances are accounted for at cost and the Company's balances are accounted for at fair value. Since the Company's operations do not constitute a business, the Transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the Company's share capital, deficit and contributed surplus will be eliminated, the consideration transferred by the Company will be allocated to share capital, and the transaction costs will be expensed.

Following completion of the Transaction during the period ended April 30, 2015, Abba's shareholders held 42,780,064 of the 61,241,364 issued and outstanding common shares of the Company.

The allocation of the consideration transferred is as follows:

Consideration transferred (18,461,300 shares at a price of $0.25 per share)	$ 4,615,325
Net assets (liabilities) of the Company acquired	(192,425)
Transaction costs	$ 4,807,750

The acquisition-date fair value of the consideration transferred by S the Company for its interest in Abba is based on the number of equity interests Abba 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 as 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 Abba. An adjustment has been booked to adjust the fair market value of the Company's equity interest in Abba accordingly.

The registered office is located at 1773 Bayly Street, Pickering, Ontario.

Abba has applied to Health Canada for a license to produce medical marijuana under the Marihuana for Medical Purposes Regulations ("MMPR").

2. 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 period from August 21, 2013 to July 31, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Committee ("IFRIC").

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 period from August 21, 2013 to July 31, 2014.

The comparative figures shown throughout these condensed interim consolidated financial statements are the historical results of Abba.

These condensed interim consolidated financial statements have not been subject of an audit and have been approved by the Board of directors on July 2, 2015.

b) Going Concern

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

The Company's ability to continue as a going concern is dependent upon, but not limited to, obtaining a licence to produce medical marijuana under the MMPR, and its ability to raise financing necessary to discharge its liabilities as they become due and generate positive cash flows from operations. The Company has not generated revenue from operations. During the period ended April 30, 2015, the Company incurred a net loss of $7,267,463 and as of that date, the Company's deficit was $7,522,239. As at April 30, 2015, the Company has current assets of $1,036,831 and current liabilities of $1,803,855. The Company has a working capital deficiency of $767,024 as at April 30, 2015.

These condensed interim 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 financial statements.

3. Significant Accounting Policies

Cash

Cash includes bank deposits at a reputable financial institution in Canada with an original maturity of three months or less which are readily convertible into a known amount of cash.

Accounts Payable and Accrued Liabilities

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

Related Party Transactions

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

Property and Equipment

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimated useful lives and residual values accounted for on a prospective basis.

As at April 30, 2015, the Company was in the process of completing construction of its premises for purposes of obtaining its licence from Health Canada and commencing operations. Although the Company has capitalized the amounts spent on property and equipment, as at April 30, 2015, the assets were not determined to be available for use, and as such, the Company's property and equipment have not been depreciated during the period ended April 30, 2015.

Gains and losses on disposals are determined by comparing the proceeds with the corresponding carrying amounts and are included in the statement of loss and comprehensive loss.

3. Significant Accounting Policies (continued)

Property and Equipment (continued)

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

Intangible Assets

The useful life of intangible assets is assessed as either finite or indefinite. Following the initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite useful lives are carried at cost less accumulated amortization. Amortization is calculated using the straight line method over the estimated useful lives.

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

The Company's intangible asset includes amounts charged to obtain distribution and licensing rights (see note 8). The useful life of the distribution and licensing rights is determined to be five years, and as such, the Company has amortized the distribution and licensing rights on a straight-line basis over that period.

Impairment of Non-Financial Assets

For all non-financial assets, the Company reviews its carrying amount at the end of each reporting period to determine whether there is any indication that those assets have suffered an impairment loss. Where such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The Company has assessed its assets, and has determined that conditions indicating potential impairment were not present as at April 30, 2015.

3. Significant Accounting Policies (continued)

Deferred Taxes

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

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

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

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

Foreign Currency Translation

The condensed interim financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar.

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As of April 30, 2015, the Company did not have any finance leases.

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

3. Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit or loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to translation of the financial statements of foreign operations. The Company's comprehensive income (loss), and components of other comprehensive income (loss) are presented in the statement of comprehensive income (loss) and the statement of changes in equity. During the period ended April 30, 2015, the Company did not have any items that gave rise to other comprehensive income or loss.

