

CANNVAS MEDTECH INC.

(formerly Weed Point Loyalty Inc. and Vapetronix Holdings Inc.)

Consolidated Financial Statements

Year Ended December 31, 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canvas MedTech Inc. (formerly Weed Point Loyalty Inc. and Vapetronix Holdings Inc.)

We have audited the accompanying consolidated financial statements of Canvas MedTech Inc. (formerly Weed Point Loyalty Inc. and Vapetronix Holdings Inc.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canvas MedTech Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Vancouver, Canada
April 30, 2018

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

CANNVAS MEDTECH INC.
(formerly Weed Point Loyalty Inc and Vapetronix Holdings Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash		\$ 1,229,903	\$ -
Other receivable		2,394	-
Prepays	8	74,130	-
		1,306,427	-
Equipment	4	62,517	-
TOTAL ASSETS		\$ 1,368,944	\$ -
LIABILITIES			
Current liabilities			
Accounts payable	8	\$ 25,140	\$ 223,464
Accrued liabilities		8,000	-
Due to PUF Ventures Inc.	6	129,662	129,662
Deferred lease recovery	11	10,202	-
Deferred revenue		12,500	-
TOTAL CURRENT LIABILITIES		185,504	353,126
SHAREHOLDERS' EQUITY			
Share capital	7	2,113,869	64,937
Share-based payment reserve	7	2,627	-
Deficit		(933,056)	(418,063)
TOTAL SHAREHOLDERS' EQUITY		1,183,440	(353,126)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,368,944	\$ -

Nature and continuance of operations (Note 1)

Commitments (Note 11)

Subsequent events (Note 12)

CANNVAS MEDTECH INC.
(formerly Weed Point Loyalty Inc and Vapetronix Holdings Inc.)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Years ended	
		December 31, 2017	December 31, 2016
Revenue		\$ -	\$ 138,850
Cost of goods sold		-	(113,835)
		-	25,015
Expenses			
Accounting and legal		17,031	2,000
Amortization	4,5	1,901	4,798
Consulting	8	279,381	35,000
Development costs	5,8	50,000	210,000
Office and sundry	11	21,338	17,023
Share based compensation	7	54,066	-
Website costs		33,215	2,712
Travel and business development		17,963	843
		(474,895)	(272,376)
Other items			
Write-off of intellectual property	5	-	(12,857)
Write-off of GST receivable		(40,098)	-
		(40,098)	(12,857)
Net and comprehensive loss for the year		\$ (514,993)	\$ (260,218)
Net loss per share – basic and diluted		\$ (0.07)	\$ (0.04)
Weighted average number of shares outstanding		7,264,971	7,000,000

CANNVAS MEDTECH INC.
(formerly Weed Point Loyalty Inc and Vapetronix Holdings Inc.)
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

	Note	Share capital		Share-based payment reserve	Deficit	Total
		Number of shares	Amount			
Balance at December 31, 2015		7,000,000	\$ 64,937	\$ -	\$ (157,845)	\$ (92,908)
Net and comprehensive loss		-	-	-	(260,218)	(260,218)
Balance at December 31, 2016		7,000,000	64,937	-	(418,063)	(353,126)
Issuance of common shares	7	19,184,600	1,787,143	-	-	1,787,143
Share issuance costs	7	-	(153,255)	-	-	(153,255)
Issuance of common shares for debt	7	5,200,000	260,000	-	-	260,000
Issuance of common shares upon exercise of options	7	2,072,100	155,044	(51,439)	-	103,605
Share based compensation	7	-	-	54,066	-	54,066
Net and comprehensive loss		-	-	-	(514,993)	(514,993)
Balance at December 31, 2017		33,456,700	\$ 2,113,869	\$ 2,627	\$ (933,056)	\$ 1,183,440

See accompanying notes to the consolidated financial statements

CANNVAS MEDTECH INC.
(formerly Weed Point Loyalty Inc and Vapetronix Holdings Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended	
	December 31, 2017	December 31, 2016
Operating activities		
Net loss for the year	\$ (514,993)	\$ (260,218)
Adjustments for:		
Amortization	1,901	4,798
Share based compensation	54,066	-
Write-off of intangible assets	-	12,857
Write-off of receivables	40,098	-
Changes in non-cash working capital items:		
Other receivable	(32,228)	1,478
Prepays	(74,130)	10,500
Accounts payable	51,412	220,264
Accrued liabilities	8,000	-
Deferred lease recovery	10,202	-
Deferred revenue	12,500	-
Net cash flows used in operating activities	(443,172)	(10,321)
Investing activities		
Purchase of equipment	(64,418)	-
Net cash flows used in investing activities	(64,418)	-
Financing activities		
Issuance of common shares, net of costs	1,737,493	-
Net cash flows used in financing activities	1,737,493	-
Change in cash	1,229,903	(10,321)
Cash, beginning	-	10,321
Cash, ending	\$ 1,229,903	\$ -
Non-cash transactions		
Common shares issued for accounts payable	\$ 260,000	\$ -

1. NATURE AND CONTINUANCE OF OPERATIONS

Cannvas MedTech Inc. (formerly Weed Points Loyalty Inc. and Vapetronix Holdings Inc.) (the "Company") was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia and changed its name to Vapetronix Holdings Inc. On September 11, 2017, Vapetronix Holdings Inc. changed its name to Weed Points Loyalty Inc. and on December 13, 2017, changed its name to Cannvas MedTech Inc.

