MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MediPharm Labs Corp. (formerly POCML 4 Inc.)

Opinion

We have audited the consolidated financial statements of MediPharm Labs Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

April 1, 2019

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

CONTENTS		PAGE

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	5	7,850	2,493
Trade receivables	8	6,427	-
Prepaids and deposits	10	2,695	418
Inventories	9	9,404	-
Other financial assets	6	200	-
Other current assets		38	288
Total current assets		**26,614**	**3,199**
Non-current assets:			
Investment property	11	2,066	-
Property, plant and equipment	12	13,968	2,144
Other financial assets	6	81	50
Total non-current assets		**16,115**	**2,194**
Total assets		**42,729**	**5,393**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Notes	December 31, 2018	December 31, 2017
LIABILITIES AND EQUITY			
Current liabilities:			
Trade payables	8	8,094	1,209
Current employee benefit obligations	16	449	-
Convertible debentures	13.2	-	1,194
Mortgage payable	13.1	6,000	-
Due to related parties	7.1	16	19
Other current liabilities	15	327	102
Total current liabilities		**14,886**	**2,524**
Total liabilities		**14,886**	**2,524**
Equity:			
Common shares	17	34,065	3,850
Reserves		3,409	193
Accumulated other comprehensive income		9	-
Accumulated deficit		(9,834)	(1,169)
Total equity attributable to equity holders		**27,649**	**2,874**
Non-controlling interest	4	194	(5)
Total equity		**27,843**	**2,869**
Total liabilities and equity		**42,729**	**5,393**

Commitments and contingencies 14

Approved on behalf of the Board:

"Patrick McCutcheon"
Patrick McCutcheon
Director

"Christopher Hobbs"
Christopher Hobbs
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONSOLIDATED STATEMENTS OF LOSS
For the years ended December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Notes	2018	2017
Revenue from contracts with customers	18	10,198	-
Cost of sales		(6,231)	-
Gross profit		**3,967**	**-**
General administrative expenses	19	(3,556)	(947)
Marketing and selling expenses	19	(1,272)	-
Share based compensation expense	17.2	(1,965)	-
Transaction fee	17.4	(4,230)	-
Other operating expenses	20	(996)	(1)
Operating loss		**(8,052)**	**(948)**
Finance income	22	64	16
Finance expense	22	(478)	(63)
Net loss for the year		**(8,466)**	**(995)**
Attributable to			
- Non-controlling interest		(80)	(5)
- Equity holders of the Parent		(8,386)	(990)
Weighted average number of ordinary shares		72,593,212	30,752,614
Basic and diluted earnings per share (in full CAD$)		(0.12)	(0.03)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
For the years ended December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Notes	2018	2017
Net loss for the year		**(8,466)**	**(995)**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		9	-
Total comprehensive loss for the year		**(8,457)**	**(995)**
Total comprehensive loss attributable to			
- Non-controlling interest		(80)	(5)
- Equity holders of the Parent		(8,377)	(990)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

MEDIPHARM LABS CORP.
(formerly POCML 4 Inc.,)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Common Shares		Reserves						
	Number (post stock split)	Share capital	Share-based payments	Equity component of convertible debt	Obligation to issue shares	Accumulated other comprehensive	Accumulated deficit	Non-controlling interest	Total
Balance at December 31, 2016	**25,360,000**	**100**	**9**	**-**	**285**	**-**	**(179)**	**-**	**215**
Shares issues for cash	15,264,070	3,242	-	-	(285)	-	-	-	2,957
Issuance of convertible debt	-	-	-	184	-	-	-	-	184
Foreign exchange translation	-	-	-	-	-	-	-	-	-
Shares issued for services	2,290,987	508	-	-	-	-	-	-	508
Net loss for the year	-	-	-	-	-	-	(990)	(5)	(995)
Balance at December 31, 2017	**42,915,057**	**3,850**	**9**	**184**	**-**	**-**	**(1,169)**	**(5)**	**2,869**
Balance at January 1, 2018	**42,915,057**	**3,850**	**9**	**184**	**-**	**-**	**(1,169)**	**(5)**	**2,869**
Shares issued for cash	39,016,841	25,910	-	-	-	-	-	-	25,910
Share issue costs	-	(2,651)	1,037	-	-	-	-	-	(1,614)
Shares issued on exercise of stock options	3,170,000	34	(9)	-	-	-	-	-	25
Shares issued on exercise of warrants	672,733	733	-	-	-	-	-	-	733
Shares issued on equipment deposit	634,000	300	-	-	-	-	-	-	300
Shares issued for services (Note 17)	118,000	28	-	-	-	-	-	-	28
Shares issued on convertible debenture (Note 13.2)	6,012,729	1,598	-	(184)	-	-	-	-	1,414
Shares to be issued upon exercise of stock options	-	13	-	-	-	-	-	-	13
RTO transaction (Note 17.4)	5,000,000	4,250	407	-	-	-	-	-	4,657
Share based compensation (Note 17.2)	-	-	1,965	-	-	-	-	-	1,965
Foreign exchange translation	-	-	-	-	-	9	-	-	9
Transaction with non-controlling interest	-	-	-	-	-	-	(279)	279	-
Net loss for the year	-	-	-	-	-	-	(8,386)	(80)	(8,466)
Balance at December 31, 2018	**97,539,360**	**34,065**	**3,409**	**-**	**-**	**9**	**(9,834)**	**194**	**27,843**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