Financial Instruments

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

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

Financial assets classified as fair value through profit or loss include cash which is measured at fair value, with all gains and losses included in net income in the period in which they arise. Loans and receivables, which includes share subscriptions receivable, short term advances receivable, amounts due from related company and short-term advance to related party, are recorded at amortized cost less impairment losses.

An impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Company does not currently have any financial assets classified as held to maturity or available for sale.

Other financial liabilities, which include accounts payable and accrued liabilities, short term advances payable, promissory notes payable amounts due to director and short-term advances from a related party are recorded at amortized cost using the effective interest method.

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

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

3. Significant Accounting Policies (continued)

Financial Instruments (continued)

The Company's financial assets and liabilities recorded at fair value on the statement of financial position or disclosed in the notes have been categorized into three categories based on a fair value hierarchy. Fair value of assets and liabilities included in Level I is determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level III valuations are based on inputs that are not based on observable market data. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at April 30, 2015, the Company's cash is categorized as Level I measurement. The Company does not hold any Level II or III investments.

Loss Per Share

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

Changes in Accounting Policies

During the period ended April 30, 2015, the Company adopted the revisions to IAS 32 Financial Instruments: Presentation which included amendments to provide application guidance on the offsetting of financial assets and financial liabilities. The adoption of these revisions did not have an impact on these condensed interim financial statements.

Future Accounting Pronouncements

IFRS 9 Financial Instruments was issued by the IASB in October 2010 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. The effective date for mandatory adoption of IFRS 9 has not yet been determined.

The Company has not yet completed its evaluations of the effect of adopting the above standard and the impact it may have on its financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The most significant judgments, estimates and assumptions include those related to the ability of the Company to continue as a going concern, the recognition of deferred tax assets, evaluation of contingencies and the estimated useful lives of the Company's property and equipment and intangible assets.

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

5. Due to/ from Related Company

The amounts due to/ from a related company are non-interest bearing, unsecured, and have no specific terms of repayment. All transactions are measured at the exchange amount. The related company is controlled by a shareholder of one of the Company's corporate shareholders.

6. Short-term Advance to/ from Related Party

The short-term advances to/ from a related party are non-interest bearing, unsecured, and have no specific terms of repayment. All transactions are measured at the exchange amount. The related company is a shareholder of one of the Company's corporate shareholders.

7. Property and Equipment

As at April 30, 2015	**Leasehold Improvements**	**Security Equipment**	**Computer Equipment**	**Manufacturing Equipment**	**Office Furniture and Equipment**	**Total**
Cost						
Balance, beginning of period	$ 190,203	$ 68,483	$ -	$ -	$ -	$ 258,686
Additions	1,025,426	133,498	42,779	171,045	45,189	1,417,937
Balance, end of period	1,215,629	201,981	42,779	171,045	45,189	1,676,623
Accumulated depreciation						
Balance, beginning of period	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Balance, end of period	-	-	-	-	-	-
Net carrying amount as at April 30, 2015	$ 1,215,629	$ 201,981	$ 42,779	$ 171,045	$ 45,189	$ 1,676,623

7. Property and Equipment (continued)

As at July 31, 2014	Leasehold Improvements	Security Equipment	Total
Cost			
Balance, beginning of period	$ -	$ -	$ -
Additions	190,203	68,483	258,686
Balance, end of period	190,203	68,483	258,686
Accumulated depreciation			
Balance, beginning of period	-	-	-
Depreciation	-	-	-
Balance, end of period	-	-	-
Net carrying amount as at July 31, 2014	$ 190,203	$ 68,483	$ 258,686

8. Distribution and Licensing Rights

During the period ended July 31, 2014, the Company entered into a License and Distribution Agreement (the "Agreement") that granted to the Company the right to use certain properties (the "Authored Work") in certain geographical regions. Pursuant to the Agreement, the licensor granted to the Company the ability to sublicense the Authored Work in any of the described geographical regions, with written notice to the licensor. Further, the licensor shall grant right to the Company for any and all products that the licensor shall produce, including succeeding versions, upgrades and additional versions of the Authored Work and all other products that the licensor may produce in the medicinal marijuana market. In the event that the Company declines to license and/ or distribute any products developed by the licensor, the Company shall give written notice as to its intention to the licensor.

