Consolidated Financial Statements

Abba Medix Group Inc.

(Formerly Saratoga Electronic Solutions Inc.)

For the year ended July 31, 2015 and the period from August 21, 2013 (date of incorporation) to July 31, 2014

INDEX

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

We have audited the accompanying consolidated financial statements of Abba Medix Group Inc. and its subsidiary, which comprise the consolidated statement of financial position as at July 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Abba Medix Group Inc. and its subsidiary, as at July 31, 2015, 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 2 in the consolidated financial statements which describes the material uncertainties that cast significant doubt about Abba Medix Group Inc.'s ability to continue as a going concern.

Other Matter

The financial statements for the period ended July 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements dated September 4, 2014.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
November 30, 2015
Toronto,Ontario

Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

Consolidated Statements of Financial Position as at July 31
Stated in Canadian Dollars

	2015	2014
Assets		
Current Assets		
Cash	$ 6,314	$ 213,962
HST recoverable	83,458	59,889
Prepaid expenses and deposits	116,892	63,302
Due from related company (note 5)	-	8,871
Short-term advance to related party (note 6)	-	25,000
Other receivable (note 8)	103,627	-
	310,291	371,024
Distribution and Licensing Rights (note 10)	-	314,500
Property and Equipment (note 9)	1,749,298	258,686
	$ 2,059,589	$ 944,210
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 23)	$ 1,561,619	$ 437,315
GST and QST payable (note 12)	74,693	-
Due to director (note 13)	1,697	-
Promissory notes (note 14)	450,000	-
Convertible promissory notes (note 15)	298,769	-
Short-term advances from related party (note 7)	138,130	-
	2,524,908	437,315
Deferred Income Tax Liability (note 20)	326	-
Deferred Lease Inducement (note 11)	15,603	11,670
	2,540,837	448,985
Shareholders' Deficit		
Share Capital (note 16)	7,996,114	750,001
Contributed Surplus (notes 18 and 19)	634,368	-
Equity Component of Convertible Promissory Notes (note 15)	18,466	-
Deficit	(9,130,196)	(254,776)
	(481,248)	495,225
	$ 2,059,589	$ 944,210

Basis of Presentation and Going Concern (note 2)
Commitments (note 25)
Subsequent Events (note 26)

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

Approved on behalf of the Board

Signed "Ahmad Rasouli" , Director   Signed "Richard Vallee" , Director

Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

Consolidated Statements of Loss and Comprehensive Loss
For the year ended July 31, 2015 and the period from August 21, 2013 to July 31, 2014
Stated in Canadian Dollars

	2015	2014
Expenses		
Advertising and promotion (note 22)	$ 252,725	$ 2,674
Amortization of distribution and licensing rights (note 10)	14,960	5,330
Bank charges	2,102	127
Abandoned business acquisition costs	380,177	-
Consulting fees (note 22)	1,043,271	137,500
Directors fees (note 22)	8,500	-
Foreign exchange loss	3,533	6,665
Insurance	23,443	-
Interest on convertible and promissory notes (notes 14 and 15)	19,256	-
Interest on related party debt (note 7)	2,936	-
Interest accretion (note 15)	23,893	-
License and registration fees	138,986	-
Listing and filing fees	38,375	-
Occupancy (note 25)	232,961	72,841
Office and general	70,012	3,206
Professional fees (note 22)	360,570	26,433
Salaries and benefits	339,529	-
Share based compensation (notes 18 and 19)	29,690	-
Training and education	8,272	-
Transaction costs (note 1)	5,864,807	-
Travel	23,754	-
	8,881,752	254,776
Loss before Income Taxes	(8,881,752)	(254,776)
Deferred Income Tax Recovery (note 20)	(6,332)	-
Loss and comprehensive loss for the year	$ (8,875,420)	$ (254,776)
Loss per Share - basic and diluted	$ (0.16)	$ (0.02)
Weighted Average Number of Common Shares Outstanding - basic and diluted	55,410,758	11,074,784

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

Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the year ended July 31, 2015 and the period from August 21, 2013 to July 31, 2014
Stated in Canadian Dollars

