
MEDIPHARM LABS INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018
(UNAUDITED – PREPARED BY MANAGEMENT)
(Expressed in Canadian dollars)

MEDIPHARM LABS INC.**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	September 30, 2018 \$	December 31, 2017 \$
ASSETS			
CURRENT ASSETS			
Cash		6,383,498	2,492,800
Prepays and deposits	5	2,279,472	418,488
Inventory	7	7,508,230	-
Receivables	6	1,733,580	287,674
		17,904,779	3,198,962
Property and equipment	8	13,045,788	2,144,180
Investments		50,000	50,000
		31,000,567	5,393,142
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	9	5,197,891	1,318,650
Convertible debentures	11,14	1,413,825	1,193,906
Note payable	10	571,006	-
Due to related parties	12	11,778	11,778
		7,194,500	2,524,334
SHAREHOLDERS' EQUITY (DEFICIT)			
Common shares	13	27,459,593	3,849,586
Reserves	13	2,179,101	193,274
Accumulated other comprehensive loss		(14,866)	(264)
Deficit		(6,044,542)	(1,169,178)
		23,579,286	2,873,418
Non-controlling interest		226,781	(4,610)
		31,000,567	5,393,142

Subsequent events 14

Approved on behalf of the Board:

"Patrick McCutcheon"

Director, Patrick McCutcheon

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

MEDIPHARM LABS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Three and Nine months ended September 30, 2018

	Note	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Expenses					
Advertising sales and promotion		305,033	1,833	447,385	8,039
Consulting fees	12	70,461	(18,496)	199,908	150,029
Research and production testing		193,320	-	397,893	-
Office and administration		143,163	3,084	185,046	5,787
Professional fees		244,374	4,770	327,494	17,810
Stock-based compensation	12	-	-	1,226,510	-
Amortization	8	197,147	-	454,448	-
Rent and occupancy costs		62,641	37,287	278,019	38,934
Salaries and benefits	12	593,700	-	1,003,594	-
Filing fees and shareholder communications		22,578	-	22,578	-
Travel and entertainment		88,882	11,307	135,337	32,237
		1,921,300	39,785	4,678,213	252,836
Interest Expense		54,215	-	141,901	-
Interest income		(42,109)	-	(42,109)	-
Accretion expense	11	46,403	-	137,697	-
Foreign exchange loss		(7,032)	-	7,580	-
Net loss		(1,972,776)	(39,785)	(4,923,282)	(252,836)
Other Comprehensive income					
Exchange difference on translation of foreign operations		(12,217)	-	(14,602)	-
Total comprehensive loss		(1,984,993)	(39,785)	(4,937,884)	(252,836)
Total net loss for the year attributable to:					
Owners of the Company		(1,955,467)	(39,785)	(4,875,364)	(252,836)
Attributable to non-controlling interest		(17,309)	-	(47,918)	-
		(1,972,776)	(39,785)	(4,923,282)	(252,836)
Loss per share					
Basic and diluted		(\$0.29)	(\$0.02)	(\$0.87)	(\$0.10)
Weighted average number of common shares outstanding					
Basic and diluted		6,770,822	2,415,000	5,639,066	2,415,000

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

MEDIPHARM LABS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 2018

	September 30, 2018	September 30, 2017
	\$	\$
Cash flow provided by (used in)		
Operating		
Net loss	(4,923,282)	(252,836)
Non-cash items		
Accretion expense on convertible debt	137,697	-
Interest accrued on convertible debt	82,222	-
Stock-based compensation	1,226,510	-
Amortization	454,448	-
Shares issued for services	27,918	90,000
Changes in non-cash operating working capital items		
Receivables	(1,445,906)	(123,426)
Prepays and deposits	(1,860,984)	-
Inventory	(7,508,230)	-
Accounts payable and accrued liabilities	3,879,241	1,326
	(9,930,364)	(284,936)
Investing activities		
Property and equipment	(11,056,056)	(217,529)
Investment	-	(50,000)
	(11,056,056)	(267,529)
Financing activities		
Issuance of shares for cash less issuance costs	24,295,715	455,000
Issuance of note payable	571,006	-
Exercise of stock options	25,000	-
Advances from shareholders	-	-
	24,891,721	455,000
Effect of foreign exchange on cash	(14,602)	-
Increase in cash	3,890,699	(97,465)
Cash, beginning	2,492,800	262,185
Cash, ending	6,383,498	164,720

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

MEDIPHARM LABS INC.
CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY
Periods ended September 30, 2018 and 2017

