Canada House Wellness Group Inc.

Condensed Interim Consolidated Financial Statements

January 31, 2020

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Canada House Wellness Group Inc.

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Notice of no auditor review of condensed interim consolidated financial statements

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Canada House Wellness Group Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)

	Note	January 31, 2020 $000's	April 30, 2019 $000's
ASSETS			
Current assets:			
Cash		**869**	3,427
Trade and other receivables	5	**1,212**	1,517
Inventory	6	**1,127**	42
Biological assets	7	**216**	-
Loan receivable		**-**	10
Prepaid expenses and deposits		**225**	465
		3,649	5,461
Property, plant and equipment	8	**6,502**	7,170
Intangible assets	9	**2,469**	3,676
Right-of-use assets	10	**3,109**	-
		15,729	16,307
LIABILITIES			
Current liabilities:			
Trade and other payables		**2,351**	3,175
Due to related parties	12	**73**	88
Current portion of lease liability	10	**627**	-
Convertible debentures	14	**489**	-
Promissory notes	11	**547**	-
Borrowings		**-**	7
Contingent consideration	4	**-**	3,912
		4,087	7,182
Non-current liabilities			
Lease liability	10	**2,476**	-
Borrowings	13	**319**	329
Convertible debentures	14	**2,285**	386
Deferred tax liabilities		**12**	12
		9,179	7,909
SHAREHOLDERS' EQUITY			
Share capital	15	**36,199**	34,508
Equity component of convertible debentures	14	**275**	265
Contributed surplus	15,16	**12,752**	12,196
Deficit		**(42,676)**	(38,571)
		6,550	8,398
		15,729	16,307

Nature of operations and going concern (note 1)
Commitments and contingencies (note 19)
Subsequent events (note 23)

Approved by the Board:
"*Dennis Moir*" Chair of the Board

"*Norman Betts*" Director

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

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the three and nine months ended January 31, 2020 and 2019

		Three months ended January 31,		Nine months ended January 31,	
	Note	**2020 $000's**	**2019 $000's**	**2020 $000's**	**2019 $000's**
Revenue		**1,342**	1,176	**3,923**	3,646
Cost of sales	6	**26**	355	**358**	355
Gross profit before fair value adjustments		**1,316**	821	**3,565**	3,291
Unrealized gain (loss) on changes in fair value of biological assets	7	**(409)**	(66)	**(576)**	(66)
Gross profit		**907**	755	**2,989**	3,225
Expenses					
General and administrative	18	**1,626**	2,164	**5,807**	6,569
Sales and marketing	18	**61**	88	**505**	185
Share-based compensation	16	**23**	659	**396**	2,137
Right-of-use assets amortization	10	**106**	-	**298**	-
Depreciation and amortization	8,9	**539**	866	**1,516**	1,408
Loss from operations		**(1,448)**	(3,022)	**(5,533)**	(7,074)
Finance and transaction costs (recovery), net		**237**	229	**(404)**	1,115
(Gain) loss on debt settlement		**(1,228)**	-	**(1,228)**	17
Other expenses		**-**	12	**8**	23
Loss before income taxes		**(457)**	(3,263)	**(3,909)**	(8,229)
Provision for (recovery of) income tax		**(93)**	-	**(106)**	72
Net Loss and comprehensive loss for the period		**(364)**	(3,263)	**(3,803)**	(8,301)
Weighted average number of shares outstanding - basic and diluted		**254,889,995**	214,643,293	**253,715,634**	181,995,426
Net loss per share - basic and diluted	17	**$ (0.00)**	$ (0.02)	**$ (0.01)**	$ (0.05)

Nature of operations and going concern (note 1)
Commitments and contingencies (note 19)
Subsequent events (note 23)

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

Canada House Wellness Group Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the nine months ended January 31, 2020 and 2019