	Notes	2018	2017
Cash flows from operating activities:			
Net loss for the year		(8,466)	(995)
Adjustments for:			
Depreciation	21	982	-
Accretion expense on convertible debt	13.2	138	40
Interest accrued on convertible debt	13.2	82	23
Accruals		726	87
Shares issued for services		28	508
Share based compensation		1,965	-
Listing expense	17.4	4,657	-
Operating income/(loss) before changes in operating assets and liabilities		**112**	**(337)**
Change in trade receivables		(6,427)	-
Change in inventories		(9,404)	-
Change in other current assets		255	(288)
Change in prepaid and deposits		(2,282)	(418)
Change in restricted cash		(200)	-
Change in trade payables		6,885	1,194
Change in other current liabilities		(52)	15
Net cash used in operating activities		**(11,113)**	**166**
Cash flows from investing activities:			
Capital expenditures		(14,572)	(2,144)
Acquisition of financial assets		(31)	(50)
Net cash used in investing activities		**(14,603)**	**(2,194)**
Cash flows from financing activities:			
Issuance of shares for cash less issuance costs		24,296	2,957
Proceeds from mortgage		6,000	-
Convertible debenture	13.2	-	1,315
Exercise of warrants		733	-
Exercise of stock options		38	-
Advances from shareholders		(3)	(13)
Net cash provided by financing activities		**31,064**	**4,259**
Effects of exchange rate changes on cash and cash equivalents		**9**	**-**
Increase in cash and cash equivalents		**5,357**	**2,231**
Cash and cash equivalents at the beginning of the year	**5**	**2,493**	**262**
Cash and cash equivalents at the end of the year	**5**	**7,850**	**2,493**

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 1 - NATURE OF OPERATIONS

MediPharm Labs Corp. (formerly POCML 4 Inc.) (the "Corporation" or "Company") was incorporated under the Ontario Business Corporation Act on January 23, 2017 and prior to the Transaction (as defined Note 17) it was classified as a Capital Pool Corporation ("CPC") as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange"). Subsequent to the Transaction, the Corporation's shares began trading on the Exchange on October 4, 2018 under the trading symbol "LABS" and the Corporation received its sales license from Health Canada on November 12, 2018.

The Company produces purified, pharma-grade cannabis oil and cannabis concentrates for advanced derivative products.

The head office and the registered and records office of the Corporation is located at 151 John St. Barrie, Ontario, L4N 2L1.

The Company and its subsidiaries are referred to as the "Group" in these notes. The operations of the subsidiaries included in the consolidation are stated below:

Subsidiaries	Nature of business	Registered Country
MediPharm Labs Inc. (1)	Pharmaceutical	Canada
MediPharm Labs Australia Pty. Ltd. (2)	Pharmaceutical	Australia
MPL Property Holdings Inc. (3)	Real Estate	Canada
MPL Manufacturing Inc. (4)	Holding	Canada
2612785 Ontario Inc. (4)	Holding	Canada

(1) MediPharm Labs Inc. ("MPL"), incorporated on January 26, 2015, operates out of a 70,000 sq.ft. building (wholly owned by Group company) located in Barrie, Ontario which currently includes 10,000 sq.ft of pharma-grade manufacturing space leaving availability for future expansion. By the end of 2018, MPL received approval from Health Canada to increase its annual production capacity to process up to 150,000kg of dried cannabis (up from 100,000kg previously).

(2) MediPharm Labs Australia Pty. Ltd. ("MPL-AU"), incorporated on January 18, 2017, is located in Wonthaggi, Australia. Construction of extraction facility is under way. The facility is designed to the same quality standards as the MPL facility.

(3) MPL Property Holdings Inc ("MPL-P"), incorporated on June 5, 2018 owns a 70,000 sq.ft. building located in Barrie, Ontario and rents out the space to Group companies and third-party companies.

(4) They are inactive companies.

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

On April 1, 2019, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2018.

