Canada House Wellness Group Inc.

Consolidated financial statements

April 30, 2019

Independent auditor's report

To the shareholders of
Canada House Wellness Group Inc.

Opinion

We have audited the consolidated financial statements of **Canada House Wellness Group Inc.** and its subsidiaries [the "Company"], which comprise the consolidated statement of financial position as at April 30, 2019, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at April 30, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of $11,415,000 during the year ended April 30, 2019 and, as at that date, the Company's cumulative deficit totaled $38,571,000. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial statements of the Company for the year ended April 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on August 28, 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kwan Song.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
August 27, 2019

Canada House Wellness Group Inc.

Consolidated statement of financial position

[Expressed in thousands of Canadian dollars]
[See going concern uncertainty – note 1]

As at April 30

	2019	**2018**
	$	$
Assets		
Current		
Cash	**3,427**	8,953
Trade and other receivables *[note 5]*	**1,517**	1,264
Inventories *[note 6]*	**42**	—
Loan receivable	**10**	10
Prepaid expenses and deposits	**465**	84
Total current assets	**5,461**	10,311
Loan receivable	**—**	10
Property, plant and equipment, net *[note 8]*	**7,170**	4,466
Intangible assets, net *[note 9]*	**3,676**	263
	16,307	15,050
Liabilities and shareholders' equity		
Current		
Trade and other payables	**3,175**	3,508
Due to related parties *[note 10]*	**88**	125
Borrowings *[note 13]*	**7**	8
Total current liabilities	**3,270**	3,641
Borrowings *[note 13]*	**329**	22
Convertible debentures *[note 12]*	**386**	1,687
Deferred tax liabilities	**12**	519
Contingent consideration *[note 4[f]]*	**3,912**	3,117
Total liabilities	**7,909**	8,986
Commitments and contingencies *[note 20]*		
Shareholders' equity		
Share capital *[note 14]*	**34,508**	23,473
Equity component of convertible debentures *[note 12]*	**265**	1,498
Contributed surplus *[note 14]*	**12,196**	8,249
Deficit	**(38,571)**	(27,156)
Total shareholders' equity	**8,398**	6,064
	16,307	15,050

See accompanying notes

On behalf of the Board:

"Signed"
Dennis Moir,
Chair of the Board

"Signed"
Norm Betts,
Chair of the Audit Committee

Canada House Wellness Group Inc.

Consolidated statement of loss and comprehensive loss

[Expressed in thousands of Canadian dollars, except share and per share amounts]

Year ended April 30

	2019	**2018**
	$	$
Revenue	**4,875**	3,289
Cost of sales	**723**	—
Gross profit before fair value adjustments	**4,152**	3,289
Fair value adjustment on growth of biological assets *[note 7]*	**363**	—
Gross profit	**3,789**	3,289
Expenses		
General and administrative *[note 18]*	**8,588**	6,938
Sales and marketing *[note 18]*	**577**	571
Share-based compensation *[note 15]*	**1,927**	2,805
Impairment loss	**—**	3,901
Depreciation and amortization *[notes 6, 8 and 9]*	**1,862**	574
Loss from operations	**(9,165)**	(11,500)
Finance and transaction costs, net	**1,332**	1,717
Other expenses	**833**	87
Loss before income taxes	**(11,330)**	(13,304)
Provision for (recovery of) income taxes *[note 17]*	**85**	(387)
Net loss and comprehensive loss for the year	**(11,415)**	(12,917)
Net loss per share, basic and diluted *[note 16]*	**(0.06)**	(0.09)
Weighted average number of shares outstanding – basic and diluted	**201,448,102**	142,270,282

See accompanying notes

Canada House Wellness Group Inc.

Consolidated statement of changes in shareholders' equity

[Expressed in thousands of Canadian dollars, except share amounts]

	Common shares		Contributed surplus	Equity component of convertible debentures	Deficit	Total
	#	$	$	$	$	$
Balance, April 30, 2017	119,877,626	9,000	3,731	299	(14,239)	(1,209)
Net loss and comprehensive loss for the year	—	—	—	—	(12,917)	(12,917)
Common shares issued on acquisition of Knalysis	5,000,000	3,100	—	—	—	3,100
Issuance of convertible debentures and related warrants, net of issuance costs	—	—	3,519	2,004	—	5,523
Common shares issued pursuant to conversion of convertible debentures	15,756,329	2,363	—	(805)	—	1,558
Common shares issued pursuant to exercise of warrants	20,801,210	8,143	(2,460)	—	—	5,683
Common shares issued pursuant to exercise of stock options	2,052,400	652	(140)	—	—	512
Common shares issued for services	369,274	125	—	—	—	125
Common shares issued in exchange for settlement of liabilities	1,006,100	145	—	—	—	145
Broker warrants issued	—	—	356	—	—	356
Continued vesting of warrants issued in connection with the Transaction in 2017	—	—	786	—	—	786
Modification to warrants	—	—	448	—	—	448
Shares returned to treasury	(200,000)	(55)	—	—	—	(55)
Share-based compensation *[note 15]*	—	—	2,009	—	—	2,009
Balance, April 30, 2018	164,662,939	23,473	8,249	1,498	(27,156)	6,064
Net loss and comprehensive loss for the year	**—**	**—**	**—**	**—**	**(11,415)**	**(11,415)**
Common shares issued pursuant to conversion of convertible debentures *[notes 12 and 14]*	**31,113,864**	**2,793**	**504**	**(1,233)**	**—**	**2,064**
Common shares issued pursuant to exercise of warrants *[note 14]*	**2,795,425**	**900**	**(212)**	**—**	**—**	**688**
Issuance of common shares and warrants for cash, net of transaction costs *[note 14]*	**36,934,802**	**3,842**	**928**	**—**	**—**	**4,770**
Common shares issuable in exchange for professional services	**—**	**—**	**160**	**—**	**—**	**160**
Common shares issuable to a related party for purchase of land *[note 8]*	**—**	**—**	**640**	**—**	**—**	**640**
Common shares issued for acquisition of intangible assets *[note 9]*	**17,650,540**	**3,500**	**—**	**—**	**—**	**3,500**
Share-based compensation *[note 15]*	**—**	**—**	**1,927**	**—**	**—**	**1,927**
Balance, April 30, 2019	**253,157,570**	**34,508**	**12,196**	**265**	**(38,571)**	**8,398**

See accompanying notes

Canada House Wellness Group Inc.