		Number of Shares	Share Capital $000's	Contributed Surplus $000's	Equity Component of Convertible Debentures $000's	Deficit $000's	Total Equity (Deficit) $000's
Balance as at May 1, 2018		164,662,939	23,473	8,249	1,498	(27,156)	6,064
Common shares issued pursuant to conversion of convertible debentures, net of taxes		29,221,004	2,871	504	(1,267)	-	2,108
Common shares issued pursuant to exercise of warrants		2,795,425	900	(211)	-	-	689
Common shares issued pursuant to private placement		9,434,802	1,212	288	-	-	1,500
Common shares to be issued to related party for land purchase		-	265	-	-	-	265
Common shares issued to vendor		17,650,540	3,500	-	-	-	3,500
Share based compensation	16	-	-	2,137	-	-	2,137
Net loss for the period		-	-	-	-	(8,301)	(8,301)
Balance as at January 31, 2019		223,764,710	32,221	10,967	231	(35,457)	7,962
Balance as at May 1, 2019		253,157,570	34,508	12,196	265	(38,571)	8,398
Share-based compensation	16	-	-	396	-	-	396
Common shares issuable in exchange for professional services	15	1,000,000	160	(160)	-	-	-
Shares for debt	15	61,614,016	1,842	-	-	-	1,842
Settlement of contingent consideration	4	(3,955,595)	(311)	-	-	(302)	(613)
Convertible debenture	14	-	-	320	10	-	330
Net loss for the period		-	-	-	-	(3,803)	(3,803)
Balance as at January 31, 2020		**311,815,991**	**36,199**	**12,752**	**275**	**(42,676)**	**6,550**

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

Canada House Wellness Group Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in thousands of Canadian Dollars, except for shares and per share amounts)
For the nine months ended January 31, 2020 and 2019

	Note	Nine months ended January 31, 2020 $000's	Nine months ended January 31, 2019 $000's
Cash provided by (used in)			
Operating activities:			
Net loss and comprehensive loss for the period		**(3,803)**	(8,301)
Add (deduct) items not affecting cash			
Depreciation and amortization	8,9,10	**1,516**	1,740
Share-based compensation		**396**	2,137
Finance and transaction costs		**(347)**	1,143
Cost of sales		**358**	-
Gain on debt settlement		**(1,228)**	-
Unrealized loss on changes in fair value of biological assets		**576**	-
Right-of-use assets amortization		**(191)**	-
Other non-cash expenses		**-**	15
Net changes in non-cash working capital balances related to operations			
Trade and other receivables		**305**	(741)
Inventory		**(645)**	(42)
Biological assets		**(99)**	-
Prepaid expenses and deposits		**240**	(243)
Trade and other payables		**(782)**	645
Net cash used in operating activities		**(3,704)**	(3,647)
Investing activities:			
Purchase of property, plant and equipment		**(1,185)**	(4,689)
Proceeds from repayment of loan receivable		**10**	10
Net cash used in investing activities		**(1,175)**	(4,679)
Financing activities:			
Issuance of convertible debenture, net of transaction costs		**2,428**	-
Cash interest payments on debenture		**(75)**	(277)
Due to related parties		**(15)**	(20)
Borrowings		**(17)**	-
Private placement		**-**	1,500
Exercise of warrants		**-**	690
Repayment of long-term debt		**-**	121
Deferred lease inducement		**-**	(3)
Net cash from financing activities		**2,321**	2,011
Decrease in cash during the period		**(2,558)**	(6,315)
Cash, beginning of period		**3,427**	8,953
Cash, end of period		**869**	2,638

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

1. Nature of operations and going concern

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

These unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended January 31, 2020, 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**"), 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 unaudited condensed interim consolidated financial statements.

Using its own proprietary patient management software developed by Knalysis, CHC provides education services concerning appropriate cannabinoid therapies to patients. Abba has received its license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations, 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. In August 2019, the Company was granted an amended license to sell its own production consisting of dried cannabis products to provincially and territorially authorized provincial retailers and to holders of a license for medical purposes. The Company commenced sale of its Abba branded Cannabis flower on October 1, 2019. The registered office is located at 1773 Bayly Street, Pickering, Ontario.