(ii) Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis, except the certain financial assets and liabilities which are expressed with their fair values. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(iii) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Canadian Dollars (CAD$), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated statement of loss.

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates and
- all resulting exchange differences are recognized in other comprehensive income.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iv) Basis of consolidation

Subsidiaries

The proportion of voting power held by the parent company, MediPharm Labs Corp. (formerly POCML 4 Inc.) and its subsidiaries and the total proportion of ownership interests at December 31 are presented below:

Subsidiaries	**Proportion of voting power held by the Company (%)**	**(%)**
	2018	**2017**
MediPharm Labs Inc.	100%	100%
MPL Property Holdings Inc.	100%	100%
MPL Manufacturing Inc.	100%	100%
2612785 Ontario Inc.	100%	100%
MediPharm Labs Australia Pty. Ltd.	80%	51%

Subsidiaries are companies in which MediPharm Lab Corp. (formerly POCML4 Inc.) has power to control the financial and operating policies for the benefit of MediPharm Lab Corp. (formerly POCML4 Inc.) through the power to exercise more than 50% of the voting rights relating to shares in the companies as a result of shares owned directly by itself.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income and statement of changes in equity and statement of financial position respectively.

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Changes in ownership interest

A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of the Company.

2.2 Changes in accounting policies

(i) New and revised accounting standards

As explained below, accounting policy changes were adopted in the current year without restating the comparative information.

IFRS 9, *Financial Instruments*

Effective from annual period beginning on or after January 1, 2018, the standard replaces the guidance in IAS 39 "*Financial Instruments: Recognition and Measurement*". It includes requirements on classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group has carried out valuation studies to determine the cumulative effect of the transition and concluded that no changes should be made to the consolidated financial statements.

The amendments to IFRS 9 regarding classification of financial assets and liabilities are summarized below. The classification differences do not have any effect on the measurement of financial assets and liabilities.

Financial assets	**Previous classification according to IAS 39**	**New classification according to IFRS 9**
Cash and cash equivalents	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Financial investments	Financial investments available for sale	Financial assets at fair value through other comprehensive income

Financial liabilities	**Previous classification according to IAS 39**	**New classification according to IFRS 9**
Trade payables	Amortized cost	Amortized cost
Mortgage payables	Amortized cost	Amortized cost
Convertible debenture	Amortized cost	Amortized cost

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IFRS 15, *Revenue from Contracts with Customers*

The Group has adopted IFRS 15, *Revenue from Contracts with Customers*, which has replaced IAS 18, *Revenue*, on or after January 1, 2018. The Group has started to its production and sales activities on November 2018; therefore, there was no recognized revenue in 2017. The Group has adopted IFRS 15 using modified retrospective method and there is no impact on the accumulated deficit.

Other than the above-mentioned accounting policy changes, other accounting policy changes/amendments announced by IASB and effective from annual period beginning on or after January 1, 2018, do not have any significant impact on the Group's consolidated financial statements.

(ii) Standards, amendments and interpretations issued as of December 31, 2018 that are not yet effective

The Group does not expect material impact of the below stated new standards, amendments and interpretations on the Group's financial position and performance:

- Amendment to IAS 28, *Investments in associates and joint venture*
- Amendment to IFRS 9, *Financial Instruments*
- IFRS 17, *Insurance Contracts*
- IFRS 16, *Leases*
- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IAS 19, *Employee Benefits* on plan amendment, curtailment or settlement
- IFRIC 23, *Uncertainty over income tax treatments*

2.3 Use of estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

NOTE 2 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(i) Expected loss rate

As at December 31, 2018, the Group does not have any past due outstanding receivables and the Group management's estimate for the expected loss rate for undue receivable balance is nominal. Management believes that this is the best estimate considering the subsequent collections on the outstanding receivable balance and the credibility of the customers.

(ii) Fair value of share-based warrants and stock options

The Group has share-based warrants and stock options. In estimating the fair value of the share-based warrants and stock options, the Group management uses the Black Scholes option pricing model with inputs such as expected life of share option and volatility, based on their best estimate.

(iii) Useful lives of assets

The useful lives of the Group's assets are estimated by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful life of its assets in terms of the assets' expected utility to the Group. This judgement is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolesce arising on changes or improvements from a change in the market.

2.4 Comparative information of prior period financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give accurate trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified, and significant changes are disclosed below:

The consolidated statements of loss for the year ended December 31, 2017 was prepared based on the nature of expenses since the Group did not have operations. However, the consolidated statements of loss for the year ended December 31, 2018 is prepared based on function of expenses and in order to maintain the consistency, the comparative consolidated statement of loss is reclassified. Total operating expense of CAD$948 for the year ended December 31, 2017 is reclassified as general administrative expense of CAD$947 (Note 19) and other operating expense of CAD$1. Total interest income of CAD$16 for the year ended December 31, 2017 is reclassified as finance income (Note 22). Total interest expense of CAD$23 and accretion expense of CAD$40 are reclassified as finance expense (Note 22).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in preparation of these consolidated financial statements are summarized below:

3.1 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes bank deposits and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (Note 5).