Consolidated statement of cash flows

[Expressed in thousands of Canadian dollars]

Year ended April 30

	2019	2018
	$	$
Operating activities		
Net loss and comprehensive loss	**(11,415)**	(12,917)
Adjustments for		
Fair value adjustment on growth of biological assets	**363**	—
Loss on disposal of assets	**106**	—
Income tax expense (recovery)	**—**	(387)
Depreciation and amortization *[notes 8 and note 9]*	**2,547**	574
Share-based compensation	**1,927**	2,805
Finance and transaction costs	**1,055**	1,267
Impairment loss	**—**	3,920
Expenses settled by issuance of convertible debentures and common shares	**—**	246
Other non-cash expenses	**736**	100
Net changes in non-cash working capital balances related to operations		
Trade and other receivables	**(253)**	473
Prepaid expenses and deposits	**(381)**	23
Inventories	**(42)**	—
Biological assets	**(363)**	—
Trade and other payables	**(361)**	(355)
Cash used in operating activities	**(6,081)**	(4,251)
Investing activities		
Purchase of property, plant and equipment, including deposits	**(3,997)**	(2,408)
Purchase of intangible asset	**(1,165)**	—
Proceeds from repayment of loan receivable	**10**	10
Cash used in investing activities	**(5,152)**	(2,398)
Financing activities		
Due to related parties	**(37)**	16
Proceeds from borrowings, net	**306**	—
Proceeds from issuance of common shares and warrants, net of issuance costs	**5,438**	8,345
Proceeds from issuance of convertible debt, net of issuance costs	—	6,512
Cash provided by financing activities	**5,707**	14,873
Net increase (decrease) in cash during the year	**(5,526)**	8,224
Cash, beginning of year	**8,953**	729
Cash, end of year	**3,427**	8,953

See accompanying notes

Notes to consolidated financial statements

[Expressed in thousands of Canadian Dollars, except for share amounts]

April 30, 2019

1. Nature of business and going concern uncertainty

Canada House Wellness Group Inc. [the "Company"], formerly Abba Medix Group Inc., was incorporated September 29, 1982 under the *Company Act* of the Province of British Columbia and is listed on the Canadian Securities Exchange under the symbol "CHV" [formerly "ABA"].

These consolidated financial statements of the Company for the year ended April 30, 2019, comprise the results of the Company and its wholly owned subsidiaries Abba Medix Corp. ["Abba"], 672800 NB Inc. [doing business as Marijuana for Trauma] ["MFT"], The Longevity Project Corp ["TLP"] and 690050 NB Inc. [doing business as Knalysis Technologies] ["Knalysis"] and 2104071 Alberta Inc., which holds the dispensary license in Edmonton, Alberta. In September 2018, 672800 NB Inc. began operating as Canada House Clinics ["CHC"]. MFT and CHC may be used interchangeably throughout these financial statements.

Using its own proprietary patient management software developed by Knalysis, MFT provides education services concerning appropriate cannabinoid therapies to patients and in the future, through Abba, intends to offer its own strains of medical cannabis. Abba has received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations ["AMCPR"], as well as its license to produce cannabis oil. Abba has received an amendment to its Producer's Licence from Health Canada to include the sale and provision of marijuana seeds. In December 2018, the Company received a sales license to sell products from others, but not its own production. The Company expects a pre-sales inspection in the coming months, at which time it will be able to sell its own production. The registered office is located at 1773 Bayly Street, Pickering, Ontario.

Going concern uncertainty

The consolidated financial statements have been 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 operations. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the year ended April 30, 2019, the Company incurred a net loss of $11,415, and as at that date had an accumulated deficit of $38,571 and a working capital balance of $2,191. Whether, and when, the Company can attain profitability and positive cash flows from operations is subject to material uncertainty. There is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company will need to raise additional capital in order to fund its planned operations and meet its obligations. While the Company has been successful in obtaining financing to date and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, there can be no assurance that the Company will achieve profitability and be able to do so in the future on terms favourable for the Company.

2. Basis of preparation

Statement of compliance

These consolidated financial statements ["financial statements"] have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]. The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 27, 2019.

Basis of measurement

These financial statements have been prepared on a historical cost basis, except for convertible notes and biological assets that are measured at fair value and fair value less costs to sell. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, *Share-based Payments* ["IFRS 2"] and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36*, Impairment of Assets*.

Functional currency and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Going concern

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Estimated useful lives, residual values and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Estimated useful life and amortization of intangible assets

The Company employs significant estimates to determine the estimated useful life of intangible assets, considering industry trends, contractual rights, past experience, expected use and review of asset useful lives. The Company reviews amortization methods and useful lives annually or when circumstances change and adjusts its amortization methods and assumptions prospectively.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets impairment testing requires management to make estimates in the impairment testing model. Impairment of property, plant and equipment and intangible assets is influenced by judgment in defining a cash-generating unit ["CGU"] and determining the indicators of impairment and estimates used to measure impairment losses. The recoverable value of property, plant and equipment and intangible assets is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Valuation of share-based payments and warrants

Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

Business combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of consideration given. If any intangible assets are identified, depending on the type of intangible asset and the

complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Convertible debentures

Separating the liability and equity components requires the Company to estimate a market rate for an equivalent non-convertible instrument and in allocating the remainder to the conversion feature that is an equity instrument.

Valuation of the fair value less costs to sell of biological assets and agricultural produce

Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less costs to sell up to the point of harvest. The determination of the fair values of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value.

3. Summary of significant accounting policies

Cash

Cash includes cash deposits in financial institutions.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of loss and comprehensive loss.

Revenue recognition

The Company recognizes revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services by applying the following steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognize revenue when, or as, the Company satisfies a performance obligation.

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company earns referral fee revenue by providing educational services to patients that may benefit from cannabis products. The Company educates consumers on different

strains of cannabis plants and how to properly use the products of licensed producers based on the consumers' ailments and ultimately refers these clients to the cannabis producers.

The Company recognizes revenue upon transfer of control of products or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for the products or services transferred. The Company evaluates contracts with customers to determine the appropriate unit of accounting [performance obligation] for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

The Company also earns revenue for Skype fees, which are earned for arranging an appointment between the Company's clients and a physician to obtain a prescription for the medical cannabis. These fees are paid by the patient and billed at the time when the appointment is arranged. Revenue is recognized when the appointment is completed.

In addition, the Company earns revenue through licensing of its proprietary patient management software, recognizing revenue using a software as a service model, whereby it earns and collects revenue monthly based on patient count and/or number of clinics.

Biological assets

While the Company's biological assets are within the scope of IAS 41, *Agriculture*, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, *Inventories*. They include the direct cost of seeds and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs such as rent to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred, and they are all subsequently recorded within the line item "cost of sales" in the consolidated statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gains/losses on growth of biological assets are recorded in a separate line on the face of the consolidated statement of loss and comprehensive loss. Biological assets are measured at their fair value less costs to sell on the consolidated statement of financial position.

Inventories

The direct and indirect costs of inventory initially include the fair value of the biological asset at the time of harvest. They also include subsequent costs such as materials, labour and depreciation expense on equipment involved in packaging, labelling and inspection. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within "cost of sales" in the consolidated statement of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold, which are recorded as a separate line on the face of the consolidated statement of loss and comprehensive loss. Inventory is measured at lower of cost or net realizable value on the consolidated statement of financial position.

Property, plant and equipment

The Company's property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost includes the cost of materials and direct labour, site preparation costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and condition necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes any applicable borrowing costs. Borrowing costs are capitalized to property, plant and equipment until such time that the constructed asset is substantially complete and ready for its intended use.