Going concern uncertainty

The unaudited condensed interim 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 unaudited condensed interim 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 three and nine months ended January 31, 2020, the Company incurred a net loss of $364 and $3,803 respectively, and as at January 31, 2020, had an accumulated deficit of $42,676 and a working capital deficit of $438. Cash flow used in operations for the nine months ended January 31, 2020 was $3,704. 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34"), as issued by the International Accounting Standards Board ("IASB").

2. Basis of preparation (continued)

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance in accordance with a resolution of the Board of Directors of the Company on March 25, 2020.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2019.

3. Significant accounting policies

The accounting policies adopted in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended April 30, 2019, except for adoption of new standards effective May 1, 2019. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New accounting standards

There were no new accounting standards adopted during the quarter ended January 31, 2020.

(i) IFRS 16, *Leases* ("IFRS 16")
During the three months ending July 31, 2019, the Company applied, for the first time, IFRS 16, which requires assessment and potential restatement of previous financial statements, where transition adjustments exist. As required by IAS 34, the nature and effect of these changes are disclosed below.

Impact of application of IFRS 16
In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter recognizes, measures, presents and discloses 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, *Leases* ("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. For the Company, IFRS 16 is effective for the annual reporting period beginning May 1, 2019.

IFRS 16 provides a number of transition relief and practical expedients to allow an entity to minimize the costs incurred on transition to IFRS 16 without significantly compromising the quality of the financial information reported. The Company applied the new standard using the cumulative catch-up approach, recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application and for the definition of a lease. The Company has elected to apply the practical expedient for leases previously classified as operating leases and ending within 12 months of the date of initial application and elected not to make any adjustments for low-value leases previously classified as operating leases. The Company has elected to exclude initial direct costs from the measurement of the right-of-use asset and to measure the right-of-use asset at an amount equal to the lease liability with any respective adjustments required for prepaid or accrued lease payments.

3. Significant accounting policies (continued)

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at a weighted average incremental borrowing rate of 6% as at May 1, 2019. Right-of-use assets at transition have been measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent relating to that lease, with no net impact on retained earnings.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the recognition exemptions for low leases and leases that end within 12 months of the date of initial application, and account for them as low-value and short-term leases, respectively;
- Relied upon the Company’s assessment of whether leases are onerous under the requirements of IAS 37, *Provisions*, contingent liabilities and contingent assets as at December 31, 2018 as an alternative to reviewing the Company’s right-of-use assets for impairment, concluding that there were no onerous leases; and
- Accounted for non-lease components and lease components as a single lease component.

The cumulative effect of the changes made to the April 30, 2019 unaudited interim condensed consolidated statement of financial position for the adoption of IFRS 16 is as follows:

	Balance as at April 30, 2019 $000's	IFRS 16 adjustments $000's	Balance as at May 1, 2019 $000's
Assets			
Right-of-use assets, net	-	3,374	3,374
Prepayments	465	(57)	408
Liabilities			
Current portion of lease liability	-	612	612
Lease liability	-	2,705	2,705

The operating lease obligations as at April 30, 2019 are reconciled as follows to the recognized lease liabilities as at May 1, 2019:

	$000's
Aggregate lease commitments as disclosed at April 30, 2019	3,743
Newly found leases	433
	4,176
Less commitments related to short-term and low-value leases	108
Adjusted lease commitments	4,068
Less impact of present value	751
Opening IFRS 16 lease liability as at May 1, 2019	3,317

3. Significant accounting policies (continued)

Accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease. The right-of-use asset for such leases are recognized in the unaudited condensed interim consolidated statements of financial position on a straight-line basis over the lease term. The Company has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, if available, or if this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments. Variable lease payments that do not depend on an index or rate are not included in the measurement of the right-of-use asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the unaudited interim condensed consolidated statements of loss and comprehensive loss.

(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 and was adopted by the Company effective May 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 did not have a material impact on the financial statements of the Company.

4. Business acquisition and reverse takeover

Change to earn-out payments and contingent consideration

In May 2019, a settlement agreement was reached with the former shareholders of TLP to forgive the earn-out payment of 22.73% of $2,000, or $455. In addition, the shareholders of CHC and the Company, through mutual agreement, have deferred payment of the remaining $1,545, originally due in November 2019 pending further discussions between the parties. The net present value of these changes, using a discount rate of 18% of the earn-out payment, is a $379 reduction in the contingent consideration as at October 31, 2019. The remainder of the earn-out payment, totally $2,000 originally due in November 2019 has also been deferred by mutual agreement pending further discussions between the parties.