3.2 Trade receivables

Trade receivables that are originated by the Group by way of providing goods to a debtor are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance. Short term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 8).

A credit risk provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the recorded value of the receipt and the possible amount of receivable. The recoverable amount, being the present value of all cash flows including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write down the release of the provision is credited to other operating income.

3.3 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (Note 7).

A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the company are members of the same group
- One entity is an associate or joint venture of the other entity
- The entity is controlled or jointly controlled by a person identified in above paragraph
- A person identified in the above paragraph has significant influence over the entity or is a member of the key management personnel of the entity

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

3.4 Inventories

Inventories are stated at the lower of cost and net realizable value (Note 9). Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimates costs necessary to make the sale.

3.5 Financial assets

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income “OCI” or through profit or loss)
- those to be measured at amortized cost

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group had made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, if the financial asset is not measured at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss “FVPL” are expenses in profit or loss.

Subsequent measurement of financial assets depends on the group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measure at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in either gains / losses.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest are measured at FVOCI
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Changes in the fair value of financial assets at FVPL are recognized in other gain/(losses) in the consolidated statement of loss as applicable.

Subsequent to January 1, 2018, the Group assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. However, as at the end of fiscal year 2018, the Group does not have any past due receivables.

The Group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

3.6 Investment properties

Buildings and land held to earn rent or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as investment property (Note 11). Investment properties are carried at cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis.

The Group uses part of the production facility in Barrie, ON for its own use and part to earn rentals and the portion can be leased out separately. The rented-out portion (29%) is classified as investment property. The depreciation period for this investment property, which approximate the useful life of the production facility, is 20 years.

Investment properties are reviewed for possible impairment losses and when the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of the asset's net selling price or value in use.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment

Property, plant and equipment are carried at acquisition costs less accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 12).

The depreciation periods for property, plant and equipment, which approximate the useful live of assets concerned, are as follows:

Buildings	5-20 years
Machinery, plant and equipment	5 years
Security equipment	5 years
Computers	3 years
Leasehold improvements	5 years
Office equipment	5 years

Land is not depreciated due to having infinite useful lives.

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment determined by comparing proceeds with carrying amounts are included in the related income and expense accounts, as appropriate.

Where the carrying amount of the asset is greater than its recoverable amount, it is written down immediately to its recoverable amount and the impairment loss is recorded in the consolidated statement of loss.

The normal maintenance and repair costs incurred in the tangible asset are accounted as expense. Expenditure on property, which increases the future utility of the asset by expanding the capacity of the tangible asset is added to the cost of the property, plant and equipment.

3.8 Taxes

The income tax expense or credit for the year is the tax payable on the current year’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Income tax expense is recognized in the consolidated statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries operate and generate taxable income.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3.9 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables (Note 8) are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using effective interest method.

3.10 Borrowings

The Group has mortgage liabilities (Note 13.1) and convertible debenture (Note 13.2) as its borrowings.

Mortgage liabilities are initially recognized at fair value, net of transaction costs incurred. The mortgage liabilities are subsequently measured at amortized cost. Any difference between the proceeds and the redemption amount is recognized in the consolidated statement of loss over the period of the mortgage using the effective interest method. Fees paid on the establishment of mortgage are recognized as transaction costs of the mortgage. The mortgage liability is removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability that has been extinguished and the consideration paid, is recognized in the consolidated statement of loss as finance costs. Mortgage liabilities are classified as current liabilities unless the Group has an unconditional right defer settlement of the liability for at least 12 months after the reporting period. All mortgage costs are expensed in the period in which they are incurred.

The liability portion of a convertible bond is recognized initially at fair value determined using a market interest rate for an equivalent non-convertible bond. Subsequent to initial recognition, this amount is measured at amortized cost using the effective interest model until extinguished on conversion or maturity of the bonds. The equity component is recognized initially at the difference between the fair value of the proceeds and the fair value of liability portion. The equity component is not remeasured subsequent to initial recognition. Interest related to the financial liability is recognized in the consolidated statement of loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities (Note 14).