	Number of Common Shares	Share Capital	Contributed Surplus	Equity Component of Convertible Promissory Notes	Deficit	Total Equity (Deficit)
Opening balance as at August 1, 2014	1,000,000	$ 750,001	$ -	$ -	$ (254,776)	$ 495,225
Common shares issued for cash (note 16b)	322,011	2,414,900	-	-	-	2,414,900
Share issuance costs (note 16b)	-	(15,297)	-	-	-	(15,297)
Common shares issued as settlement of trade payables (note 16c)	14,866	111,500	-	-	-	111,500
Additional Common shares issued to shareholders of Abba pursuant to the Transaction (note 16d)	41,443,187	-	-	-	-	-
Common shares issued to pre-Transaction shareholders of the Company pursuant to the Transaction (note 1)	18,461,300	4,326,694	-	-	-	4,326,694
Warrants issued in connection with the Transaction (note 17)	-	-	606,994	-	-	606,994
Allocation of convertible promissory note proceeds (note 15)	-	-	-	18,466	-	18,466
Common shares issued pursuant to the exercise of warrants (note 16e)	24,000	8,316	(2,316)	-	-	6,000
Common shares issued to a consultant (note 16f)	1,000,000	400,000	-	-	-	400,000
Share-based compensation (note 18)	-	-	29,690	-	-	29,690
Net loss for the year	-	-	-	-	(8,875,420)	(8,875,420)
Balance as at July 31, 2015	62,265,364	$ 7,996,114	$ 634,368	$ 18,466	$ (9,130,196)	$ (481,248)

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

Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

Consolidated Statements of Changes in Shareholders' Equity
For the year ended July 31, 2015 and the period from August 21, 2013 to July 31, 2014
Stated in Canadian Dollars

	Number of Common Shares	Issued Capital	Deficit	Total Equity
Opening balance as at August 21, 2013 upon incorporation	-	$ -	$ -	$ -
Class A Common shares issued for cash (note 16a)	1,000,000	750,001	-	750,001
Net loss for the period	-	-	(254,776)	(254,776)
Balance as at July 31, 2014	1,000,000	$ 750,001	$ (254,776)	$ 495,225

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

Abba Medix Group Inc. (Formerly Saratoga Electronic Solutions Inc.)

Cosnolidated Cash Flow Statements
For the year ended July 31, 2015 and the period from August 21, 2013 to July 31, 2014
Stated in Canadian Dollars

	2015	2014
Operating Activities		
Net loss for the year	$ (8,875,420)	$ (254,776)
Items not affecting cash flows from operations:		
Transaction costs	5,143,052	
Abandoned business acquisition costs	299,540	
Interest on convertible and promissory notes	19,256	
Items not involving cash:		
Amortization of distribution and licensing rights	14,960	5,330
Stock-based compensation	29,690	-
Expenses paid in common shares of the Company	400,000	-
Deferred lease inducement	3,933	11,670
Interest accretion	23,893	-
Deferred income tax recovery	(6,332)	-
	(2,947,428)	(237,776)
Net changes in non-cash working capital (note 21):		
Decrease (increase) in HST recoverable	(23,569)	(59,889)
Decrease (increase) in prepaid expenses and deposits	(53,590)	(63,302)
Increase (decrease) GST and QST payable	(20,151)	-
Increase (decrease) in accounts payable and accrued liabilities	789,890	77,123
	692,580	(46,068)
	(2,254,848)	(283,844)
Investing Activities		
Distribution and licensing rights	-	(53,895)
Property and equipment	(1,267,430)	(164,429)
Cash acquired upon completion of Transaction	876	-
	(1,266,554)	(218,324)
Financing Activities		
Issuance of share capital	2,420,900	750,001
Share issuance costs	(15,297)	-
Promissory notes	450,000	-
Convertible promissory notes	300,000	-
Interest on convertible and promissory notes	(13,850)	-
Short-term advance to/ from related party	163,130	(25,000)
Due from related party	8,871	(8,871)
	3,313,754	716,130
Change in cash	(207,648)	213,962
Cash - beginning of year	213,962	-
Cash - end of year	$ 6,314	$ 213,962
Significant Non-Cash Transactions Not Disclosed Above		
Common shares issued pursuant to settlement of accounts payable (note16c)	$ 111,500	$ -
Deemed transaction costs (note 1)	$ 4,536,807	$ -
Warrants issued in connection with the Transaction (note 1)	$ 606,994	$ -

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

Stated in Canadian Dollars

1. Nature of Operations

Abba Medix Group Inc. (the “Company”), formerly "Saratoga Electronic Solutions 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 "ABA". These consolidated financial statements of the Company for the year ended July 31, 2015, comprise the results of the Company and its wholly-owned subsidiary Abba Medix Corp. ("Abba"). Abba has applied to Health Canada for a license to produce medical marijuana under the Marihuana for Medical Purposes Regulations (“MMPR”). 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.