4. Business acquisition and reverse takeover (continued)

In January 2020, the Company issued 30,000,000 common shares at a deemed price per share of $0.05 to each of two former shareholders of MFT and TLP pursuant to separate debt settlement agreements entered into between the Company and each such individual for the satisfaction of $3,000 of remaining contingent consideration of $3,545 owing to the shareholders, which payments were originally due in November 2019. The remaining $545 remains owing under a promissory note (note 11).

In May 2019, an agreement was reached with the former shareholders of TLP to forgive 3,955,595 of their escrowed shares. Their remaining 7,000,000 escrowed shares were released from escrow on November 11, 2019. The fair value of escrowed shares was estimated at $613 of which $311 was accounted for as a reduction to share capital and the balance of $302 to deficit. The gain of $613 is included within finance and transaction costs, net, in the unaudited interim condensed consolidated statement of loss and comprehensive loss for the nine-month period ended January 31, 2020.

5. Trade and other receivables

The Company's trade receivables include the following:

	January 31, 2020 $000's	April 30, 2019 $000's
Trade and other receivables (note 21)	**959**	776
Input taxes and other taxes receivables	**253**	741
	1,212	1,517

As of January 31, 2020, $11 (April 30, 2019 - Nil) of allowance for doubtful accounts has been provided which are not expected to be collected.

6. Inventory

	Capitalized cost $000's	Biological assets fair value adjustment $000's	Carrying value $000's
Balance as at April 30, 2019	**48**	**(6)**	**42**
Purchased cannabis, net of sales	145	-	145
Harvested cannabis, net of sales	594	322	916
	787	316	1,103
Supplies and consumables	24	-	24
Balance as at January 31, 2020	**811**	**316**	**1,127**

6. Inventory (continued)

As at July 31, 2019, the Company had not received a license to sell cannabis produced by the Company. Therefore, cannabis produced and harvested by the Company was 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.

On August 30, 2019 the Company received a license to sell cannabis produced by the Company and commenced sales of the cannabis on October 1, 2019. Therefore, cannabis produced and harvested from August 31, 2019 to January 31, 2020 has been recognized at a fair value of $322 upon harvest and $594 of cost has been capitalized to inventory during the same period.

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 for the nine months ended January 31, 2020 includes $323 (January 31, 2019 - $355) of underutilization charges and production-related expenditures not capitalized due to start-up costs and $35 (January 31, 2019 - Nil) of cost of goods sold during the nine months.

Included in underutilization charges and production-related expenditures for inventory for the nine months ended January 31, 2020 was $266 (January 31, 2019 - $300) of depreciation and amortization from property, plant and equipment, $36 (January 31, 2019 - Nil) from amortization of right-of-use asset, and $21 (January 31, 2019 - $55) of office and general.

7. Biological assets

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

	$000's
Balance as at April 30, 2019	**-**
Production costs capitalized	719
Changes in fair value due to biological transformation	(181)
Transferred to inventory upon harvest	(322)
Balance as at January 31, 2020	**216**

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.

7. Biological assets (continued)

The Company obtained a cannabis sales license to sell its own production on August 30, 2019. As a result, the biological assets were measured at their fair value less costs to sell of $216 on January 31, 2020 (January 31, 2019 - Nil).

As at January 31, 2020, it is expected that the Company's cannabis plants biological assets will yield approximately 299,868 grams of dry cannabis flowers and approximately 217,146 grams of dry cannabis trim upon completion of production. $576 (January 31, 2019 - $66) is recognized as unrealized loss on changes in fair value of biological assets for the nine months ended January 31, 2020.