The Company will pay to the licensor a royalty which shall be calculated as fifteen percent (15%) of gross profits resulting in any way from the Authored Work. An Advance Royalty Payment in the amount of US$300,000 ($319,830) shall be due at the execution of the Agreement, payable as to US$50,000 in cash upon execution of the Agreement, US$50,000 in cash thirty days from the execution of the Agreement, and the balance to be paid in cash, stock of the Company if the Company is publicly traded or in equity of the Joint Venture described in note 15. In connection with the Joint Venture Agreement, the licensor shall have the right and obligation to convert its share in the equity of the Joint Venture into common shares of the Company, if and when the Company becomes a publicly traded company, at which time, the remaining Advance Royalty Payment will be deemed to have been converted and no further obligation from the Company will exist. If the Company does not become a publicly traded company, then the licensor shall have the right to convert the remaining Advance Royalty Payment into equity in the Joint Venture. In the event that the Company distributes products produced by the licensor, in its described geographical region, the Company will purchase such product at a discount of 85% of the gross wholesale profit.

8. Distribution and Licensing Rights (continued)

During the period ended July 31, 2014, the Company paid US$50,000 ($53,895) of the Advance Royalty Payment. As at July 31, 2014, accounts payable and accrued liabilities included US$250,000 ($272,600) related to the Advance Royalty Payment. The Company was required to make the second payment of US$50,000 during the period ended July 31, 2014, but did not make the payment as it was re-negotiating the terms of the Agreement with the licensor.

During the period ended April 30, 2015, the Agreement was terminated by mutual consent of both parties. As a result of the termination, the remaining obligation of US$250,000 was cancelled and the unamortized balance of the initial US$50,000 payment has been re-allocated to prepaid expenses as the licensor has indicated the payment will be applied against future purchases from the licensor by the Company, or against any future license and distribution agreements that the parties may enter into.

9. Short-term Advances Receivable

The short-term advances receivable are non-interest bearing, unsecured, and are to be applied against the purchase price in connection with the transaction described in note 19(i).

10. Short-term Advances Payable

The short-term advances are non-interest bearing, unsecured, and have no specific terms of repayment.

11. Due to Director

Amounts due to director are non-interest bearing, unsecured, and have no specific terms of repayment.

12. Promissory Notes Payable

During the period ended April 30, 2015, the Company issued the following promissory notes:

a) Principal of $200,000 with interest accrued at a rate of 2.5% per annum, with principal and interest due and payable on the earlier of: (i) upon demand by the Lender at any time after the Company closes its next round of private placement equity financing; and June 7, 2015, the date which is sixty days following the date of the promissory note. As of the date of these financial statement the interest and principal of this promissory note was still outstanding.

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. As of the date of these financial statement the interest and principal of this promissory note was still outstanding.

12. Promissory Notes Payable (continued)

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. As of the date of these financial statement the interest and principal of this promissory note was still outstanding.

13. 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.

14. Issued Capital

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

15. Warrants

During the period ended April 30, 2015, the Company issued 5,511,723 warrants in connection with the Transaction as discussed in note 1. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.25 per share for a period of 12 months from the date of the close of the Transaction.

The fair value of $0.0965 per warrant 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	1.00%
Expected life	12 months
Expected volatility	100%
Share price	$0.25

16. Related Party Transactions and Balances

During the period ended April 30, 2015, the Company incurred the following related party transactions:

a) A total of $142,671 in occupancy expenses was paid to a company whose shareholders are related to the shareholders of one of the Company's corporate shareholders. As at April 30, 2015, prepaid expenses included $54,968, deferred lease inducement included $8,245 and accounts payable and accrued liabilities included $7,743 payable to this company.

b) A total of $133,333 in consulting fees was charged by a company controlled the Company's CEO.

c) A total of $2,500 of advertising and promotional expenses and $24,231 of salaries were paid to an individual who is a shareholder of one of the Company's corporate shareholders.

d) A total of $35,550 in consulting fees was charged by a company controlled by the Company's CFO. As at April 30, 2015, accounts payable and accrued liabilities included $107,975 payable to this company.