3.12 Revenue recognition

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

Regarding the cannabis concentrate sales, the Group has 2 revenue streams: White label production and tolling services. White label production requires the Group to purchase dried cannabis either through long term supply agreement or through spot purchases. The Group extracts, purifies and formulates products to the requirements of the Licensed Producers ("LP"). The Group sells the cannabis concentrates to the LP customers at wholesale prices. Revenue from white label production sales is recognized when control is transferred, being when delivered to LP customers. Tolling services work by LP partners supplying the Group with dried cannabis flower and the Group receives a tolling fee for producing cannabis concentrates. Revenue from tolling service is recognized when delivered to LP partner. Under tolling service agreements, the Group does not have any inventory risk since the control over the inventory stays at the LP and the Group's consideration is in the form of a fee.

With respect to contract liability, the Group collects cash in advance by selling cannabis oil. In such cases, the Group does not recognize revenue until the cannabis oil is delivered to the customer. By the end of fiscal year 2018, the Group does not have any contract liability.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Revenue from investment property rental is recognized at the time services are rendered.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Employee benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Share-based payments

Employees (including the senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using the Black Scholes Valuation Model. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or the credit in the consolidated statement of loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

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

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

Bonus provisions

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation and the Group is able to make a reliable estimate of the obligation.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

3.15 Events after the statement of financial position

Events after the statement of financial position date represent events that have occurred in favour or in opposition of the Group between the statement of financial position date and the date financial statements were approved. The Group adjusts the consolidated financial statements when there is evidence of events existing at or after the statement of financial position date that necessitate the adjusting of the consolidated financial statements. If events after the statement of financial position date do not necessitate the adjusting of the consolidated financial statements, the Group explains the events in a corresponding note to the consolidated financial statements (Note 27).

NOTE 4 – NON-CONTROLLING INTEREST

The details of non-wholly owned subsidiaries that have non-controlling interests:

			Ownership interest held by non-controlling interests	
Name of subsidiary	**Operation**	**Place of business**	**2018**	**2017**
MPL-AU	Cannabis oil	Australia	20%	49%

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 4 – NON-CONTROLLING INTEREST (Continued)

On August 14, 2018, the Company subscribed for an additional 145 MPL-AU ordinary shares. As a result, the Company's percentage ownership in MPL-AU increased from 51% to 80%. In exchange for the additional 145 ordinary shares, the Company paid CAD$500,000 (in full amount) in cash to MPL-AU and issued MPL-AU a promissory note for CAD$800,000 (in full amount). The difference between the amount paid for the additional shares and the net assets of MPL-AU after the additional investment was CAD$279 which was charged to deficit. The promissory note was unsecured, bared interest at 1% per annum and matured on September 30, 2018.

Since the construction of extraction facility at MPL-AU is still under way and no operation has started as of December 31, 2018, non-controlling interest is not material to the Group.

NOTE 5 – CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Banks		
-demand deposits	6,463	2,493
-term deposits	1,387	-
	7,850	**2,493**

The Group has term deposits with original maturities less than one month and with annual effective interest rate of 2% (2017: nil)

NOTE 6 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	December 31, 2018	December 31, 2017
Financial assets at amortized cost		
Cash and cash equivalents (Note 5)	7,850	2,493
Trade receivables (Note 8)	6,427	-
Other financial assets at amortized cost (1)	200	-
Financial assets at fair value through other comprehensive income (FVOCI) (2)	81	-
Available for sale financial asset (2)	-	50
	14,558	**2,543**

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 6 – FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

	December 31, 2018	December 31, 2017
Financial liabilities at amortized cost		
Trade payables (Note 8)	8,094	1,209
Mortgages payable (Note 13.1)	6,000	-
Convertible debenture (Note 13.2)	-	1,194
	14,094	**2,403**

(1) Other financial assets at amortized cost include the restricted cash with an original maturity of one year with an effective interest rate of 0.9%. This cash amount is pledged as security for corporate credit card liabilities.
(2) The Group's financial assets at FVOCI are all equity instruments which are unlisted securities. These investments were designated as available for sale in 2017 where management intended to hold them for medium to long term.

NOTE 7 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

7.1 Balances with related parties

As at December 31, 2018, the Group has CAD$16 (2017: CAD$19) due to related party balance. The balance is related with reimbursement of expenses. The amount is non-interest bearing, unsecured and due on demand.

7.2 Benefits provided to top management

The Group has determined that key management personnel consist of directors and officers. The remuneration to directors and officers during the period ended December 31, 2018 was CAD$878 (2017: CAD$73) included in consulting fees and salaries and benefits.

During the year ended December 31, 2018, the Group issued 3,403,200 options to its related parties for total share-based compensation of CAD$737 (2017: nil).