8. Property, plant and equipment

Cost	Leasehold Improvements $000's	Equipment $000's	Furniture and fixtures $000's	Building $000's	Land $000's	Total $000's
Balance as at April 30, 2019	6,494	1,350	313	261	555	8,973
Additions	403	253	12	-	-	668
Disposals	(65)	(76)	(10)	-	-	(151)
Balance as at January 31, 2020	**6,832**	**1,527**	**315**	**261**	**555**	**9,490**

Accumulated Depreciation	Leasehold Improvements $000's	Equipment $000's	Furniture and fixtures $000's	Building $000's	Land $000's	Total $000's
Balance as at April 30, 2019	1,147	501	125	30	-	1,803
Additions	1,012	182	28	7	-	1,229
Disposals	(2)	(38)	(4)	-	-	(44)
Balance as at January 31, 2020	**2,157**	**645**	**149**	**37**	**-**	**2,988**

Net book value	Leasehold Improvements $000's	Equipment $000's	Furniture and fixtures $000's	Building $000's	Land $000's	Total $000's
Balance as at April 30, 2019	5,347	849	188	231	555	7,170
Balance as at January 31, 2020	**4,675**	**882**	**166**	**224**	**555**	**6,502**

Of total depreciation for the nine months ended January 31, 2020 totaling $2,437 (January 31, 2019 - $1,736), $266 (January 31, 2019 - $300) has been expensed to cost of sales, $543 (January 31, 2019 - $28) to biological assets, $112 (January 31, 2019 - Nil) to inventory and $1,516 (January 31, 2019 - $1,408) to depreciation.

9. Intangible assets

Cost	Computer software $000's	Intellectual Property $000's	Total $000's
Balance as at April 30, 2019 and January 31, 2020	**398**	**4,672**	**5,070**

Accumulated amortization	Computer software $000's	Intellectual Property $000's	Total $000's
Balance as at April 30, 2019	221	1,173	1,394
Amortization	40	1,167	1,207
Balance as at January 31, 2020	**261**	**2,340**	**2,601**

Net book value	Computer software $000's	Intellectual Property $000's	Total $000's
Balance as at April 30, 2019	177	3,499	3,676
Balance as at January 31, 2020	**137**	**2,332**	**2,469**

10. Right-of-use assets and lease liability

The change in carrying value of the Company's right-of-use assets and lease liability was as follows:

	Right-of-use assets $000's	Lease liability $000's
Balance as at May 1, 2019	3,374	3,317
Additions	154	152
Amortization expense	(419)	-
Interest expense	-	123
Payments	-	(489)
Balance as at January 31, 2020	**3,109**	**3,103**
Current	**-**	**627**
Non-current	**3,109**	**2,476**

Of total amortization for the nine months ended January 31, 2020 totaling $419 (January 31, 2019 - Nil), $36 (January 31, 2019 - Nil) has been expensed to cost of sales, $78 (January 31, 2019 - Nil) to biological assets, $7 (January 31, 2019 - Nil) to inventory and $298 (January 31, 2019 - Nil) to amortization.

11. Promissory notes

In January 2020, the Company issued 30,000,000 common shares at a deemed price per share of $0.05 to each of two former shareholders of MFT and TLP pursuant to separate debt settlement agreements entered into between the Company and each such individual for the satisfaction of $3,000 of remaining contingent consideration of $3,545 owing to the shareholders, which payments were originally due in November 2019. The remaining $545 remains owing under two promissory notes (note 4).

The promissory notes are each $273 in principal with interest at the rate of 5% per annum payable on or before December 31, 2020.

12. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, 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 nine months ended January 31, 2020 and 2019 is as follows:

	January 31, 2020 $000's	January 31, 2019 $000's
Salaries and wages	**999**	835
Share-based compensation	**396**	2,137
	1,395	2,972

As of January 31, 2020, the Company owes $73 (April 30, 2019 - $88) to two shareholders of the Company.

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

13. Borrowings

Borrowings consists of the following:

	January 31, 2020 $000's	April 30, 2019 $000's
Loan from bank	**-**	23
Loan from vendor	**319**	313
Total debt	**319**	336
Less: current portion	**-**	(7)
	319	329

The loan from vendor is a three-year loan at 2% interest per annum. The interest is payable annually. The loan is unsecured and matures on October 31, 2021.