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

17. Financial Instruments and Other Risks

Fair Values

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

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

Credit Risk

The Company is not exposed to any significant credit risk as at April 30, 2015. The Company’s cash is on deposit with a highly rated financial institution in Canada. The Company's HST recoverable is due from the government of 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. All of the Company’s current financial liabilities and receivables have contractual maturities of less than 120 days and are subject to normal trade terms unless otherwise noted in note 19. As at April 30, 2015, the Company has current assets of $1,036,831 and current liabilities of $1,803,855. The Company has a working capital deficiency as at April 30, 2015 of $767,024.

18. Capital Disclosures

The Company includes equity, comprised of issued capital stock 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 MMPR.

(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 existing working capital and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

19. Commitments

a) During the period ended July 31, 2014, the Company entered into an agreement for the provision of corporate and market-related advisory services. As consideration for the services rendered pursuant to the agreement, the Company shall grant to the advisor, pursuant to the terms of the Company's stock option plan, 9% of the total issued and outstanding shares post funding of the first funding of up to $1,000,000, options (the "Options"), each such option entitling the holder to purchase one common share of the Company at the same strike price as the initial funding of up to $1,000,000 as described, for a period of twelve (12) months from the date of a completed going public transaction. As additional consideration for the services rendered pursuant to this agreement, the Company shall pay an advisory fee of $7,500 per month for the first six (6) months of the agreement; $5,000 per month for the subsequent six (6) months; and, $4,000 for the last twelve (12) months of the agreement. The advisory fee is due monthly as long as the agreement remains in effect. All such fees will accrue from the date of the agreement and will become due on closing of the financing as described above.

   The agreement will expire on May 6, 2016, and can be cancelled for any reason by either party with ninety (90) days notice. A written notification must be submitted by the party requesting the cancellation and must be sent to the other party in writing with delivery confirmation. If the purpose for cancellation is "for cause", then this period can be reduced to thirty (30) days.

19. Commitments (continued)

a) (continued)

During the period ended April 30, 2015, the agreement was amended with respect to the options to be issued to the advisor. Pursuant to the amendments, upon successful completion of the transaction as described in note 16(c), the advisor will be entitled to receive warrants, instead of options, entitling it to acquire an amount of common shares equal to 9% of the issued and outstanding common shares at the time of the closing of the proposed transaction, exercisable for a period of twelve months at a price of $0.25 per share in consideration of financial advisory and other services provided to the Company in connection with the proposed transaction.

b) During the period ended July 31, 2014, the Company entered into a Joint Venture Agreement for the purpose of forming three (3) identified joint ventures to further the development in Canada on an exclusive basis, the business activities of three individual companies identified in the Joint Venture Agreement. The term of the joint ventures shall be for five (5) years from the date of the execution of the Joint Venture Agreement, and can be renewed for further periods of five (5) years with both parties negotiating in good faith. The Joint Venture Agreement contemplates consummating final definitive joint venture agreements that will govern each of the original three (3) proposed joint venture opportunities. Pursuant to the Joint Venture Agreement, the Company’s equity interest in each of the proposed joint venture companies will be forty-five percent (45%), and the Company will act as the Managing Partner of the Joint Ventures. During the period ended April 30, 2015, the Joint Venture Agreement was terminated. See also note 8.

c) During the period ended April 30, 2015, the Company entered into a Consulting Agreement for the provision of services with respect to (but not limited to) product growing strategy and layout design for growing room, nursery rooms, vegetative rooms, plantation stations, drying and trimming rooms over a term of one year in exchange for a monthly fee of $13,000. The agreement can be terminated by either party by providing 60 days notice to the other party.

d) During the period ended April 30, 2015, the Company was assigned a legally binding Letter of Intent ("LOI"), pursuant to which the Company will enter into an agreement to obtain an exclusive right to purchase and import into Canada any medical cannabis and medical cannabis products produced by the Supplier that is legally allowed by the Canadian Government. In consideration for the Exclusive Supply Agreement, the Company is to pay an Exclusive Supply Agreement fee of $150,000 and issue 500,000 non-restricted common shares of the Company upon close of the Exclusive Supply Agreement. With respect to the $150,000 Exclusive Supply Agreement Fee, the Company paid a $50,000 non-refundable no-shop fee upon execution of the LOI and will make a final cash payment of $100,000 upon close of the Exclusive Supply Agreement. During the period ended April 30, 2015, the LOI expired before the Exclusive Supply Agreement could be finalized and, although a formal extension has not been agreed to, the parties continue to work towards finalizing an Exclusive Supply Agreement as contemplated in the original LOI. The $50,000 non-refundable no-shop fee has been included in prepaid expenses as at April 30, 2015.