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

	December 31, 2018	December 31, 2017
Trade receivables	6,427	-
	6,427	**-**

Credit risk and aging analysis related to trade receivables are included in Note 24.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

	December 31, 2018	December 31, 2017
Payable to suppliers	7,992	1,208
Other	102	1
	8,094	**1,209**

Payable to suppliers arises in the ordinary course of business. Other includes the payable to financial institutions related to credit card payables. Trade payables are all short term natured with due dates less than 30 days.

NOTE 9 – INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	5,878	-
Work in progress	803	-
Finished goods	2,723	-
	9,404	**-**

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.

NOTE 10 – PREPAID AND DEPOSITS

	December 31, 2018	December 31, 2017
Deposit for building improvements and equipment (1)	2,294	364
Prepaid insurance	110	-
Prepaid rent	68	49
Prepaid realty taxes	23	-
Other (2)	200	5
	2,695	**418**

(1) Deposit for building improvements and machinery mainly include the deposit amount given for the new extraction equipment.
(2) Other includes the prepaid expense for software maintenance services, capital market advisory services, software licenses and marketing events and activities.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 11 – INVESTMENT PROPERTY

	January 1, 2018	Additions	Transfers	December 31, 2018
Cost				
Land	-	453	-	453
Building	-	1,634	-	1,634
	-	**2,087**	**-**	**2,087**
Less: Accumulated depreciation (-)				
Building	-	21	-	21
	-	**21**	**-**	**21**
Net book value	**-**	**2,066**	**-**	**2,066**

The total rental income recognized under revenue from contracts with customers is CAD$35 (2017: nil).

The investment property is leased to tenants under long-term operating leases with rental payable monthly. Minimum lease payments receivable on leases of investment property are as follows:

	December 31, 2018	December 31, 2017
Minimum lease payments receivable under non-cancellable operating leases of investment property not recognized in the consolidated financial statements are as follows:		
Within one year	93	-
Later than one year but not later than 5 years	56	-
Later than 5 years	-	-
	149	**-**

The carrying amount approximates fair value as the acquisition took place in September 2018.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	January 1, 2018	Additions	Disposals	Transfers	December 31, 2018
Cost					
Land	-	1,635	-	-	1,635
Building	-	4,716	-	3,785	8,501
Leasehold improvements	2,101	1,684	-	(3,785)	-
Computers	35	312	(15)	-	332
Office equipment	8	45	-	-	53
Machinery, plant equipment	-	4,038	-	-	4,038
Security equipment	-	370	-	-	370
	2,144	**12,800**	**(15)**	**-**	**14,929**
Less: Accumulated depreciation (-)					
Building	-	88	-	378	466
Leasehold improvements	-	378	-	(378)	-
Computers	-	50	-	-	50
Office equipment	-	5	-	-	5
Machinery, plant equipment	-	404	-	-	404
Security equipment	-	36	-	-	36
	-	**961**	**-**	**-**	**961**
Net book value	**2,144**	**11,839**	**(15)**	-	**13,968**

On September 28, 2018, the Group acquired the land and the building previously under lease. All leasehold improvements have been transferred to building on the acquisition.

	January 1, 2017	Additions	Transfers	December 31, 2017
Cost				
Leasehold improvements	-	2,101	-	2,101
Computers	-	35	-	35
Office equipment	-	8	-	8
	-	**2,144**	**-**	**2,144**
Less: Accumulated depreciation (-)				
Leasehold improvements	-	-	-	-
Computers	-	-	-	-
Office equipment	-	-	-	-
	-	**-**	**-**	**-**
Net book value	**-**	**2,144**	-	**2,144**

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT (Continued)

As at December 31, 2017, the assets were under construction and not ready for their intended use. As a result, the Group did not record any depreciation.

NOTE 13 – BORROWINGS

13.1 Mortgage payable

On October 10, 2018, the Group entered into first and second mortgages for CAD$6,000 which is secured against the land and building and a general security agreement on the assets of the Group. The first mortgage of CAD$3,000 bears interest at a floating rate at the greater of 7.5% per annum or the TD Canada Trust Posted Bank Prime Rate of interest plus 3.80% per annum. The interest on the second mortgage of CAD$3,000 bears interest of floating rate at the greater of 11% per annum or the TD Canada Trust Posted Bank Prime Rate of interest plus 7.30% per annum. The mortgages have a term of one year and can be repaid before maturity without penalty. At December 31, 2018, the balance is CAD$6,000.

13.2 Convertible debentures

On October 6, 2017, the Company issued secured convertible debentures (the "Debentures") for gross proceeds of CAD$1,315 with an annual 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 CAD$3 per share (full amount). The Debentures and accrued interest to October 1, 2018 were converted into 6,012,729 common shares of the Company in conjunction with the Transaction.