14. Convertible debenture

As of January 31, 2020 and April 30, 2019, the convertible debentures are comprised of the following:

	Principal Amount $000's	Host debt Amortized costs $000's	Warrants $000's	Conversion Rights $000's
Convertible debentures - December 2017	1,170	508	3,335	265
Convertible debenture - September 2019	2,588	2,266	318	10
Balance as at January 31, 2020	**3,758**	**2,774**	**3,653**	**275**

	Principal Amount $000's	Host debt Amortized costs $000's	Warrants $000's	Conversion Rights $000's
Convertible debentures - December 2017	1,170	386	3,335	265
Balance as at April 30, 2019	**1,170**	**386**	**3,335**	**265**

During the nine months ending January 31, 2020, the changes of the carrying value of the convertible debentures are as follows:

	December 2017 Debentures $000's	September 2019 Debenture $000's	Total $000's
Balance as at April 30, 2019	386	-	**386**
Principal amount issued	-	2,588	**2,588**
Issuance costs	-	(159)	**(159)**
Conversion feature at inception	-	(10)	**(10)**
Warrants at inception	-	(318)	**(318)**
Interest payments	(75)	(86)	**(161)**
Interest accretion expense	197	251	**448**
Balance as at January 31, 2020	**508**	**2,266**	**2,774**
Current	**-**	**489**	**489**
Non-current	**508**	**1,777**	**2,285**

On September 10, 2019, the Company issued a convertible security (the "**Debenture**") with a face value of $3,105. The Debenture has a term of twenty-four months and is convertible into common shares of the Company at at a fixed conversion price per share of $0.08, being the last closing price of the Company's common shares on the Exchange prior to execution of the Convertible Security Funding Agreement.

The $3,105 face value of the Debenture is comprised of a principal amount of $2,588 and a pre-paid interest amount of $518. The Company is required to repay the principal amount of the Debenture in 18 equal monthly payments commencing the seventh month after closing, except that the repayment amount will be reduced in any month by any amount converted by the Investor into the Company’s common shares.

14. Convertible debenture (continued)

Pre-paid interest will accrue monthly with the Investor having the right to convert accrued interest into the Company's common shares once accrued at a conversion price equal to the last closing market price of the shares on the Exchange on the day prior to conversion. Upon receiving an accrued interest conversion notice from the Investor, the Company may elect to satisfy that conversion in cash.

Upon issuance of the Debenture, the Investor also received 16,171,875 warrants of the Company, with each warrant entitling the Investor to purchase one common share at an exercise price of $0.15. The warrants expire thirty-six months from their date of issue, provided that if the volume weighted average price of the Company's common shares is at least $0.60 for 20 consecutive trading days, then the expiry date of the warrants may be accelerated by the Company.

The Company has the right to buy-back the Debenture and the pre-paid interest at any time with no penalty (the "Buy-Back Right"). Should the Company exercise its Buy-Back Right, the Investor will have the right to convert 25 percent of the outstanding principal amount and 100 percent of the pre-paid interest into the Company's common shares.

The Debenture is secured by a general security agreement from the Company and certain of its subsidiaries.

On initial recognition, the Company allocated the proceeds, net of $159 of transaction costs in cash, as follows:

	$000's
Convertible debenture, liability	2,100
Conversion option	10
Warrants	318
	2,428

On initial recognition, the fair value of the host debt was value at $2,879 using a discount rate of 25% and a volatility of 75%. The warrants were valued at $435 using a volatility of 75% and risk-free interest rate of 1.6%. The principal amount of $2,588 was allocated to the host debt and warrants based on their prorated fair values. The fair value split after the allocations of host debt and warrants are $2,248 and $340 respectively. The value of the conversion option was calculated as $10 by subtracting the net present value of the host debt from the split face value of the host debt.