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 would exchange, transfer and assign all of the Class A Common shares of Abba he, she or it owns to the Company 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").

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 their carrying amounts 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, Abba's shareholders held 42,780,064 of the 61,241,364 issued and outstanding common shares of the Company, while existing Company shareholders held the remaining 18,461,300 common shares.

The allocation of the fair value of the consideration transferred is as follows:

Consideration transferred (18,461,300 shares at a price of $0.234 per share)	$ 4,326,694
Net assets (liabilities) of the Company acquired	(209,364)
Deemed transaction costs	$ 4,536,058

The acquisition-date fair value of the consideration transferred by 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 Company incurred other professional fees of $721,755 in connection with the Transaction that have been expensed as transaction costs on the statement of loss and comprehensive loss. Upon close of the transaction, the Company issued 5,511,723 warrants to a consultant pursuant to a consulting agreement (see note 17). The fair value of the warrants of $606,994 has been expensed as transaction costs on the statement of loss and comprehensive loss.

2. Basis of Presentation and Going Concern

a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee ("IFRIC") and were approved by the Company's Board of Directors on November 30, 2015.

b) Basis of Presentation

The consolidated financial statements, presented in Canadian Dollars, 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 3.

c) Basis of Consolidation

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

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

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

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

d) Going Concern

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

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. To date the Company has not obtained its license to produce medical marijuana under the MMPR, and has not generated revenue from operations. During the year ended July 31, 2015, the Company incurred a net loss of $8,875,420 (period ended July 31, 2014 - $254,776) and as of that date, the Company's deficit was $9,130,196 (2014 - $254,776). As at July 31, 2015, the Company has current assets of $310,291 (2014 - $371,024) and current liabilities of $2,524,908 (2014 - $437,315) resulting in a working capital deficiency of $2,214,617 (2014 - $66,291).

2. Basis of Presentation and Going Concern (continued)

d) Going Concern (continued)

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

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.

Property and Equipment

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

As at July 31, 2015, the Company was in the process of completing construction of its premises for purposes of obtaining its licence from Health Canada. Although the Company has capitalized the amounts spent on property and equipment, as at July 31, 2015, the assets were not determined to be available for use as intended by management, and as such, the Company's property and equipment have not been amortized during the year ended July 31, 2015.

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 value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Intangible Assets

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

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

The Company's intangible asset included amounts charged to obtain distribution and licensing rights (see note 10). The useful life of the distribution and licensing rights was determined to be five years, and as such, the Company amortized the distribution and licensing rights on a straight-line basis over that period. During the year ended July, 31, 2015, the distribution and licensing rights were cancelled, and as such, the Company's remaining intangible asset was determined to be impaired.

Impairment of Non-Financial Assets

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

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

3. Significant Accounting Policies (continued)

Impairment of Non-Financial Assets (continued)

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

Impairment of Financial Assets

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

The Company has assessed its assets, and has determined that conditions indicating potential impairment were not present as at July 31, 2015 and July 31, 2014.

Foreign Currency Translation

Transactions denominated in foreign currencies are initially recorded in the functional currency using exchange rates in effect at the dates of the transactions. 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.

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.

3. Significant Accounting Policies (continued)

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 July 31, 2015 and 2014, 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.

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 loss in the period in which they arise. Loans and receivables, which includes amounts due from related company and short-term advance to related party and other receivable, are recorded at amortized cost less impairment losses.

Other financial liabilities, which include accounts payable and accrued liabilities, amounts due to a director, promissory notes, convertible promissory notes and short-term advance from 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 July 31, 2015, the Company's cash is categorized as Level I measurement. The Company does not hold any Level II or III financial assets or liabilities.