Depreciation is recorded over the estimated useful lives as outlined below:

Building	4% on a declining balance basis
Leasehold improvements	Lesser of 5 years or lease term on a straight-line basis
Computer equipment	30% on a declining balance basis
Security equipment	5 years on a straight-line basis
Furniture and fixtures	20% on a declining balance basis
Vehicles	30% on a declining balance basis

The Company assesses an asset's residual value, useful life and depreciation method at each financial year-end or as required and makes adjustments if appropriate.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statement of loss and comprehensive loss.

Intangible assets

Intangible assets consist of acquired intellectual property with a finite life. Intangible assets are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. At each reporting period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support the useful life assessment for the asset. Costs for intangible assets acquired in a business combination represent the fair value of the asset at the time of the acquisition. Intellectual property intangibles are amortized over a three-year period and software intangible is amortized 30% on a declining balance basis.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be

tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the higher of its fair value, less cost to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at its inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified operating leases.

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of loss and comprehensive loss.

Operating lease payments are recognized as an operating expense in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The income tax currently payable is based on taxable profit for the year. Taxable profit differs from “loss before income taxes” as reported in the consolidated statement of loss and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition [other than in a business combination] of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates [and tax laws] that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payments

The Company measures equity-settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the period in which the service and, where applicable, the performance conditions are fulfilled [the vesting period] with a corresponding increase in equity [contributed surplus]. Fair value is measured using the Black-Scholes option pricing model. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of loss and comprehensive loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-

based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the consolidated statements of loss and comprehensive loss.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise preferred shares, warrants, share options and convertible debentures issued.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities [other than financial assets and financial liabilities at fair value through profit or loss] are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

[i] Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income [''FVOCI''], or fair value through profit and loss [''FVTPL'']. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ["OCI"]. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset [unless it is a trade receivable without a significant financing component that is initially measured at the transaction price] is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

[ii] Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or other liabilities.

Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

[iii] Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

[iv] Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial assets/liabilities	**Classification**
Cash	Amortized cost
Trade and other receivables	Amortized cost
Loan receivable	Amortized cost
Trade and other payables	Other liabilities
Contingent consideration	Fair value through profit or loss
Due to related parties	Other liabilities
Borrowings	Other liabilities
Convertible debentures	Other liabilities

[v] Impairment of financial assets

An expected credit loss ["ECL"] model applies to financial assets measured at amortized cost. The Company's financial assets measured at amortized cost and subject to the ECL model consist primarily of trade and other receivables and loan receivable. The Company adopted the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses on initial recognition.

Convertible debentures

Convertible debentures are separated into liability and equity components based on the terms of the contract.

On issuance of the instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost [net of transaction costs] until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the equity component that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent periods.

New standards, amendments and interpretations adopted by the Company

The following new accounting standards applied or adopted during the year ended April 30, 2019 had no material impact on the consolidated financial statements:

[i] IFRS 9 – *Financial Instruments* ["IFRS 9"]

IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement* ["IAS 39"], establishes principles for the financial reporting of financial assets and financial liabilities that present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and new guidance for measuring impairment on financial assets. The Company followed the modified retrospective approach.

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows including whether they represent solely payments of principal and interest ["SPPI criterion"]. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, FVOCI and FVTPL.

Financial asset	Classification under IFRS 9	Classification under IAS 39
Cash	Amortized cost	Loans and receivables
Trade and other receivables	Amortized cost	Loans and receivables
Loan receivable	Amortized cost	Loans and receivables

There was no change to the classification of financial liabilities.

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking ECL approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate. To measure the expected credit losses, trade receivables have been grouped based on

shared credit risk characteristics and the days past due. The Company adopted the simplified approach to impairment for trade and other receivables by recognizing lifetime expected losses through both the analysis of historical defaults and an assessment of counterparty credit risk in revenue contracts on initial recognition and on adoption of IFRS 9. The adoption of the ECL impairment model did not have a material impact on the Company's consolidated financial statements as there have been no customer defaults historically and the counterparty credit risk expectation for the outstanding contracts at April 30, 2019 was not significant.

The adoption of IFRS 9 did not have a material impact on the Company's consolidated financial statements.

[ii] IFRS 15 – *Revenue from Contracts with Customers* ["IFRS 15"]

IFRS 15 supersedes previous accounting standards for revenue, including IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers [with limited exceptions], regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

[1] Identify the contract with a customer;
[2] Identify the performance obligations in the contract;
[3] Determine the transaction price;
[4] Allocate the transaction price to the performance obligations in the contract; and
[5] Recognize revenue when [or as] the entity satisfies a performance obligation.

The standard's requirements also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities [e.g., sales of property and equipment or intangible assets].

Effective May 1, 2018, the Company adopted IFRS 15 using the modified retrospective method. Adoption of IFRS 15 has not materially impact the timing and amount of revenue recognized from the Company's contracts with customers.

The adoption of IFRS 15 did not have a material impact on the Company's consolidated financial statements.

New standards, amendments and interpretations not yet adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

[i] IFRS 16 – *Leases* ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting

substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. Effective May 1, 2019, the Company will be adopting IFRS 16 using the modified retrospective method and, based on the work performed to date, expects that there will be an increase to assets of $2,563 and a corresponding increase in liabilities of $2,563 to record a right-of-use asset and a corresponding lease liability on its consolidated statement of financial position. Post adoption, the Company expects a decrease to operating costs and an increase to finance costs associated with the interest accretion on the lease liability and depreciation expense related to the right-of-use asset.

[ii] IFRIC 23 – *Uncertainty over Income Tax Treatment* [“IFRIC 23”]

In June 2017, the IASB issued IFRIC 23, which clarifies the accounting for uncertainties in income taxes. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which the Company first applies them, without adjusting comparative information. Full retrospective application is permitted, if the Company can do so without using hindsight. The adoption of IFRIC 23 is not expected to have material impact on the consolidated financial statements of the Company.

4. Business acquisition and reverse takeover

On January 12, 2018, the Company executed a Share Exchange Agreement with the shareholders of Knalysis whereby the Company acquired all of the issued and outstanding common shares in the capital of Knalysis in exchange for 5,000,000 common shares of the Company. Knalysis is a software and data analytics business that has developed software solutions for managing relationships between physicians, providers and patients. The primary reason for the acquisition of Knalysis is for its data collection and analysis tools. For accounting purposes, the Company has been identified as the acquirer and Knalysis the acquired company, and this transaction has been accounted for as a business combination. As such, Knalysis’ balances are accounted for at fair value. The balance of the purchase price in excess of the fair value of the acquired assets and liabilities of Knalysis represents the goodwill related to the Knalysis’ acquisition. Knalysis’ historical share capital and retained earnings have been eliminated.