15. Share capital

(a) Authorized

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

15. Share capital

(b) Issued and outstanding

	Common shares Number	Common shares $000's	Number of Warrants	Contributed surplus $000's
Balance as at April 30, 2019	253,157,570	34,508	85,868,964	12,196
Share-based compensation	-	-	-	396
Common shares issuable in exchange for professional services [a]	1,000,000	160	-	(160)
Shares for debt [b]	61,614,016	1,842	-	-
Settlement of contingent consideration (note 4)	(3,955,596)	(311)	-	-
Warrants expired	-	-	(8,280,550)	-
Convertible debenture (note 14)	-	-	16,171,875	320
Balance as at January 31, 2020	**311,815,990**	**36,199**	**93,760,289**	**12,752**

	Common shares Number	Common shares $000's	Number of Warrants	Contributed surplus $000's
Balance as at April 30, 2018	164,662,939	23,473	67,824,118	8,249
Common shares issued pursuant to conversion of convertible debentures	29,221,004	2,871	-	504
Common shares issued pursuant to exercise of warrants	2,795,425	900	(1,000,050)	(211)
Common shares issued pursuant to private placement	9,434,802	1,212	4,717,402	288
Common shares to be issued to related party for land purchase	-	265	-	-
Common shares issued to vendor	17,650,540	3,500	-	2,137
Balance as at January 31, 2019	223,764,710	32,221	71,541,470	10,967

During the nine months ending January 31, 2020:

(a) 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 shares were not issued as April 30, 2019, resulting in recognition of contributed surplus of $160 during the year ending April 30, 2019. The shares were issued during the nine months, resulting in reclassification of $160 from contributed surplus to shareholders equity.

(b) During the quarter ended January 31, 2020, the Company issued 1,280,683 common shares at a deemed price per consideration share of $0.04685 to settle $60 of accounts payable. $28 of gain was recognized on the settlement of the debt.

During the quarter ended January 31, 2020, the Company issued 333,333 common shares at the price of $0.03 per share to an consultant to settle $10 of debt.

15. Share capital (continued)

(b) In January 2020, the Company issued 30,000,000 common shares at a deemed price per share of $0.05 to each of two former shareholders of MFT and TLP pursuant to separate debt settlement agreements entered into between the Company and each such individual for the satisfaction of $3,000 of remaining contingent consideration of $3,545 owing to the shareholders, which payments were originally due in November 2019. The remaining $545 remains owing under two promissory notes (note 4). $1,200 of gain was recognized on the settlement of the debt.

16. 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 of Directors shall have increased such limit by a Board of Directors 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 Company recognized $396 of share-based compensation expense during the nine months ended January 31, 2020 (January 31, 2019 – $2,137), with a corresponding amount recognized as a contributed surplus.

During the three months ending January 31, 2020, the Company:

Granted 500,000 stock options to senior employees and advisors at an exercise price of $0.05 with a term of 5 years and vest in twelve equal installments starting three months after the issue date.

Forfeited 3,650,000 stock options previously issued to senior management who are no longer with the Company.

During the three months ending January 31, 2019, the Company:

Granted 4,300,000 stock options to senior management at an exercise price of $0.17 equal to the closing market price of the Company’s common shares as of the trading day prior to issuance, vested immediately at the time of issuance and have a term of five years.

Forfeited 775,000 stock options previously issued to senior management who are no longer with the Company and as well as 357,700 of options issued to brokers pursuant to a financing in September 2016.

17. 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 period.

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 period.

For the nine months ended January 31, 2020, diluted loss per share equals basic loss per share due to the anti-dilutive effect of convertible debentures, warrants and stock 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 periods presented, are as follows:

	January 31, 2020 Number of shares	April 30, 2019 Number of shares
Convertible debentures	**35,268,750**	2,925,000
Warrants	**93,760,289**	85,868,964
Share options	**17,050,000**	20,200,000
	146,079,039	108,993,964

18. Nature of expenses

General and administrative expenses for the nine months ended January 31, 2020 and 2019 are composed of:

	January 31, 2020 $000's	January 31, 2019 $000's
Salaries, wages and consulting fees	**3,733**	4,211
General operating	**1,071**	1,244
Occupancy costs	**331**	513
Professional fees	**672**	601
	5,807	6,569

Sales and marketing expenses for the years ended January 31, 2020 and 2019 are comprised of:

	January 31, 2020 $000's	January 31, 2019 $000's
Advertising and promotion	**340**	185
Travel	**165**	-
	505	185

19. Commitments and contingencies

Commitments

As at January 31, 2020, the Company is committed under leases for equipment and office space for the following minimum annual rentals:

	$000's
2020	167
2021	671
2022	568
2023	493
Thereafter	1,856
	3,755

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 Defence. 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 a CHC 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 has engaged external counsel and it has been determined that the matter should proceed by arbitration. The parties are currently 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.