19. Commitments (continued)

e) During the period ended April 30, 2015, the Company entered into a Consulting Agreement for the provision of business advisory services with respect to corporate development services, business strategy and operational matters, developing new business opportunities, identifying and advising on potential business acquisitions and participation in various internal and external business meetings of the Company in exchange for a monthly fee of $12,500. On each anniversary of the Consulting Agreement, the parties shall review the amount of the consulting fees. The amount of the consulting fees shall not be changed unless mutually agreed upon by the parties in writing.

The Consulting Agreement shall commence on the date on which the Company completes the transaction as described in note 16(c), and shall continue for a period of five years thereafter. This Consulting Agreement is conditional upon and shall note take effect unless the proposed transaction is completed.

Either party can terminate this Consulting Agreement at any time, without cause, subject to providing the other party with 90 days advance written notice of termination.

Subsequent to the period ended April 30, 2015, this Consulting Agreement was terminated by mutual consent of the parties

f) During the period ended April 30, 2015, the Company entered into an Investor Relations Services Agreement to provide services related to investor and market relations objectives, as well as business and financial strategies for a period of 180 days in exchange for an upfront fee of $50,000.
Either party can terminate this Investor Relations Services Agreement at any time, with cause, subject to providing the other party with 30 days advance written notice of termination.

g) During the period ended April 30, 2015, the Company entered into a Licensing Agreement which grants to the Company the limited right to use certain Authored Work in Canada, that the licensor has developed in connection with its Continuing Medical Education Programs that are accredited for CME credits by the American Medical Association. The license grants the Company the exclusive right to distribute the Authored Work to one thousand five hundred physicians and/ or health care professionals for a period of twelve months from the date of the Licensing Agreement. In the event that the Company has not trained one thousand five hundred health care professionals during the twelve month period, the License Agreement will be extended for a period of an additional six months.

Pursuant to the License Agreement, the Company will pay a program fee of 50,000 United States Dollars to be paid upon the execution of the Licensing Agreement, as well as an educational certification fee in the amount of $415,000. The educational certification fee shall be paid by way of payment of 52,000 United States Dollars upon execution of the License Agreement and eleven monthly payments of 33,000 United States Dollars.

19. Commitments (continued)

g) (continued)

In the event of default by the Company, the licensor shall have the option to cancel the License Agreement by providing thirty days written notice to the Company. The Company shall have the option of preventing the termination of the License Agreement by taking corrective action that cures the default, if such corrective action is taken prior to the end of the time period stated in the previous sentence, and if there are no other defaults during such time period. In the event that the licensor is unable to deliver the Authored Work for a period of three days, a default shall occur. In the event of such default, the licensor will have ten (10) days to cure such default. During such period, the Company may withhold any payment which would otherwise be due and payable. At the time the default is cured, such withheld payment is immediately due and payable.

h) During the period ended April 30, 2015, the Company entered into a binding Memorandum of Understanding (the “Agreement”) with 2457513 Ontario Ltd. (“2457513”) and Blow Canada Inc. (“Blow Canada”) to acquire all the issued and outstanding shares of 2457513 immediately following the acquisition by 2457513 of all the assets of Blow Canada including the shares of its US subsidiary, Blow Vapor Inc. (2457513, Blow Canada and Blow Vapor Inc., herein collectively referred to as “Blow Vapor”).

Under the terms of the Agreement, the Company shall pay to Blow Canada an aggregate consideration of $5,500,000 in cash and shares of the Company. Upon closing, 2457513 will be a wholly-owned subsidiary of the Company and Blow Vapor Inc. will be an indirect wholly-owned subsidiary of the Company.