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. The number of common shares outstanding from August 21, 2013 to the acquisition date was computed on the basis of the weighted average number of common shares of Abba multiplied by the exchange ratio established in the Share Exchange Agreement.

Share Based Payments

Share Based Payment Transactions

Directors of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

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

3. Significant Accounting Policies (continued)

Share Based Payments (continued)

Equity Settled Transactions

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted, incorporating the Black-Scholes option pricing model.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative cost is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

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

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

Share Issuance Costs

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

Share Capital

In situations where the Company issues warrants, the value of warrants is included in the Company's contributed surplus.

Changes in Accounting Policies

During the period ended July 31, 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 consolidated financial statements.

3. Significant Accounting Policies (continued)

Future Accounting Pronouncements

IAS 1 "Presentation of Financial Statements" was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IAS 1 immediately, but are not required to do so.

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.

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.

4. 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, estimates and assumptions include those related to the ability of the Company to continue as a going concern, the valuation of deferred taxes, impairment of its financial and non-financial assets, evaluation of contingencies, inputs used in accounting for share-based payment transactions and in the valuation of options and warrants included in shareholders' equity, including volatility, 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 promissory notes.

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

Stated in Canadian Dollars

5. Due from Related Company

The amount due from a related company was non-interest bearing, unsecured, and had no specific terms of repayment. The transaction was measured at fair value. The related company is controlled by a shareholder of one of the Company's corporate shareholders.

6. Short-term Advance to Related Party

The short-term advance to a related party was non-interest bearing, unsecured, and had no specific terms of repayment. The transaction was measured at fair value. The related party is the Company's Chief Executive Officer.

7. Short-term Advances from Related Party

The short-term advances from a related party bear interest at 6% per annum compounded monthly, are unsecured, and have no specific terms of repayment. All transactions are measured at fair value. The related party is the Company's Chief Executive Officer.

8. Other Receivable

Other receivable includes an amount receivable from a former subsidiary related to Goods and Services Tax (GST) and Quebec Sales Tax (QST) charged by the Company. The amount is non-interest bearing and payable upon receipt of the invoice.

9. Property and Equipment

As at July 31, 2015	**Leasehold Improvements**	**Security Equipment**	**Computer Equipment**	**Manufacturing Equipment**	**Office Furniture and Equipment**	**Total**
Cost						
Balance, beginning of year	$ 190,203	$ 68,483	$ -	$ -	$ -	$ 258,686
Additions	1,055,620	158,623	45,004	186,126	45,239	1,490,612
Balance, end of year	1,245,823	227,106	45,004	186,126	45,239	1,749,298
Accumulated depreciation						
Balance, beginning of year	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Balance, end of year	-	-	-	-	-	-
Net carrying amount as at July 31, 2015	$ 1,245,823	$ 227,106	$ 45,004	$ 186,126	$ 45,239	$ 1,749,298

Stated in Canadian Dollars

9. 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

10. 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 had to 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) was 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 a separate Joint Venture Agreement entered into by the parties. 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.

10. Distribution and Licensing Rights (continued)

During the year 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 year ended July 31, 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 expensed.

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. GST and QST Payable

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

13. Due to Director

Due to director is non-interest bearing, unsecured, and has no specific terms of repayment.

14. Promissory Notes

During the year ended July 31, 2015, the Company issued the following unsecured 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 consolidated financial statements, the principal of this promissory note and accrued interest of $822 was outstanding and past due.

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 consolidated financial statements, the principal of this promissory note and accrued interest of $658 was outstanding and past due.

14. Promissory Notes (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 consolidated financial statements, the principal of this promissory note and accrued interest of $370 was outstanding and past due.

15. Convertible Promissory Notes

During the year ended July 31, 2015, the Company issued the following unsecured convertible promissory notes:

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. As of the date of these financial statements the principal of this convertible promissory note was still outstanding.

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 of the date of these financial statements the principal of this convertible promissory note was still outstanding.

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. As of the date of these financial statements the principal of this convertible promissory note was still outstanding.

The holders of the convertible promissory notes have 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 convertible promissory note. The number of common shares into which the convertible 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.