The allocation of the consideration transferred is as follows:

	$
5,000,000 shares issued to the shareholders of Knalysis	3,100
Patient management software	(658)
Web analytics portal	(162)
Smart-phone application	(162)
Customer relationships	(190)
Net liabilities of Knalysis	372
Deferred tax liability	340
Goodwill	2,640

From January 12, 2018 to April 30, 2018, Knalysis reported $21 of revenue and a loss of $271. The Company acquired $100 of trade receivables, which include $75 in receivables from MFT. The Company expects to collect all of the acquired receivables. However, during the year ended April 30, 2018, an impairment charge of $2,640 was applied against goodwill and $1,172 against intangible assets. Impairment of goodwill and intangibles was calculated as the difference between the carrying amount of the CGU and the recoverable amount of the CGU. The recoverable amount of the CGU was determined based on a value-in-use valuation model. It was determined by management that the operational synergies and relationships that were expected as part of the acquisition had not yet been realized, and there was some uncertainty about the realization of these in the future. In the opinion of management, the benefits of these synergies and the new technology being developed by Knalysis may still provide important benefits in the future, but it is too early to be able to rely on them and these synergies and relationships were amongst the most significant elements of value with respect to the acquisition of Knalysis. Two of the shareholders with significant influence over Canada House also held significant influence as shareholders in Knalysis, prior to the acquisition.

On June 15, 2016, the shareholders of the Company entered into a Share Exchange Agreement [the "Agreement"] with the shareholders of MFT and TLP [together the "Target Shareholders"] to exchange a sufficient amount of shares of the Company for all of the issued and outstanding shares of MFT and TLP [the "Transaction"], such that immediately following the completion of the Transaction on November 7, 2016, TLP and MFT became wholly owned legal subsidiaries of Canada House Wellness Group Inc., and approximately 66% of all of Company's issued and outstanding shares were owned by the Target Shareholders. The primary reason for the acquisitions of TLP and MFT were to leverage TLP and MFT's existing client relationships in anticipation of Abba obtaining its license under the AMCPR. In connection with the Transaction, the Company effected a consolidation of its common shares such that each one and one-half pre-consolidation common shares became one post-consolidation common share in the resulting issuer.

Acquisition of TLP

Upon completion of the Transaction, the former shareholders of TLP controlled 15% of the issued and outstanding common shares of the Company. The Agreement also includes an Earn-Out payment of an aggregate amount of $2,000, of which the former shareholders of TLP are entitled to 22.73%. As at April 30, 2018, the net present value of the Earn-Out payment attributable to TLP using a discount of 18% was $358 [2017 – $302]. The timing of the payment of the Earn-Out payment by the Company to the former shareholders of TLP is dependent on MFT and TLP [collectively the "Target Business"] meeting specific EBITDA performance targets at certain milestones but will be paid in full by the third anniversary of the Transaction in any case, even if targets are not met. For accounting purposes, the Company has been identified as the acquirer and TLP the acquired company, and this transaction has been accounted for as a business combination. As such, TLP's balances are accounted for at fair value, with the balance of the purchase price in excess of the fair value of the acquired assets and liabilities of TLP accounted for as goodwill. TLP's historical share capital and retained earnings have been eliminated.

The allocation of the consideration transferred was as follows:

	$
2,191,119 shares issued upon completion of the Transaction	406
12,416,341 shares held in escrow	656
Earn-Out payment	279
Total consideration transferred	1,341
Net assets of TLP acquired	143
Goodwill and intangible assets	1,198

During the year ended April 30, 2017, $1,198 recognized as goodwill and intangible assets on the acquisition of TLP was impaired, as it was determined by management that the operational synergies and relationships that were expected as part of the acquisition of TLP were not realized and were not expected to be realized in the future as originally contemplated. In the opinion of management, the absence of these synergies and relationships were the most significant elements of value with respect to the acquisition of TLP. As such, the Company expensed the full amount of the goodwill on the consolidated statement of loss and comprehensive loss for the year ended April 30, 2017. In addition, in April 2017, the Company determined that the property, plant and equipment acquired upon the acquisition of TLP in the amount of $23 was impaired. As such, the Company expensed the full amount these assets on the consolidated statement of loss and comprehensive loss during the year ended April 30, 2017. No further impairments of property, plant and equipment were required during the years ended April 30, 2019 and 2018.

In the year ended April 30, 2018, TLP had revenue and losses of $53 and $48, respectively. From the period from November 7, 2016, the date of completion of the Transaction, to April 30, 2017, TLP had revenue and losses of $368 and $380, respectively.

Reverse Takeover of MFT

Upon completion of the Transaction, the Company acquired 100% of the issued and outstanding common shares of MFT, in exchange for 49,655,364 common shares of the Company, such that the former shareholders of MFT controlled 51% of the issued and outstanding common shares of the Company. As a result of the former shareholders of MFT controlling the Company following the Transaction, the acquisition constituted a reverse takeover of the Company by MFT. The Agreement also includes a cash payment of $250 on close of the Transaction, an Earn-Out payment of an aggregate amount of $2,000, of which the former shareholders of MFT are entitled to 77%, and a Bonus Earn-Out payment of $2,000 payable to the former shareholders of MFT. As at April 30, 2018, the net present value using a discount rate of 18% of the Earn-Out payment attributable to MFT was $2,759 [2017 – $2,177]. The timing of the payment of the Earn-Out and Bonus Earn-Out payments by the Company to the former shareholders of MFT, are dependent on the Target Business meeting specific EBITDA performance targets at certain milestones but will be paid in full by the third anniversary of the Transaction if targets are met. For accounting purposes, MFT is the deemed acquirer and the Company the deemed acquired company, and accordingly, MFT's assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying value. The Company's results of operations have been included from November 7, 2016, the date of completion of the Transaction, with assets and liabilities recorded initially at

fair value. Since the Company's operations do not meet the definition of a business under IFRS 3, *Business Combinations,* this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the Company's share capital, deficit, contributed surplus and equity component of convertible promissory notes payable have been eliminated, the consideration transferred by the Company will be allocated to share capital, and the transaction costs will be expensed.

The allocation of the consideration transferred was as follows:

	$
4,966,536 shares issued upon completion of the Transaction	921
44,698,828 shares held in escrow	3,515
Cash payment on close of the Transaction	250
Fair value of existing warrants of the Company	388
Fair value of existing options of the Company	3
Fair value of equity portion of existing convertible promissory notes of the Company	103
Fair value of shares to be issued	45
Earn-Out payment	949
Bonus Earn-Out payment	1,228
Total consideration transferred	7,402
Net assets (liabilities) of the Company acquired	(1,478)
Deemed transaction costs and license application	8,880

The acquisition-date fair value of the consideration transferred by the Company for its interest in MFT is based on the number of equity interests MFT would have had to issue to give the owners of the Company the same percentage equity interest in the combined entity that results from the transaction described above. The fair value of the number of equity interests calculated in that way is used as the fair value of consideration transferred in exchange for MFT. An adjustment has been booked to adjust the fair market value of the Company's equity interest in MFT accordingly. The acquisition of MFT included a late-stage license application that did not meet the definition of an intangible asset pursuant to IAS 38, *Intangible Assets*. As such, the associated costs have been included in transaction costs.

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

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

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

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

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

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

In the event that the Target Business does not meet the applicable EBITDA targets by the applicable anniversary date of the closing date of the Transaction, then such portion of the Consideration Shares shall remain in escrow until the third anniversary of the closing date of the Transaction. As of the date of these financial statements, the EBITDA targets have not been met. In addition to the Contractual Escrow, the release of the Consideration Shares will be subject to statutory escrow provisions such that 10% will be released upon listing on the Canadian Stock Exchange with subsequent releases of 15% every six months thereafter.