The Agreement contemplates that the consideration payable by the Company to Blow Canada will be comprised of the following: (a) $500,000 cash payable on closing; and (b) the Company shall issue 10,000,000 common shares (at a deemed value of $0.50 per share) for an aggregate value of $5,000,000 on closing. Of the 10,000,000 shares, 6,000,000 shares will be placed in escrow to be released in three (3) tranches as follows: 1) 2,000,000 shares to be released from escrow at the time Blow Vapor has reached $3,000,000 in gross revenue, 2) 2,000,000 shares to be released from escrow at the time Blow Vapor has reached $6,000,000 in gross revenue, and 3) 2,000,000 shares to be released from escrow once Blow Vapor has reached $7,500,000 in gross revenue. Should any of the release thresholds not be achieved within four (4) years from closing, any escrow consideration which remains shall be returned to the treasury of the Company for cancellation.

The Agreement is binding and is expected to be superseded by a definitive agreement to be agreed to and signed between the parties, expected no later than July 31, 2015 (a “Definitive Agreement”). The transaction is subject to regulatory approval and standard closing conditions

19. Commitments (continued)

i) During the period ended April 30, 2015, the Company entered into a Letter of Intent (the "LOI") with 9037136 Canada Inc., operating and known as Redecan Pharm ("Redecan"), a Health Canada licensed producer and distributor of medical marijuana, to acquire all of the issued and outstanding shares of Redecan in exchange for aggregate consideration of $11,000,000, payable in cash and shares of the Company, subject to negotiation of the Definitive Agreements.

Subsequent to April 30, 2015, the Company and the shareholder of Redecan entered in to a Definitive Agreement with respect to the acquisition of all of the issued and outstanding shares of Redecan by the Company. Pursuant to the Definitive Agreement, the Company shall pay to an aggregate consideration of approximately $11,000,000, in cash and shares of the Company. The Company agreed to acquire all of the shares of Redecan for a purchase price consisting of $8,000,000 of cash plus 6,000,000 shares of the Company with a deemed notional value of $0.50 per share, for a total deemed value of $11,000,000. The consideration payable is subject to decrease for any liabilities and indebtedness of Redecan outstanding as of March 12, 2015, and for any decrease in Redecan's working capital as a result of medical marijuana sales after March 12, 2015. The consideration payable is subject to increase for expenses incurred by Redecan for the purpose of leasehold improvements to the production facility after January 31, 2015, and for any GST/HST input tax credits relating to the operation of the business up to January 31, 2015.

The Transaction is conditional upon regulatory approval, including approval of the transfer of the MMPR license from a shareholder of Redecan to Redecan and any required third party consents.

j) During the period ended April 30, 2015, the Company entered into a Proposed Financing and Advisory Agreement for the advisor to act as an exclusive agent, on a best efforts basis, for and on behalf of the Company in connection with a proposed equity financing of up to $10,000,000 and to act as an advisor to the Company for a period of twelve months.

Pursuant to the Proposed Financing and Advisory Agreement, the Company will pay a monthly advisory of fee of $10,000. In the event that the advisor completes a financing, the Company agrees to pay a 7.5% cash commission on the gross proceeds raised in the financing and to issue broker warrants to acquire 7.5% of the securities sold under the same terms of the financing exercisable for a period of 24 months from the closing of the financing. Subject to regulatory approval, the Company also agrees to issue a one-time strategic advisory fee equal to 2,000,000 common shares of the Company to be issued concurrently with the successful closing of the financing.

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

Fiscal Year	Amount
2015	$ 188,396
2016	$ 201,695
2017	$ 206,495
2018	$ 180,740
2019	$ 80,975

20. Subsequent Events

Subsequent to the period ended April 30, 2015, the Company:

a) Granted 450,000 stock options under its stock option plan to directors of the Company. Each option entitles the holder to acquire one common share of the Company at an exercise price of $0.46 per share for a period of five years from the date of grant of June 5, 2015. The options vest after a period of twelve months from June 5, 2015.

b) Issued three term convertible promissory notes with an aggregate principal amount of $300,000. The notes bear interest at a rate of 2% per month, with interest 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.

   The holder of the promissory note has the unrestricted right, at the holder's option, to convert, in whole or in part, the unpaid principal balance, together with all accrued and unpaid interest into fully paid and nonassessable shares of common stock of the Company. The right to convert may be exercised by the holder at any time up to and including the maturity date of the promissory note. The number of common shares in to which the promissory notes may or will be converted shall be determined by dividing the unpaid principal balance, together with all accrued and unpaid interest thereon, by the conversion price of $0.45 per share.

   Other subsequent events are disclosed in note 19.