Stated in Canadian Dollars

15. Convertible Promissory Notes (continued)

As the convertible promissory notes each contain a liability component and an equity component, the Company has split the proceeds of the convertible promissory notes and have presented the two components separately in the statement of financial position. The Company has calculated the initial fair value of the liability component as $274,876, using a discount rate of 36%. The fair value of the equity component of $18,466 was calculated by deducting the fair value of the liability component from the total fair value of the convertible promissory notes. The equity component also includes a deferred income tax component of $6,658 which has been disclosed separately on the consolidated statement of financial position. The equity and deferred income tax components, in aggregate, represent a deemed discount on the convertible promissory notes. This discount will be accreted to the consolidated statement of loss and comprehensive loss over the term of the convertible promissory notes.

During the year ended July 31, 2015, the Company recorded interest accretion expense of $23,893 and accrued interest as at July 31, 2015 in the amount of $4,534. The aggregate carrying value of the convertible promissory notes as at July 31, 2015 is calculated as follows:

Principal balance due August 4, 2015	$	300,000
Less: fair value of conversion option		(18,466)
Less: deferred tax liability		(6,658)
Carrying value at May 6, 2015		274,876
Add: Interest accretion for the year		23,893
Balance, July 31, 2015	$	298,769

16. Share Capital

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

The following table summarizes the common share activities for the year ended July 31, 2015, and the period from August 21, 2103 to July 31, 2014:

	Number of Common Shares		Share Capital
Balance, August 21, 2013	-	$	-
Private placements (a)	1,000,000		750,001
Balance, July 31, 2014	1,000,000		750,001
Private placements, net of issuance costs (b)	322,011		2,399,603
Issued as settlement of trade payables (c)	14,866		111,500
Issued to shareholders of Abba upon completion of Transaction (c)	41,443,187		-
Issued pursuant to warrant exercise (e)	24,000		8,316
Issued to consultant (f)	1,000,000		400,000
Effects of Transaction (note 1)	18,461,300		4,326,694
Balance, July 31, 2015	62,265,364	$	7,996,114

Stated in Canadian Dollars

16. Share Capital (continued)

a) During the period from August 21, 2013 to July 31, 2014, Abba issued 1,000,000 common shares for proceeds of $750,001 pursuant to private placements.

b) During the year ended July 31, 2015, Abba issued 322,011 common shares for proceeds of $2,414,900 pursuant to private placements. Abba incurred share issuance costs of $15,297 in connection with these private placements.

c) During the year ended July 31, 2015, Abba issued 14,866 common shares as settlement of trade payables in the amount of $111,500.

d) Pursuant to the Transaction described in note 1, the shareholders of Abba exchanged each of their Class A Common shares of Abba for 32 common shares of the Company, which resulted in the issuance of 42,780,064 common shares of the Company to the shareholders of Abba.

e) During the year ended July 31, 2015, the Company issued 24,000 common shares pursuant to the exercise of 24,000 warrants for gross proceeds of $6,000. The fair value of the warrants of $2,316 has been allocated to share capital.

f) During the year ended July 31, 2015, the Company issued 1,000,000 common shares to a consultant pursuant to a consulting agreement disclosed in note 25(a) at a fair value of $0.40 per share.

17. Warrants

During the year ended July 31, 2015, the Company issued 5,511,723 warrants in connection with the Transaction as discussed in note 1 pursuant to a consulting agreement. The fair value of the warrants issued was estimated at $606,994. 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 the warrants 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	0.60%
Expected life	12 months
Expected volatility	130.56%*
Share price	$0.234
Forfeiture rate	Nil

*Based on volatility of comparable companies

Stated in Canadian Dollars

17. Warrants (continued)

The following table summarizes the warrant activities for the year ended July 31, 2015:

	Number of Warrants	Weighted Average Exercise Price
Beginning balance	-	$ -
Issued for services rendered	5,511,723	0.25
Exercised	(24,000)	(0.25)
Outstanding at year end	5,487,723	$ 0.25

18. Stock Options

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

During the year ended July 31, 2015, the Company issued 450,000 stock options to its directors. Each stock option entitles the holder to acquire one common share of the Company at a price of $0.46 for a period of five years from the date of grant. The stock options vest over a period of twelve months and will expire June 5, 2020.