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

[f] As at ended April 30, 2019, the fair value of contingent consideration was $3,912 [2018 – $3,117] resulting in a change in fair value of $795 for the year ended April 30, 2019 [2018 – $460]. The change in fair value was recognized through finance and transaction costs in the consolidated statement of loss and comprehensive loss.

5. Trade and other receivables

The Company's trade and other receivables include the following:

	2019	**2018**
	$	$
Trade receivables	**776**	496
Input taxes receivable	**741**	768
	1,517	1,264

6. Inventories

	Capitalized cost	Biological assets fair value adjustment	Carrying value
	$	$	$
Balance as at April 30, 2018	—	—	—
Harvested cannabis	**6**	**(6)**	**—**
Purchased cannabis	**41**	**—**	**41**
	47	**(6)**	**41**
Supplies and consumables	**1**	**—**	**1**
Balance as at April 30, 2019	**48**	**(6)**	**42**

As at April 30, 2019, the Company has not received a license to sell cannabis produced by the Company. Therefore, cannabis produced and harvested by the Company has been recognized at a fair value of nil upon harvest resulting in cost of nil being transferred from biological assets to inventory at the point of harvest. In December of 2018 the Company received a sales licence to sell products purchased from other licensed producers. Products purchased from other producers are carried at the lower of their carrying amount and net realizable value. Carrying amount approximates the price paid to acquire the products.

Cost of sales primarily relate to production-related expenditures not capitalized due to start-up costs and underutilization charges.

Included in production-related expenditures for inventory and biological assets was $685 of depreciation and amortization [2018 – nil].

7. Biological assets

Biological assets consist of cannabis on plants. The changes in the carrying value of biological assets are as follows:

	$
Balance as at April 30, 2018	—
Production costs capitalized	**363**
Changes in fair value due to biological transformation	**(363)**
Transferred to inventory upon harvest	**—**
Balance as at April 30, 2019	**—**

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model that estimates the expected harvest yield in grams for plants currently being cultivated, and then multiplies that amount by the expected wholesale selling price.

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest.

As at April 30, 2019, the Company has not yet obtained a cannabis sales licence to sell its own production. As a result, the fair value of the cannabis and biological assets produced by the Company is determined to be nil as at April 30, 2019.

As at April 30, 2019, it is expected that the Company's cannabis plants biological assets will yield approximately 43,000 grams of dry cannabis and approximately 16,000 grams of dry trim.

8. Property, plant and equipment

Cost

	Leasehold improvements	Equipment	Furniture & fixtures	Building	Land	Total
	$	$	$	$	$	$
As at April 30, 2017	1,594	599	234	261	465	3,153
Additions	1,791	452	79	—	—	2,322
Disposals	(3)	(31)	—	—	(210)	(244)
Impairment	(195)	—	—	—	—	(195)
As at April 30, 2018	3,187	1,020	313	261	255	5,036
Additions	**3,433**	**337**	**45**	**—**	**300**	**4,115**
Disposals	**(126)**	**(7)**	**(45)**	**—**	**—**	**(178)**
As at April 30, 2019	**6,494**	**1,350**	**313**	**261**	**555**	**8,973**

Accumulated depreciation

	Leasehold improvements	Equipment	Furniture & fixtures	Building	Land	Total
	$	$	$	$	$	$
As at April 30, 2017	38	96	41	10	—	185
Depreciation	121	216	48	10	—	395
Disposals	(1)	(9)	—	—	—	(10)
As at April 30, 2018	158	303	89	20	—	570
Depreciation	**1,039**	**203**	**49**	**10**	**—**	**1,301**
Disposals	**(50)**	**(5)**	**(13)**	**—**	**—**	**(68)**
As at April 30, 2019	**1,147**	**501**	**125**	**30**	**—**	**1,803**

Notes to consolidated financial statements

[Expressed in thousands of Canadian Dollars, except for share amounts]

April 30, 2019

Net book value

	Leasehold improvements	Equipment	Furniture & fixtures	Building	Land	Total
	$	$	$	$	$	$
As at April 30, 2018	3,029	717	224	241	255	4,466
As at April 30, 2019	**5,347**	**849**	**188**	**231**	**555**	**7,170**

On December 14, 2018, the Company entered into an agreement with an officer of the Company to acquire land in Vegreville, Alberta, for a total purchase price of $1,000. Pursuant to the terms of the agreement, the Company paid $160 in cash on date of closing and an additional $200 is payable in cash as at April 30, 2019. The Company is also obligated to issue $265 in common shares of the Company and an additional $375 common shares of the Company based on meeting future operational targets, resulting in recognition of $640 as contributed surplus.

The Company determined that the fair value of the land acquired was $300, resulting in a difference between the consideration issued and the fair value of the land acquired of $700, which was recognized as other expense for unidentifiable goods or services received in accordance with IFRS 2.

9. Intangible assets

Cost

	Computer software	Intellectual property	Total
	$	$	$
As at April 30, 2017	307	—	307
Additions	91	13	104
As at April 30, 2018	398	13	411
Additions	**—**	**4,665**	**4,665**
Other	**—**	**(6)**	**(6)**
As at April 30, 2019	**398**	**4,672**	**5,070**

Accumulated amortization

	Computer software	Intellectual property	Total
	$	$	$
As at April 30, 2017	56	—	56
Amortization	89	3	92
As at April 30, 2018	145	3	148
Amortization	**76**	**1,170**	**1,246**
As at April 30, 2019	**221**	**1,173**	**1,394**

Net book value

	Computer software	Intellectual property	Total
	$	$	$
As at April 30, 2018	253	10	263
As at April 30, 2019	**177**	**3,499**	**3,676**

During the year ended April 30, 2019, the Company acquired intellectual property for total consideration of $4,665, of which $1,165 was paid in cash and $3,500 was settled by issuing 17,650,540 common shares of the Company.

10. Due to related parties

The amounts due to related parties of $88 as at April 30, 2019 [2018 – $125] are non-interest bearing, unsecured, and have no specific terms of repayment.

11. Promissory notes

During May, July, September, November and December 2017, the Company issued seven promissory notes with aggregate principal of $2,200 to a controlling shareholder and related party. The promissory notes bear interest at 5% per annum, with principal and accrued interest payable on or before August 1, 2018. Should the Company choose to make a public offering of its common stock, warrants or debenture, the note holders may have the right to convert any or all of the outstanding principal into participation in the offering, receiving at the such time of the election, payment of all accrued interest to liquidate the note. If the notes are not paid in accordance with the above terms, the principal and accrued interest thereon shall draw interest at a rate of 8% per annum, and that failure to make any payment of principal or interest when due shall cause the entire note to become due at once, or the interest to be counted as principal, at the option of the holder of the note, and all costs of collection, including attorney and court costs, will be borne by the maker of this note.

The present value of promissory notes on initial recognition was $1,952, using a discount rate of 19.29% to 20.12%, depending upon the date of issuance.

On December 5, 2017, $2,000 of promissory notes were converted into convertible debentures *[note 12]*.

As at April 30, 2019, the carrying value of the promissory notes was nil [2018 – $19].