	2018	**2017**
As of January 1,	1,194	-
Issued convertible debenture	-	1,315
Portion attributed to equity	-	(184)
Equity portion accreted back to the loan (Note 22)	138	40
Accrued interest	82	23
Converted into common shares	(1,414)	-
As of December 31,	**-**	**1,194**

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS

14.1 Commitments under supply agreements

Under the wholesale supply agreements signed within the reporting period, the Group commits to sell 450kg of cannabis oil to licensed producers within 18 months. In the default of not delivering any or portion of committed product, the Group is subject to a late in-kind/cash payment. For the year ended

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS (Continued)

December 31, 2018, the Group fulfilled the committed amount for the reporting period and no penalty provision was estimated.

14.2 Given guarantees

MPL (wholly owned subsidiary of the Group) is the guarantor for the short-term mortgage financing for the land and building owned by MPL-P (wholly owned subsidiary of the Group).

NOTE 15 – OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Accrued expenses	277	15
Rental deposit	50	-
Accrued rent expense	-	87
	327	**102**

Accrued expenses mainly result from products and services received from third parties related to ordinary course of business.

NOTE 16 – EMPLOYEE BENEFITS

	December 31, 2018	December 31, 2017
Bonus accrual	300	-
Accrued payroll	137	-
Leave obligations	12	-
	449	**-**

The leave obligations cover the Group’s accrued annual leave which is classified as short-term benefits. The Group expects all employees to take the full amount of accrued leave within next 12 months since the unused leave days do not defer to the next year.

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Common shares issued

On January 2, 2017, the Company issued 570,600 shares of the Company with a fair value of CAD$90 for consulting services.

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On January 2, 2017, the Company closed a financing of CAD$740 and issued 4,691,600 shares.

On December 27, 2017, the Company issued 1,720,387 shares of the Company with a fair value of CAD$418 for consulting services.

On December 27, 2017, the Company issued 10,572,470 shares at CAD$0.236 per share (in full amount) for proceeds of CAD$2,502 as only a portion of the proceeds had been received. The 2,659,731 shares remaining were issued in January 2018 for proceeds of CAD$629.

In January 2018, the Company issued 118,000 shares of the Company with a fair value of CAD$28 for services performed.

On March 22, 2018, the Company closed a financing of CAD$2,964 and issued 10,102,270 units (the "Units"). Each Unit consisting of one share and warrant (the "Warrants"), entitling the holder to acquire one share at CAD$0.473 (in full amount) until the date that is two 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 CAD$175 and issued finder's warrants (the "Finder's Warrants") entitling the holder to acquire 596,505 Units of the Company at a price of CAD$0.293 per unit (in full amount) and an additional 596,505 warrants entitling the holder to acquire 596,505 common shares of the Company at a price of CAD$0.473 per share (in full amount). The fair value of the finder's warrants issued was estimated, using the Black Scholes option pricing model to be CAD$150 using the following assumptions: estimated volatility of 81%, expected life of 2.5 years and a risk-free rate of 1.81%.

On March 29, 2018, 3,170,000 stock options were exercised into common shares for proceeds of CAD$25. Pursuant to the issuance, CAD$9 was reclassified from reserves to share capital.

On April 20, 2018, the Company issued 634,000 common shares as a deposit for equipment. The fair value of the shares on the date of issuance was estimated at CAD$0.473 per share (in full amount) for total consideration of CAD$300.

On June 1, 2018 and June 29, 2018, the Company closed private placements and issued 26,254,840 units (the "June Units") for gross proceeds of CAD$22,317. 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 CAD$1.20 per common share (in full amount) until the date that is two years following the completion of the Transaction. The agents received a cash fee of CAD$1,282 together with 1,508,413 broker warrants (the "Broker Warrants"). The Broker Warrants are exercisable to acquire one June Unit at a price of CAD$0.85 (in full amount) until the date, which is two years following the completion of the Transaction. The Company also issued an additional 754,206 finder's warrants exercisable to acquire one common share of the Company at a price of CAD$1.20 per share (in full amount) for a period that is two years after the Transaction. The fair value of the Broker Warrants issued was estimated, using the Black Scholes option pricing model to be CAD$887 using the following assumptions: estimated volatility of 81%, expected life of 2.5 years and a risk-free rate of 1.90%.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

17.2 Stock options / Share based compensation

On January 2, 2018, the Company issued 3,613,800 stock options to acquire up to 3,613,800 shares with an exercise price of CAD$0.236 (in full amount) until January 2, 2023. The fair value of the options issued is estimated using the Black Scholes option pricing model, CAD$558 using the following assumptions: estimated volatility of 81%, expected life of 5 years and a risk-free rate of 1.89%.