On May 12, 2015, PUF Ventures Inc., a company listed on the Canadian Securities Exchange, acquired 100% of the Company's issued shares. At December 31, 2017, PUF Ventures Inc. owned 21% of the Company's issued shares. On January 16, 2018, PUF Ventures Inc. distributed its investment in the Company to its shareholders. Consequently, the Company became a reporting issuer in British Columbia (Note 12).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 9. The Company relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

2. BASIS OF PREPARATION

a) Basis of preparation

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for year ended December 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 30, 2018.

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian wholly-owned subsidiary, 1313 Wear Ltd., incorporated in British Columbia, Canada. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian subsidiary is also the Canadian dollar.

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial asset and share-based compensation.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. The Company has not classified any financial assets as fair value through profit or loss.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash and other receivable as loans and receivables.

(c) Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss. The Company has not classified any financial assets as available for sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

(b) Other financial liabilities

This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable and amounts due to PUF Ventures Inc. as other financial liabilities.

b) Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

c) Intellectual Property

Intellectual property is measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

d) Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the

replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Amortization rate
Computer equipment	33%
Furniture and fixtures	20%
Leasehold improvements	Term of lease

e) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

f) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital (continued)

ii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares.

g) Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

Revenue from services is recognized when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

h) Share-based payment transactions

The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

j) Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. This new standard has not yet been adopted and management has assessed that there will be no impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Total
Cost:				
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -
Additions	18,209	19,639	26,570	64,418
Balance, December 31, 2017	\$ 18,209	\$ 19,639	\$ 26,570	\$ 64,418
Amortization:				
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -
Charge for the year	919	982	-	1,901
Balance, December 31, 2017	\$ 919	\$ 982	\$ -	\$ 1,901
Net book value:				
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ -
Balance, December 31, 2017	\$ 17,290	\$ 18,657	\$ 26,570	\$ 62,517

5. INTELLECTUAL PROPERTY

The Company was previously a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. The Company, owns the exclusive rights to the “1313” electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

Balance, December 31, 2015	17,655
Impairment	(12,857)
Amortization for the year	(4,798)
Net book value, December 31, 2016 and 2017	\$ -

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of \$50,000 (2016 - \$210,000) during the year ended December 31, 2017.

6. DUE TO PUF VENTURES INC.

The balance due to PUF Ventures Inc. is unsecured, non-interest bearing, and has no fixed terms of repayment (Note 8).

7. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

As at December 31, 2017, the Company has 33,456,700 (2016 – 7,000,000) common shares issued and outstanding.

On October 20, 2017, the Company issued 15,041,000 common shares at a price of \$0.05 per share for gross proceeds of \$752,050. The Company incurred share issuance costs of \$75,205 related to this private placement (Note 8).

On November 29, 2017, the Company issued 5,200,000 common shares with a fair value of \$260,000 for settlement of \$260,000 of accounts payable.

On November 30, 2017, the Company issued 2,072,100 common shares upon exercise of stock options at a price of \$0.05 for proceeds of \$103,605.

On December 1, 2017, the Company issued 4,143,600 common shares at a price of \$0.25 per share for gross proceeds of \$1,035,093. The Company incurred share issuance costs of \$78,050 related to this private placement (Note 8).

b) Warrants

There were no warrants issued or outstanding during the years ended December 31, 2017 and 2016.

7. SHARE CAPITAL (continued)

c) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares.

The changes in stock options during the years ended December 31, 2017 and 2016 are as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	-	\$ -	-	\$ -
Options granted	2,184,100	0.05	-	-
Options exercised	(2,072,100)	0.05	-	-
Options outstanding, ending	112,000	\$ 0.05	-	\$ -
Options exercisable, ending	112,000	\$ 0.05	-	\$ -

Details of options outstanding as at December 31, 2017 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
\$0.05	1.72 years	70,000
\$0.05	2.81 years	42,000
\$0.05	2.13 years	112,000

On September 19, 2017, the Company granted 700,000 stock options to directors and consultants of the Company, exercisable at \$0.05 for a period of two years. On October 20, 2017, the Company granted 1,484,100 stock options to directors and officers of the Company, exercisable at \$0.05 for a period of three years. All options vest immediately on the date of grant. The Company recognized \$54,066 in share based compensation for the year ended December 31, 2017 (2016 - \$nil).