The fair value of the stock options 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	1.07%
Expected life	5 years
Expected volatility	176.81%*
Share price	$0.475
Forfeiture rate	Nil

*Based on volatility of comparable companies

Stated in Canadian Dollars

18. Stock Options (continued)

The following table summarizes the stock option activities:

	2015		
	Number of Options		**Weighted Average Exercise Price**
Beginning balance	-	$	-
Granted	450,000		0.46
Outstanding at year end	450,000	$	0.46
Exercisable at year end	-	$	-

The weighted average remaining contractual life of the options outstanding at July 31, 2015 is 4.75 years. The amount of share-based compensation for the year ended July 31, 2105 was $29,690.

19. Contributed Surplus

Balance, August 1, 2014	$	-
Fair value of warrants issued in connection with the Transaction (note 1)		606,994
Fair value of warrants exercised		(2,316)
Share-based compensation (note 18)		29,690
Balance, July 31, 2015	$	634,368

20. Income Taxes

a) Deferred Income Taxes

		2015		2014[1]
Loss before income taxes	$	(8,881,752)	$	(254,776)
Statutory rate		26.5%		26.5%
Expected income tax recovery		(2,353,664)		(67,516)
Non-deductible expenses		17,400		23
Deferred tax assets not recognized		939,232		-
Non-deductible transaction costs		1,408,180		-
Other		(17,480)		-
Difference between amortization of Distribution and License Rights for accounting and income tax purposes		-		(213)
		(6,332)		(67,706)
Change in deferred tax assets not recognized		-		67,706
Net expected deferred income tax recovery	$	(6,332)	$	-

[1] For the period from August 21, 2013 to July 31, 2014.

Stated in Canadian Dollars

20. Income Taxes (continued)

b) Deferred Income Tax Assets

The tax effects of temporary differences that give rise to the deferred income tax assets at July 31, 2015 and 2014 are as follows:

	2015	2014
Non-capital loss carry forwards	$ 857,752	$ 67,706
Cumulative Eligible Capital deduction	145,730	(213)
Share issuance costs	3,243	-
	1,006,725	67,493
Deferred tax assets not recognized	(1,006,725)	(67,493)
Net deferred income tax assets	$ -	$ -

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

c) Non-Capital Losses

The Company has a non-capital loss carried forward of approximately $3,236,799 available to reduce future years' taxable income which will expire as follows:

Fiscal Year	Amount
2034	$ 265,320
2035	$ 2,971,479

21. Change in Working Capital

The working capital cash flows shown in the consolidated statements of cash flows differ from the consolidated statement of financial position due to the current assets and liabilities acquired pursuant to the Transaction (note 1) and the additional accounts payable and accrued liabilities that are included in property and equipment (note 9).

22. Related Party Transactions and Balances

During the year ended July 31, 2015 and the period from August 21, 2013 to July 31, 2014, the Company incurred the following related party transactions:

a) A total of $206,785 (2014 - $64,158) 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, 2015, prepaid expenses included $61,302 (2014 - $63,302), deferred lease inducement included $15,603 (2014 - $11,970) and accounts payable and accrued liabilities included $34,299 (2014 - $3,872) payable to this company.

b) A total of $185,833 (2014 - $10,000) in consulting fees was charged by a company controlled by the Company's CEO, who is also a director of the Company. As at July 31, 2015, accounts payable and accrued liabilities included $33,854 (2014 - $3,955) payable to this company.

22. Related Party Transactions and Balances (continued)

c) A total of $2,212 (2014 - $2,500) of advertising and promotional expenses, salaries of $39,808 (2014 - $Nil) and consulting fees of $Nil (2014 - $5,000) were paid to an individual related to an officer and director of the Company.

d) A total of $83,699 of legal fees were charged by a law firm in which a director of the Company is a partner. As at July 31, 2015, accounts payable and accrued liabilities included $109,621 payable to this law firm.

e) A total of $43,000 of fees were charged by an accounting firm in which a director of the Company is a partner. The fees were allocated as to $28,000 to professional fees and $15,000 to transaction costs. As at July 31, 2015, accounts payable and accrued liabilities included $106,652 payable to this accounting firm.

f) A total of $62,690 of consulting fees were charged by a company controlled by the Company's CFO who is also a director of the Company. As at July 31, 2015, accounts payable and accrued liabilities included $119,942 payable to this company.

g) A total of $8,500 of directors fees were charged by directors of the Company, the full amount of which is included in accounts payable and accrued liabilities as at July 31, 2015.

h) 450,000 stock options were granted to directors of the Company. The amount of stock-based compensation expense for the year ended July 31, 2015 related to these stock options was $29,690.