12. Convertible debentures

On December 5, 2017, the Company issued 8,624 unsecured convertible debenture ["December Convertible Debentures"] units for gross proceeds of $8,624. Of the gross proceeds received, $2,000 represented promissory notes that were settled through the issuance of these convertible debenture units, $75 represented convertible debentures issued to former key management as severance and $130 represented convertible debentures issued as settlement of $176 of trade payables. Each December Convertible Debenture unit comprises: [i] $1 principal amount of 8.5% unsecured convertible debentures with a maturity date of December 5, 2021; and [ii] 5,263

detachable common share purchase warrants of the Company [each, a "December Warrant"]. Each December Convertible Debenture shall be convertible at the holder's option into fully paid common shares of the Company at any time prior to the maturity date at a conversion price of $0.19 per share if converted within the first twelve months following issuance, and at a conversion price of $0.40 per share if converted at any time following the date that is 12 months and one day following issuance until maturity. If the volume weighted average closing price of the common shares is greater than or equal to $0.35 for a period of five consecutive days at any time within the first 12 months of the closing date, the Company has the option to force conversion at $0.19 per share. If the volume weighted average closing price of the common shares of the Company is greater than or equal to $0.50 for a period of five consecutive days at any time after 12 months and before maturity, the Company has the option to force conversion at $0.40 per share. The debentures may be redeemed at any time after issuance on the following basis:

Redemption price	Redemption date
115% of the principal amount plus any accrued and unpaid interest	0–12 months from closing
112% of the principal amount plus any accrued and unpaid interest	12–24 months from closing
109% of the principal amount plus any accrued and unpaid interest	24–36 months from closing
106% of the principal amount plus any accrued and unpaid interest	36–48 months from closing

The interest payable on the debenture is payable monthly in cash. Each December Warrant shall be exercisable into one common share of the Company at an exercise price of $0.30 per share for a period of 12 months following issuance; at an exercise price of $0.40 from 12 months to 24 months following issuance; at an exercise price of $0.60 from 24 months to 36 months following issuance and at an exercise price of $0.80 from 36 months to 48 months following issuance.

Transaction costs consisted of $307 in cash and $356 of broker warrants with identical terms as the December Warrants.

On initial recognition, the Company allocated the proceeds, net of transaction costs, as follows:

	$
Convertible debentures, liability	1,934
Conversion feature	1,955
Deferred tax liability on conversion feature	705
Warrants	3,368
	7,962

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 20.37% over a term of 48 months.

The carrying value of the convertible debentures as at April 30, 2019 and 2018 is as follows:

	2019	**2018**
	$	$
Principal balance	**8,624**	8,624
Less		
Issuance costs	**(662)**	(662)
Conversion feature at inception	**(2,660)**	(2,660)
Warrants at inception	**(3,368)**	(3,368)
Interest payments	**(595)**	(295)
Interest accretion expense	**1,049**	505
Converted into common shares	**(2,002)**	(471)
	386	1,673

As at April 30, 2019, convertible debentures with aggregate principal of $1,170 remained outstanding [2018 – $6,532].

On August 11, 2017, the Company issued 253 unsecured convertible debenture [“August Convertible Debentures”] units for gross proceeds of $253. Each August Convertible Debenture unit is comprised of: [i] $1 principal amount of 8.0% unsecured convertible debenture with a maturity date of August 11, 2020; and [ii] 6,667 detachable common share purchase warrants of the Company [each, an "August Warrant"]. Each August Convertible Debenture was convertible at the holder’s option into fullypaid common shares of the Company at any time prior to the maturity date at a conversion price of $0.15 per share. If the closing price of the common shares of the Company is greater than or equal to $0.35 for a period of 10 consecutive trading days at any time prior to the maturity date, the Company has the option to force conversion at $0.15 per share. If the Company forces conversion prior to February 8, 2019, the Company shall pay the holder an additional 18 months of interest, payable in cash or shares at $0.15 per share, at the option of the holder. The interest payable on the debenture is payable in cash or in common shares of the Company at the option of the holder. Any common shares issuable as payment of interest shall be issued at a price of $0.15 per common share. Each August Warrant shall be exercisable into one common share of the Company at a price of $0.15 per share on or prior to two years from the date of issuance.

Transaction costs consisted of issuance of 126,500 common shares of the Company at a price of $0.15 per common.

On initial recognition, the Company allocated the proceeds, net of transaction costs, as follows:

	$
Convertible debentures, liability	99
Conversion feature	30
Deferred tax liability on conversion feature	11
Warrants	94
	234

The value of the conversion option was calculated by subtracting the net present value of the debenture from the face value of the convertible debentures. The net present value of the debenture was calculated using a discount rate of 19.82% over a term of 18 months.

The carrying value of the convertible debentures as at April 30, 2019 and 2018 is as follows:

	2019 $	2018 $
Principal balance	**253**	253
Less		
Issuance costs	**(19)**	(19)
Conversion feature at inception	**(41)**	(41)
Warrants at inception	**(94)**	(94)
Interest payments	**(13)**	(12)
Interest accretion expense	**31**	28
Converted into common shares	**(117)**	(101)
	—	14

13. Borrowings

Borrowings consists of the following as at April 30, 2019 and 2018:

	2019 $	2018 $
Loan from Bank	**23**	30
Loan from Vendor	**313**	—
Total debt	**336**	30
Less: current portion	**(7)**	(8)
	329	22

In July 2014, the Company obtained an 8-year loan from the Bank of Nova Scotia to purchase a vehicle. The loan is collateralized against the vehicle and bears interest at 3.99% per annum, repayable in bi-weekly instalments of $0.3 commencing on July 31, 2014 and matures on July 31, 2022.

During the year ended April 30, 2019, the Company obtained a $313 loan from a vendor at 2% interest per annum. The interest is payable annually. The Company can borrow up to $500 from the vendor, resulting in a total undrawn amount of $187 as at April 30, 2019. The loan is unsecured and matures on April 30, 2022.

14. Share capital

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

Issued and outstanding

Reconciliation of the Company's share capital is as follows:

	Common shares		Warrants	Contributed surplus
	#	$	#	$
Balance, April 30, 2017	119,877,626	9,000	40,167,816	3,731
Common shares issued on acquisition of Knalysis	5,000,000	3,100	—	—
Issuance of convertible debentures and related warrants, net of issuance costs	—	—	48,071,578	3,519
Common shares issued pursuant to conversion of convertible debentures	15,756,329	2,363	—	—
Common shares issued pursuant to exercise of warrants	20,801,210	8,143	(24,063,951)	(2,460)
Common shares issued pursuant to exercise of stock options	2,052,400	652	—	(140)
Common shares issued for services	369,274	125	—	—
Common shares issued in exchange for settlement of liabilities	1,006,100	145	—	—
Broker warrants issued	—	—	1,596,275	356
Warrants issued pursuant to exercise of broker options	—	—	2,052,400	—
Continued vesting of warrants issued in connection with the Transaction in 2017	—	—	—	786
Modification to warrants	—	—	—	448
Shares returned to treasury	(200,000)	(55)	—	—
Share-based compensation	—	—	—	2,009
Balance, April 30, 2018	164,662,939	23,473	67,824,118	8,249
Common shares issued pursuant to conversion of convertible debentures *[i]*	**31,113,864**	**2,793**	**—**	**504**
Common shares issued pursuant to exercise of warrants *[ii]*	**2,795,425**	**900**	**(2,795,425)**	**(212)**
Issuance of common shares and warrants for cash, net of transaction costs *[iii]*	**36,934,802**	**3,842**	**32,399,902**	**928**
Warrants expired	**—**	**—**	**(11,559,631)**	**—**
Common shares issuable in exchange for professional services *[iv]*	**—**	**—**	**—**	**160**
Common shares issuable to a related party for purchase of land *[note 8]*	**—**	**—**	**—**	**640**
Common shares issued for acquisition of intangible assets *[note 9]*	**17,650,540**	**3,500**	**—**	**—**
Share-based compensation *[note 15]*	**—**	**—**	**—**	**1,927**
Balance, April 30, 2019	**253,157,570**	**34,508**	**85,868,964**	**12,196**