The fair value of stock options granted was determined using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	Year ended December 31, 2017
Expected life of options	2-3 years
Annualized volatility	80%
Risk-free interest rate	1.50%
Dividend rate	0%

7. SHARE CAPITAL (continued)

d) Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. RELATED PARTY TRANSACTIONS

Included in accounts payable is \$4,501 (2016 - \$Nil) due to directors and officers of the Company. Included in prepaids is \$53,333 (2016 - \$Nil) prepaid to a company controlled by a related party. Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

The Company incurred the following transactions with companies that are controlled by directors and related parties of the Company:

	Years ended	
	December 31, 2017	December 31, 2016
Consulting fees	\$ 260,000	\$ 35,000
Development costs	50,000	10,000
Share-based compensation	45,995	-
	<u>\$ 355,995</u>	<u>\$ 45,000</u>

The Company paid finder's fees, which have been included in share issuance costs totaling \$153,255 with a company controlled by a related director (Note 7).

PUF Ventures Inc. is a significant shareholder of the Company; therefore the balance due to PUF Ventures Inc. is a related party balance (Note 6).

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, other receivable, accounts payable and amounts due to PUF Ventures Inc. approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at December 31, 2017 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as high.

iii) Market risk

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. Foreign currency risk is assessed as low.

(c) Capital management

CANNVAS MEDTECH INC.
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The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consist of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

10. INCOME TAX

A reconciliation of the expected income tax provision to the actual income tax provision is as follows:

	Years ended	
	December 31, 2017	December 31, 2016
Net loss before income taxes	\$ (514,993)	\$ (260,218)
Income tax rate	26%	26%
Expected income tax benefit	(133,898)	(67,657)
Non-deductible items and other	38,068	-
Change in valuation allowance	95,830	67,657
	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts generated where it is probable the Company will generate taxable income to utilize its deferred tax assets. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	December 31, 2017	December 31, 2016
Non-capital losses	\$ 164,109	\$ 98,147
Share issuance costs	31,877	-
Equipment	(2,009)	-
Other items	10,432	10,432
Unrecognized deferred income tax assets	(204,409)	(108,579)
	\$ -	\$ -

The Company has non-capital losses available for carryforward of \$631,189 which expire between 2035 and 2037.

11. COMMITMENTS

On November 1, 2017, the Company entered into a three year office lease agreement. Future payments required under this operating lease are as follows:

2018	\$ 49,263
2019	51,013
2020	43,725
	\$ 144,001

During the year ended December 31, 2017, the Company recognized an expense of \$8,162 (2016 - \$Nil) resulting from lease payments incurred.

The Company is renting 25% of the office space to PUF Ventures Inc. During the year ended December 31, 2017, the Company received \$12,243 from PUF Ventures Inc. for one year of office rental, of which \$2,041 was recognized as a recovery in office expenses and \$10,202 is recognized as deferred lease recovery.

12. SUBSEQUENT EVENTS

- a) On September 7, 2017, the Company entered into a Plan of Arrangement ("Arrangement") with PUF Ventures Inc. whereby PUF Ventures Inc. will distribute 100% of the Company's shares to PUF Ventures Inc.'s shareholders on a pro rata basis. PUF Ventures Inc.'s shareholders will be entitled to receive one share of the Company in exchange for every seven PUF Ventures Inc. shares held as at the record date.

Following completion of the Arrangement, (i) the Company will hold certain assets transferred to it by PUF Ventures Inc., (ii) the Company will become a reporting issuer in the Provinces of British Columbia, Alberta and Ontario, and intends to apply for and meet the listing requirements on a Canadian Stock Exchange, (iii) each PUF Ventures Inc. shareholder will continue to be a shareholder of PUF Ventures Inc., and (iv) all PUF Ventures Inc. shareholders as at the record date will have become shareholders of the Company.

On January 16, 2018, the Company and PUF Ventures Inc. completed the Arrangement and issued 7,034,281 common shares to the shareholders of PUF Ventures Inc. As a result, the Company became a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

On January 11, 2018, the Company cancelled 7,000,000 common shares previously held by PUF Ventures Inc.

- b) On February 6, 2018, the Company granted 1,892,500 stock options to directors, officers and consultants, exercisable at \$0.25 for a period of two years. Of the total, 1,872,500 stock options vest immediately on the date of grant and 20,000 stock options vest as 10,000 on July 1, 2018 and 10,000 on December 1, 2018.
- c) On February 13, 2018, the Company granted 800,000 stock options to consultants of the Company, exercisable at \$0.25 for a period of two years. The options vest immediately on the date of grant.
- d) On April 3, 2018, the Company granted 200,000 stock options to an officer of the Company, exercisable at \$0.25 for a period of two years. The options vest immediately on the date of grant.