	Common Shares		Reserves	Obligation to issue shares	Accumulated other comprehensive loss	Deficit	Non-controlling interest	Total
	Number	Share Capital						
	\$	\$	\$	\$	\$	\$	\$	\$
Balance December 31, 2016	2,000,000	100,000	9,174	285,000	-	(178,715)	-	215,459
Shares issued for cash	370,000	740,000	-	(285,000)	-	-	-	455,000
Shares issued for services	45,000	90,000	-	-	-	-	-	90,000
Net loss for the period	-	-	-	-	-	(252,836)	-	(252,836)
Balance September 30, 2017	2,415,000	930,000	9,174	-	-	(431,551)	-	507,623
Balance December 31, 2017	3,384,478	3,849,586	193,274	-	(264)	(1,169,178)	(4,610)	2,868,808
Shares issued for cash	3,077,038	25,909,646	-	-	-	-	-	25,909,646
Share issue costs	-	(2,661,731)	1,047,800	-	-	-	-	(1,613,931)
Shares issued on exercise of stock options	250,000	34,174	(9,174)	-	-	-	-	25,000
Shares issued on equipment deposit	50,000	300,000	-	-	-	-	-	300,000
Shares issued for services	9,306	27,918	-	-	-	-	-	27,918
Share-based compensation	-	-	1,226,510	-	-	-	-	1,226,510
Foreign exchange translation	-	-	-	-	(14,602)	-	-	(14,602)
Transaction with non-controlling interest	-	-	(279,309)	-	-	-	279,309	-
Net loss for the period	-	-	-	-	-	(4,875,364)	(47,918)	(4,923,282)
Balance September 30, 2018	6,770,822	27,459,593	2,179,101	-	(14,866)	(6,044,542)	226,781	23,806,067

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

MEDIPHARM LABS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(Unaudited)

1. Nature of operations

MediPharm Labs Inc. (the "Company" or "MediPharm") is a private company incorporated in the Province of Ontario. The Company is a medical marijuana extraction company licensed to produce pursuant to the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The Company's head office and the registered and records office address is 151 John St., Barrie Ontario Canada L4N 2L1.

2. Basis of preparation

Basis of Presentation

These condensed consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

The condensed consolidated financial statements of the Company include the accounts of the Company and of its wholly owned subsidiaries, MPL Property Holdings Inc., MPL Manufacturing Inc., 2612785 Ontario Inc. and its 80% controlling interest in MediPharm Labs Australia Pty. Ltd. ("MediPharm Australia") All intercompany transactions and balances are eliminated. A subsidiary is an entity controlled by the Company. Control exists when the Company has the power to directly or indirectly govern the financial and operating policies.

These condensed financial statements are presented in Canadian dollars, except when otherwise indicated. The functional currency of each entity is measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company and all of its subsidiaries except MediPharm Australia is the Canadian dollar. The functional currency of MediPharm Australia is the Australian dollar. The presentation currency of the consolidated entity is the Canadian dollar.

3. Significant accounting policies

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of November 26, 2018; the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2017, except as disclosed below.

Any subsequent changes to IFRS that give effect to the Company's annual consolidated financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

MEDIPHARM LABS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2018

(Unaudited)

3. Significant accounting policies (continued)*Inventory:*

Inventories are measured at the lower of cost and net realizable value. The cost of raw materials, supplies and packing materials are based on the weighted-average cost method. The cost of finished goods and work in progress includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition, as well as production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling.

Property and equipment

Property and equipment are recorded at cost net of accumulated amortization and impairment charges. The cost of repairs and maintenance is expensed as incurred. Amortization is provided over the estimated useful lives of assets. Upon sale or other disposition of a depreciable asset, cost and accumulated amortization are removed from property, plant, and equipment and any gain or loss is reflected as a gain or loss from operations. Depreciation is provided using the following annual rates.

Building	5-20% straight-line
Equipment	20% declining balance basis
Security equipment	20% declining balance basis
Computers	30% declining balance basis
Leasehold improvements	20% straight-line
Office equipment	20% declining balance basis

An asset's residual value, useful life and amortization method are reviewed at the end of each reporting period and adjusted if appropriate.

4. Transaction with Non-Controlling Interest

On August 14, 2018, the Company subscribed for an additional 145 MediPharm Australia ordinary shares. As a result, the Company's percentage ownership in MediPharm Australia increased from 51% to 80%. In exchange for the additional 145 ordinary shares, the Company paid \$500,000 in cash to MediPharm Australia and issued MediPharm Australia a promissory note for \$800,000. The promissory note is unsecured, bears interest at 1% per annum and matures on September 30, 2018.