During the year ended April 30, 2019:

[i] During the year ended April 30, 2019, the Company issued 31,113,864 common shares pursuant to conversion of December Convertible Debentures and August Convertible Debentures.

[ii] During the year ended April 30, 2019, the Company issued 2,795,425 common shares pursuant to exercise of warrants. Total cash proceeds were $688. In addition, $212 was transferred from contributed surplus to common shares.

[iii] In September 2018, the Company issued 4,672,897 common shares and 2,336,449 common share purchase warrants for total cash proceeds of $1,000. There were no transaction costs. Each common share purchase warrant is exercisable to acquire one common share at an exercise price of $0.428 per common share for a period of two years from the date of issuance. Total proceeds of $1,000 were allocated to common shares and common share purchase warrants on a fair value proportionate basis. The fair value of common shares on date of issuance was $0.29 per share. The fair value of common share purchase warrants was determined to be $0.15 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.29, a risk-free interest rate of 2.19%, an expected annualized volatility of 116% and expected dividend yield of 0%.

In December 2018, the Company issued 4,761,905 common shares and 2,380,953 common share purchase warrants for total cash proceeds of $500. There were no transaction costs. Each common share purchase warrant is exercisable to acquire one common share at an exercise price of $0.30 per common share for a period of two years from the date of issuance. Total proceeds of $500 were allocated to common shares and common share purchase warrants on a fair value proportionate basis. The fair value of common shares on date of issuance was $0.14 per share. The fair value of common share purchase warrants was determined to be $0.055 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.14, a risk-free interest rate of 1.91%, an expected annualized volatility of 108% and expected dividend yield of 0%.

In March 2019, the Company issued 27,500,000 Units for total cash proceeds of $3,300. Each Unit comprises: [i] one common share; and [ii] and one detachable common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $0.30 for a period of 12 months; at an exercise price of $0.40 from 12 months to 24 months; at an exercise price of $0.60 from 24 months to 36 months; and at an exercise price of $0.80 from 36 months to 48 months following the closing date. Total transaction costs were $30 in cash and issuance of 182,500 broker warrants with a total fair value of $7 on the same terms as above. Total proceeds, net of transaction costs, of $3,232 were allocated to common shares and common share purchase warrants on a fair value proportionate basis. The fair value of common shares on date of issuance was $0.15 per share. The fair value of common share purchase warrants was determined to be $0.036 per warrant using the Black-Scholes option pricing model with a market price per common share of $0.15, a risk-free interest rate of 1.59% – 1.67%, an expected annualized volatility of 77% – 108% and expected dividend yield of 0%.

[iv] A consultant provided professional services to the Company from February 15, 2019 to April 15, 2019 in exchange for 1,000,000 common shares of the Company. The fair value of the common shares issuable was $160. The shares were not issued as of April 30, 2019, resulting in recognition of contributed surplus of $160.

During the year ended April 30, 2018, the Company:

[a] Issued 20,801,210 common shares of the Company for gross proceeds of $5,683 pursuant to the exercise of warrants.

[b] Issued 2,052,400 common shares of the Company for gross proceeds of $512 pursuant to the exercise of stock options.

[c] Issued 369,274 common shares of the Company to a consultant in exchange for services rendered of $125. Both the services received and shares issued had a value of $125.

[d] Issued 5,000,000 common shares of the Company to acquire all of the issued and outstanding shares of Knalysis.

[e] Issued 15,756,329 common shares of the Company pursuant to the conversion of convertible debentures with aggregate principal of $3,570.

[f] Issued 426,100 common shares of the Company as payment of interest charges on the convertible debt issued on August 11, 2018. The terms of the debenture allow the interest to be paid in cash or common shares of the Company, at the option of the holders, at $0.15.

[g] Issued 580,000 common shares of the Company with a fair value of $81 to settle aggregate debt of $185. The Company recognized a gain on settlement of $104.

15. Share-based compensation

The Company has established a stock option plan [the "Option Plan"] for directors, officers, employees and consultants of the Company. The Company's Board of Directors determines, among other things, the eligibility of individuals to participate in the Option Plan and the term, vesting periods, and the exercise price of options granted to individuals under the Option Plan.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the individual on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The Company's Option Plan provides that the number of common shares reserved for issuance may not exceed 10% of the common shares that are outstanding unless the Board shall have increased such limit by a Board resolution. In addition, the aggregate number of shares so reserved for issuance to one person may not exceed 5% of the issued and outstanding shares. If any options terminate, expire, or are cancelled as contemplated by the Option Plan, the number of options so terminated, expired or cancelled shall again be available under the Option Plan.

The changes in the number of stock options during the years were as follows:

	Number of options	**Weighted average exercise price**
	#	$
Balance as at April 30, 2017	7,576,767	0.25
Granted	3,725,000	0.47
Exercised	(2,052,400)	0.25
Balance as at April 30, 2018	9,249,367	0.34
Granted	**18,550,000**	**0.19**
Forfeited/expired	**(7,599,367)**	**0.36**
Balance as at April 30, 2019	**20,200,000**	**0.20**

Measurement of fair values

The fair value of the share options on the date of grant was $0.10 – $0.32 per option for the options granted during 2019. The fair value of share options granted during the years ended April 30, 2019 and 2018 was estimated at the date of grant using the Black-Scholes option pricing model using the following inputs:

	2019	**2018**
Grant date share price	**$0.16–$0.30**	$0.47
Exercise price	**$0.16–$0.30**	$0.47
Expected dividend yield	**—%**	—%
Risk-free interest rate	**1.57%–2.38%**	1.77%
Expected option life	**3–5 years**	4 years
Expected volatility	**97.6%–108.11%**	337.5%

Expected volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on government bonds with a remaining term equal to the expected life of the options.