Total compensation of $275,880 (2014 - $10,000) comprising short-term employee benefits of $246,190 (2014 - $10,000) were paid to the Company's CEO and CFO during the year ended July 31, 2015, and share-based payments of $29,690 (2014 - $Nil) were paid to the Company's CEO, CFO and Board of Directors during the year ended July 31, 2015.

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

23. 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 produce medical marijuana under the MMPR, 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 and the Company continues to monitor the progress of the application with Health Canada.

23. Financial Instruments and Other Risks (continued)

Fair Values

The carrying amounts for the Company's cash, other receivable, amounts due from a related company, short-term advance to a related party, accounts payable and accrued liabilities, amounts due to director, promissory notes and convertible promissory notes 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 summarized below:

Credit Risk

The Company is not exposed to any significant credit risk other than other receivable as at July 31, 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. As at July 31, 2015, the Company has current assets of $310,291 and current liabilities of $2,524,908. The Company has a working capital deficiency as at July 31, 2015 of $2,214,617. The Company raises capital as needed to mitigate its liquidity risk.

Currency Risk

The Company is exposed to currency risk on the outstanding balance of US$95,000 (2014 - US$250,000) included in accounts payable and accrued liabilities that are denominated in United States Dollars. At July 31, 2015, 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 $12,426 (2014 - $27,260) 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, 2015, all of the Company's interest-bearing financial instruments, which include short-term advances from a related party, promissory notes and convertible promissory notes, are at fixed interest rates. As such, there is no significant interest rate risk associated with the Company's financial instruments.

Stated in Canadian Dollars

23. Financial Instruments and Other Risks (continued)

Contractual Maturities of Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases related to operating and financing activities, and property and equipment. The usual credit period taken for trade purchases is between 30 to 90 days.

The following table includes an aged analysis of the Company's accounts payable and accrued liabilities:

	2015	2014
1 - 30 days	$ 82,545	$ 79,038
31 - 60 days	199,611	272,600
61 - 90 days	143,033	1
Greater than 91 days	1,035,392	36,500
Total trade payables	1,460,581	388,139
Accrued liabilities	101,038	49,176
Outstanding at year end	$ 1,561,619	$ 437,315

24. Capital Disclosures

The Company includes equity, comprised of share capital, contributed surplus, equity component of convertible promissory notes 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; 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 existing working capital and raise additional funds as required.

The Company does not have any externally imposed capital requirements.

Stated in Canadian Dollars

25. Commitments

a) During the year ended July 31, 2015, the Company entered into an Advisory Agreement for the advisor to act as a strategic advisor to the Company in connection with a proposed equity financing of up to $10,000,000 and to act as an advisor to the Company until the earlier of (i) the completion of an equity financing of the Company; and (ii) August 31, 2015.

   Pursuant to the Advisory Agreement, the Company will pay an advisory of fee of $400,000 which can be paid, at the sole discretion of the Company, in cash and/ or, subject to regulatory approval, by the issuance of 1,000,000 common shares of the Company at a price of $0.40 per share, representing the closing price of the common shares of the Company on the Canadian Securities Exchange on July 2, 2015, the last trading day prior to the date of the Advisory Agreement. In the event that the advisor is requested to perform services in addition to those described above, the advisor shall receive additional fees as may be agreed between the parties and the terms and conditions relating to such services shall be outlined in a separate agreement. During the year ended July, 31, 2015, the Company issued 1,000,000 common shares to the advisor as described in note 16(f).

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

Fiscal Year	Amount
2016	$ 195,828
2017	$ 200,627
2018	$ 174,573
2019	$ 78,041

26. Subsequent Events

Subsequent to the year ended July 31, 2015, the Company issued 3,000,000 common shares of the Company for gross proceeds of $300,000 pursuant to a non-brokered private placement.