5. Prepays and Deposits

	September 30, 2018	December 31, 2017
Rent Deposit	\$ 69,416	\$ 49,358
Deposits for building improvements and equipment	1,767,733	364,009
Other	442,323	5,121
Total	\$ 2,279,472	\$ 418,488

MEDIPHARM LABS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2018

(Unaudited)

6. Receivables

	September 30, 2018	December 31, 2017
HST receivable	\$ 1,724,518	\$ 287,674
Other	9,062	-
Total	\$ 1,733,580	\$ 287,674

7. Inventory

	September 30, 2018	December 31, 2017
Raw materials	\$ 6,920,654	\$ -
Finished goods	587,576	-
Total	\$ 7,508,230	\$ -

Raw material inventory is comprised of harvested cannabis plants acquired from third party licensed cannabis producers. Finished goods inventory is comprised of bulk and formulated concentrate. The Company did not have its sales license at September 30, 2018 and therefore no cost of sales has been recognized.

8. Property and equipment

Cost	Balance at December 31, 2017	Additions	Transfers	Balance at September 30, 2018
Land	\$ -	\$ 1,769,559	\$ -	\$ 1,769,559
Building	-	5,736,181	3,802,537	9,538,718
Leasehold improvements	2,100,654	1,701,883	(3,802,537)	-
Computers	35,238	107,240	-	142,478
Office equipment	8,288	37,971	-	46,259
Equipment	-	1,641,424	-	1,641,424
Security equipment	-	361,799	-	361,799
	\$ 2,144,180	\$ 11,356,057	\$ -	\$ 13,500,237
Accumulated amortization				
Building	\$ -	\$ -	\$ 285,192	\$ 285,192
Leasehold improvements	-	285,192	(285,192)	-
Computers	-	16,031	-	16,031
Office equipment	-	2,982	-	2,982
Equipment	-	123,108	-	123,108
Security equipment	-	27,136	-	27,136
Accumulated Amortization	\$ -	\$ 454,449	\$ -	\$ 454,449
Net book Value	\$ 2,144,180	\$ 10,901,608	\$ -	\$ 13,045,788

During the period ended September 30, 2018, the Company acquired the land and building previously under lease. All leasehold improvements have been transferred to building on the acquisition.

MEDIPHARM LABS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(Unaudited)

9. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities	September 30, 2018	December 31, 2017
Accounts payable	\$ 4,990,258	\$ 1,208,144
Accrued liabilities	193,491	14,607
Accrued rent	-	87,476
Other payables	14,142	8,423
Total accounts payable and accrued liabilities	\$ 5,197,891	\$ 1,318,650

10. Note Payable

On March 9, 2018, the Company issued a note payable ("Note Payable") to a company controlled by a shareholder in the amount of US\$395,000 (CDN\$520,136). The Note Payable is secured by a general security agreement, was to mature September 9, 2018 and bears interest at 10%. On September 9, 2018, the maturity of the Note Payable was extended to November 19, 2018.

11. Convertible Debentures

On October 6, 2017, the Company issued secured convertible debentures (the "Debentures") for proceeds of \$1,315,000 with an interest rate of 8% and a maturity date of December 31, 2018. The Debentures are convertible into shares of the company at a price of \$3 and are unsecured.

December 31, 2017	\$ 1,193,906
Equity portion accreted back to the loan	137,697
Interest accrued	82,222
September 30, 2018	\$ 1,413,825

12. Related party transactions

The Company has determined that key management personnel consist of directors and officers. The remuneration to directors and officers during the period ended September 30, 2018 was \$386,201 (2017 - \$26,113) included in consulting fees and salaries and benefits.

As at September 30, 2018 \$11,778 (December 31, 2017 - \$11,778) is due to related parties for reimbursement of expenses. The amount is non-interest bearing, unsecured and due on demand.

During the period ended September 30, 2018 the Company issued 240,000 options to related parties of the Company for total share based compensation of \$635,870.

MEDIPHARM LABS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2018

(Unaudited)

13. Share capital***Common shares issued***

On December 27, 2017, the Company closed a private placement of \$3,565,626 for 1,188,542 shares. On December 27, 2017, the Company issued 978,784 shares at \$3 per share for proceeds of \$2,936,352 as only a portion of the proceeds had been received. The 209,758 shares remaining were issued in January 2018 for proceeds of \$629,257.

In January 2018, the Company issued 9,306 shares of the Company with a fair value of \$27,918 for services performed.

On March 22, 2018, the Company closed a financing of \$2,963,757 and issued 796,709 units (the "Units"). Each Unit consisting of one share and warrant (the "Warrants"), entitling the holder to acquire one share at \$6 until the date that is 2 years following a liquidity event. A liquidity event is defined as the date the Company's shares are listed or quoted on any of the TSXV or a recognized exchange. The Company paid a cash finder's fee of \$175,000 and issued finder's warrants (the "Finder's Warrants") entitling the holder to acquire 47,043 Units of the Company at a price of \$3.72 per unit and an additional 47,043 warrants entitling the holder to acquire 47,043 common shares of the Company at a price of \$6.00 per share. The fair value of the finder's warrants issued was estimated using the Black Scholes option pricing model to be \$261,481 using the following assumptions: estimated volatility of 83%, expected life of 2.5 years and a risk free rate of 1.81%.