The following table is a summary of the Company's share options outstanding as at April 30, 2019:

Exercising price range	Number outstanding	Weighted average remaining contractual life [years]	Weighted average exercise price	Number exercisable
$	#	#	$	#
0.155	1,000,000	4.96	0.155	—
0.160	1,100,000	4.98	0.160	100,000
0.170	4,300,000	4.56	0.170	358,333
0.190	4,000,000	4.37	0.190	2,750,000
0.200	5,525,000	4.21	0.200	5,325,000
0.250	2,900,000	2.87	0.250	1,700,000
0.295	1,375,000	4.36	0.295	1,375,000
0.199	**20,200,000**	**4.21**	**0.214**	**11,608,333**

The following table is a summary of the Company's share options outstanding as at April 30, 2018:

Exercising price range	Number outstanding	Weighted average remaining contractual life [years]	Weighted average exercise price	Number exercisable
$	#	#	$	#
0.190	600,000	3.53	0.190	1,267,000
0.250	4,507,700	3.36	0.250	928,925
0.256	350,000	3.53	0.256	200,000
0.470	3,725,000	3.65	0.470	45,833
0.690	66,667	0.85	0.690	45,833
0.338	**9,249,367**	**3.47**	**0.232**	**2,487,591**

The Company recognized $1,927 of share-based compensation expense during the year ended April 30, 2019 [2018 – $2,805], with a corresponding amount recognized as a contributed surplus.

16. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

For all the years presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debentures, warrants and share options. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but would have decreased the loss per share [anti-dilutive] for the years presented are as follows:

	2019 $	**2018** $
Convertible debentures	**2,925,000**	35,378,948
Warrants	**85,868,964**	67,824,118
Share options	**20,200,000**	9,249,367
	108,993,964	112,452,433

17. Income taxes

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to net loss before income taxes, shown as follows:

	2019 $	**2018** $
Loss before income taxes	**(11,330)**	(13,304)
Statutory federal and provincial income tax rate in Canada	**26.50%**	26.50%
Income tax recovery at the statutory tax rate	**(3,002)**	(3,526)
Permanent differences	**830**	2,005
Other	**—**	9
Change in deferred tax assets not recognized	**2,257**	1,125
Provision for (recovery of) income taxes	**85**	(387)

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

The Company has a non-capital loss carried forward to reduce future years' taxable income which will expire as follows:

	$
2034	265
2035	2,971
2036	2,082
2037	1,698
2038	4,890
2039	8,198
	20,104

18. Nature of expenses

General and administrative expenses for the years ended April 30, 2019 and 2018 are comprised of:

	2019	**2018**
	$	$
Salaries, wages and consulting fees	**5,706**	4,309
General operating	**1,285**	1,110
Occupancy costs	**810**	967
Professional fees	**787**	552
	8,588	6,938

Sales and marketing expenses for the years ended April 30, 2019 and 2018 are comprised of:

	2019	**2018**
	$	$
Advertising and promotion	**218**	267
Travel	**359**	304
	577	571

19. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly, including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and equivalent and Directors.

Compensation expense for the Company’s key management personnel for the years ended April 30, 2019 and 2018 is as follows:

	2019	**2018**
	$	$
Salaries and wages	**1,220**	602
Share-based compensation	**1,927**	2,805
Total	**3,147**	3,407

On December 14, 2018, the Company entered into an agreement with an officer of the Company to acquire land in Vegreville, Alberta, for total purchase price of $1,000. See note 8 for more details.

20. Commitments and contingencies

Contingencies

[a] A statement of claim was filed by a terminated employee claiming compensation for general, aggravated and punitive damages related to his dismissal. At the time of his dismissal, the Company provided the Plaintiff with pay in lieu of notice. The Plaintiff has claimed under the principles of breach of contract and good faith for general, aggravated, and punitive damages. The Plaintiff's claim does not specify an amount. On June 15, 2017, the Company filed a Notice of Intent to Defend, and on June 25, 2017, it filed its Statement of Defense. This matter is now in the document discovery phase and the parties are engaged in settlement discussions. The Company believes the claim to be without merit.

[b] The Company and its subsidiary, Abba were served with a Statement of Claim for damages for the alleged failure to pay invoices in the amount of $200 plus pre-and post-judgment interest. Pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. Given that examinations for discovery have not yet occurred, it is too early in the process to have a reasonable expectation or evaluation of the Plaintiff's claim, but the Company believes the claim to be without merit.

[c] A statement of claim was filed by a former landlord of an MFT clinic claiming compensation for costs of leasehold improvements in the amount of $107, breach of a commercial lease in an amount to be established at trial, and punitive damages, plus interest on all unpaid amounts. The Company is in the process of engaging external counsel to file a Statement of Defence to the Claim and engage in settlement discussions.

[d] The Company has claimed lost profits against a licensed medical cannabis producer and related medical cannabis clinic and their principals for breach of confidence, conversion, breach of contract, conspiracy and breach of trust, breach of fiduciary duty, and negligent misrepresentation in relation to Trauma Healing Centers Inc. The Defendants have counterclaimed, pleadings have now closed, and the parties are in the process of scheduling examinations for discovery. The Company believes that the counterclaim has no basis and it is not probable that it will result in an outflow for Company.

Commitments

As at April 30, 2019, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	$
2020	668,605
2021	573,180
2022	446,945
2023	341,074
Thereafter	1,713,095
	3,742,899

21. Capital management

The Company is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches cash break-even. As at April 30, 2019, the Company had raised cash, net of issuance costs, of approximately $27 million by the issuance of common shares, warrants, convertible debentures and long-term debt. The Company may raise additional equity in the future, although there can be no assurance that the Company will be successful in doing so.

22. Financial instruments and risk management

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all customers who wish to trade on credit terms. As at April 30, 2019 and 2018, two customers represented 81% and 83% of the outstanding trade receivable balance, respectively.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

The aging of trade receivables is as follows:

	2019	**2018**
	$	$
Not past due	**571**	334
1 to 30 days past due	**166**	147
31 to 60 days past due	**—**	—
Over 61 days past due	**39**	15
	776	496

There was no impairment for credit loss recognized during the years ended April 30, 2019 and 2018.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

Notes to consolidated financial statements

[Expressed in thousands of Canadian Dollars, except for share amounts]

The Company is obligated to the following contractual maturities of undiscounted cash flows:

			Contractual cash flows			
	Carrying amount $	Total contractual cash flows $	Year 1 $	Year 2 $	Year 3 $	Year 4 and beyond $
Trade and other payables	3,175	3,175	3,175	—	—	—
Due to related parties	88	88	88	—	—	—
Borrowings	336	348	14	327	7	—
Convertible debentures	386	1,430	100	100	1,230	—
Contingent consideration	3,912	—	—	—	—	—
	7,897	5,041	3,377	427	1,237	—

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and substantially all of the Company's transactions are in Canadian dollars, which is also the Company's functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as at April 30, 2019 as the Company does not have any variable interest rate assets or liabilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at April 30, 2019.

Fair values

The carrying values of cash, trade and other receivables, loan receivable, trade and other payables, borrowings and convertible debentures approximate the fair values due to the short-term nature of these items or the interest rates and discount rates being at market. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

During the year, there were no transfers of amounts between levels.

23. Segmented information

The Company reports segment information based on internal reports used by the Chief Operating Decision maker ["CODM"] to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

The Company primarily operates in one principal geographical area, Canada.

24. Comparative figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted for the current year.