(e) On October 24, 2019, Abba was served with a Statement of Claim for damages for the alleged wrongful dismissal of a former employee in the amount of $68 plus interest and costs. The claim was initiated in the Ontario Superior Court of Justice. On October 31, 2019 Abba filed and served a Notice of Intent to Defend on the Plaintiff. Abba filed a Statement of Defence to the former employee's Claim with the Court the week of December 2-6, 2019.

20. 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 January 31, 2020, the Company had raised, net of issuance costs, approximately $29,588 (April 30, 2019 - $27,000) 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.

21. 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 January 31, 2020 and April 30, 2019, two customers represented 61% and 74% of the outstanding trade and other 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:

	January 31, 2020 $000's	April 30, 2019 $000's
Note past due	**589**	571
1 to 30 days past due	**23**	166
31 to 60 days past due	**169**	-
Over 61 days past due	**178**	39
	959	776

There was no impairment for credit loss recognized as at January 31, 2020 and April 30, 2019.

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.

21. Financial instruments and risk management (continued)

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

	Carrying amount $000's	Total contractual cash flow $000's	Year 1 $000's	Year 2 $000's	Year 3 $000's	Year 4 and beyond $000's
Lease liability	3,103	3,755	167	671	568	2,349
Promissory notes	547	547	547	-	-	-
Trade and other payables	2,351	2,351	2,351	-	-	-
Convertible debentures	2,774	3,941	1,537	2,404	-	-
Borrowings	319	319	-	319	-	-
Due to related parties	73	73	73	-	-	-
	9,167	**10,986**	**4,675**	**3,394**	**568**	**2,349**

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 January 31, 2020 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 risk as at January 31, 2020.

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.

21. Financial instruments and risk management (continued)

Financial instruments recorded at fair value on the unaudited interim condensed consolidated statements 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 period, there were no transfers of amounts between levels.

22. 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.

23. Subsequent events

On March 4, 2020, the Company closed a Non-Brokered financing of units ("Units") resulting in the issuance of 93,771,428 Units for total gross proceeds $2,626 (the "Offering").

Each Unit was sold at a price of $0.028 per Unit and is comprised of: (i) one common share (each a "Common Share"); and (ii) and one detachable common share purchase warrant of the Company (each, a "Warrant"). Each Warrant is exercisable into one Common Share at an exercise price of $0.05 for a period of 36 months following the closing date of the Offering.

On March 11, 2020, the Company closed the second tranche of the non-brokered financing by issuing total of 3,571,429 Units at a purchase price of $0.028 per Unit. The total gross proceeds raised was $100, bringing the aggregate gross amount raised under the Offering to $2,726.

On March 9, 2020, the Company announced that its board of directors has approved the grant of an aggregate of 17,600,000 incentive stock options (the "Options") to certain directors, officers, and senior employees of the Company. The Options are exercisable at a price of $0.05 per share and will vest consistent with Company policy and past practices. Additionally, all of the Options have a five-year term and are based on the Company's stock option plan and the requirements of the Canadian Securities Exchange.

23. Subsequent events (continued)

The Company also announced the issuance of 833,333 common shares at a deemed price per share of $0.035 for general contractor services rendered pursuant to an engagement for the completion of the licensed cannabis production facility of Abba.

On March 23, 2020, the Company announced that its board of directors has approved the grant of an aggregate of 2,000,000 incentive stock options (the “Options”) to certain officers, employees, and consultants of the Company. The Options are exercisable at a price of $0.05 per share and will vest consistent with Company policy and past practices. Additionally, all of the Options have a five-year term and are based on the Company's stock option plan and the requirements of the Canadian Securities Exchange.