On March 29, 2018, 250,000 stock options were exercised into common shares for proceeds of \$25,000.

On April 20, 2018, the Company issued 50,000 common shares as a deposit for equipment. The fair value of the shares on the date of issuance was estimated at \$6 per share for total consideration of \$300,000.

On June 1, 2018 and June 29, 2018, the Company closed private placements and issued 2,070,571 units (the "June Units") for gross proceeds of \$22,316,614. Each June Unit consisted of one common share and one half warrant (each whole warrant, a "June Warrant"). Each June Warrant will entitle the holder to acquire an additional common share of the Company at a price of \$15.216 per common share until the date that is 2 years following the completion of the Transaction. The agents received a cash fee of \$1,282,163 together with 118,961 broker warrants (the "Broker Warrants"). The Broker Warrants are exercisable to acquire one June Unit at a price of \$10.778 until the date, which is 2 years following the completion of the Transaction. The Company also issued an additional 59,480 finder's warrants exercisable to acquire one common share of the Company at a price of \$15.216 per share for a period that is 2 years after the Transaction. The fair value of the Broker Warrants issued was estimated using the Black Scholes option pricing model to be \$786,219 using the following assumptions: estimated volatility of 71%, expected life of 2.5 years and a risk free rate of 1.90%.

Stock options

On January 2, 2018 the Company issued 285,000 stock options to acquire up to 285,000 shares with an exercise price of \$3 until January 2, 2023. The fair value of the options issued is estimated using the Black Scholes option pricing model, \$758,046 using the following assumptions: estimated volatility of 139%, expected life of 5 years and a risk free rate of 1.89%.

On April 30, 2018, the Company issued 179,480 stock options with an exercise price of \$3 until April 30, 2023. The fair value of the options issued is, estimated using the Black Scholes option pricing model, \$468,464 using the following assumptions: estimated volatility of 133%, expected life of 5 years and a risk free rate of 2.11%.

MEDIPHARM LABS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(Unaudited)

13. Share capital (continued)*Stock options (continued)*

	Options	Weighted average exercise price \$	Weighted average life (years)
Balance, December 31, 2017	250,000	0.10	
Granted	464,480	3.00	
Exercised	(250,000)	0.10	
Balance, September 30, 2018	464,480	3.00	4.39

Share purchase warrants:

A summary of changes in share purchase warrants outstanding is as follows:

	Warrants outstanding	Weighted average exercise price \$	Weighted average life (years)
Balance, December 31, 2017	-	-	
Issued – Private placements	1,831,995	11.21	
Issued – Finder’s Warrants	94,086	4.86	
Issued – Broker Warrants	178,440	12.26	
Balance, September 30, 2018	2,104,521	11.02	2.13

14. Subsequent events

- a) On October 1, 2018, the Company closed on the previously announced definitive agreement with POCML 4 Inc. (“POCML”) with respect to a business combination (the “Transaction”). The Transaction resulted in a reverse takeover of POCML by the shareholders of MediPharm and constituted the “Qualifying Transaction” for POCML as such term is defined in the policies of the TSXV Venture Exchange. The Transaction proceeded by way of a three-cornered amalgamation pursuant to which MediPharm amalgamated with a wholly-owned subsidiary of POCML, and POCML acquired all of the issued and outstanding Class A common shares of MediPharm (the “MediPharm Shares”), in exchange for post-consolidation Shares on the basis of 12.68 post-consolidation shares for every one MediPharm Share issued and outstanding. In addition, all outstanding options, warrants and broker warrants to purchase MediPharm Shares were either exchanged for equivalent securities of POCML or have remained outstanding and now entitle the holders thereof to acquire equivalent securities of POCML in lieu of MediPharm on the same terms and conditions. At the close of the Transaction there were an aggregate of 96,866,628 post-consolidation shares issued and outstanding, of which the former shareholders of POCML hold 5,000,000 post-consolidation shares and the former shareholders of MediPharm hold 91,866,628 post-consolidation shares. On completion of the Transaction POCML changed its name to MediPharm Labs Corp.

In conjunction with the Transaction the Convertible Debentures were converted into common shares and are included in the post-consolidation shares above.

MEDIPHARM LABS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018

(Unaudited)

14. Subsequent events (continued)

- b) On November 16, 2018, MediPharm entered into first and second mortgages for \$6,000,000 which is secured against the land and building (see Note 8) and a general security agreement on the assets of the Company. The first mortgage of \$3,000,000 bears interest at 7.5% per annum and interest on the second mortgage of \$3,000,000 bears interest at 11% per annum. The mortgages have a term of one year and can be repaid before maturity without penalty.