On April 30, 2018, the Company issued 2,275,806 stock options with an exercise price of CAD$0.236 (in full amount) until April 30, 2023. The fair value of the options issued is, estimated using the Black Scholes option pricing model, CAD$462 using the following assumptions: estimated volatility of 81%, expected life of 5 years and a risk-free rate of 2.11%.

On October 24, 2018, the Company issued 3,000,000 stock options with an exercise price of CAD$1.68 (in full amount) until October 24, 2023. The stock options vest 20% on issuance and 20% every six months thereafter. The fair value of the options issued is, estimated using the Black Scholes option pricing model, CAD$945 using the following assumptions: estimated volatility of 81%, expected life of 5 years and a risk-free rate of 2.36%.

The expected life of the share options is based on historical data of similar companies (since the Group does not have sufficient historical data) and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

	2018		**2017**	
	Number of options	**Weighted average exercise price CAD$***	**Number of options**	**Weighted average exercise price CAD$***
As at January 1	3,170,000	0.008	-	-
Granted during the year	8,889,606	0.70	3,170,000	0.008
Options of POCML 4 Inc. at the time of Transaction (Note 17.4)	570,000	0.20	-	-
Exercised during the year	(3,170,000)	0.008	-	-
As at December 31	**9,459,606**	**0.69**	**3,170,000**	**0.008**

(*) CAD$ is in full amount

Weighted average remaining contractual life of options outstanding at end of period	4.35 years	1 year

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The expense recognized for employee services rendered during the year is as follows:

	2018	2017
Expense arising from equity-settled share-based payment transactions	1,965	-
	1,965	**-**

17.3 Share purchase warrants

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

	2018		2017	
	Number of warrants	Weighted average exercise price CAD$*	Number of warrants	Weighted average exercise price CAD$*
As at January 1	-	-	-	-
Issued – Private placements	23,229,381	0.88	-	-
Issued – Finder's warrants	1,193,010	0.38	-	-
Issued – Broker warrants	2,262,619	0.99	-	-
Exercised during the year	(672,733)	1.01	-	-
As at December 31	**26,012,277**	**0.86**	**-**	**-**

(*) CAD$ is in full amount

Weighted average remaining contractual life of options outstanding at end of period	1.75 years	-

17.4 Reverse takeover transaction

On October 1, 2018, the Corporation and 2645354 Ontario Inc., the Corporation's wholly owned subsidiary, completed a three-cornered amalgamation with MediPharm Labs Inc. (the "Transaction"), which served as a reverse takeover transaction. On the Transaction date, the Corporation changed its name from POCML 4 Inc. to MediPharm Labs Corp. In connection with the Transaction, the amalgamated entity (named MediPharm Labs Inc.) is a wholly owned subsidiary of the Corporation.

POCML 4 Inc. had 5,000,000 common shares issued and outstanding immediately prior to the closing of the Transaction. Upon the completion of the Transaction, POCML 4 Inc. had 96,866,628 common shares outstanding with the former shareholders of MediPharm Labs Inc. holding 91,866,628 common shares (approximately 95%).

The Transaction does not qualify as a business combination under IFRS 3, because the acquisition accounting (POCML 4 Inc.) did not meet the definition of a business.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 17 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As a result, for accounting purposes, the Transaction is being accounted for as a reverse takeover asset acquisition with MediPharm Labs Inc. identified as the acquirer and the net assets of POCML 4 Inc. being treated as the acquired assets and the share-based payment under IFRS 2 related to the acquisition of the public company listing. Accordingly, the consolidated financial statements are presented as a continuation of MediPharm Labs Inc. which has a financial year end of December 31. Share and share equivalent disclosures have been restated to reflect the exchange ratio of 12.68 shares of POCML 4 Inc. issued to the shareholders of the MediPharm Labs Inc. for each share of MediPharm Labs Inc., that were outstanding immediately before the Transaction. Consideration paid by the acquirer is measured at the fair value of the equity issued to the shareholders of POCML 4 Inc., CAD$4,250 (5,000,000 shares at CAD$0.85 per share (in full amount)) with the excess amount above the fair value of the net assets acquired, treated as listing expense in the consolidated statement of loss.

The assets acquired and liabilities assumed at their fair value on the acquisition date are as follows:

Shares outstanding prior to the Transaction	5,000,000
Price per share (CAD$ in full amount)	0.85
Fair value of shares	4,250
Fair value of existing and options of POCML 4 Inc.	407
Fair value of net assets, including cash of CAD$461	(427)
December 31, 2018	**4,230**

NOTE 18 – REVENUE

The Group derives revenue from the transfer of goods and services over time and at a point in time.

The Group’s revenue at a point in time come from the sales of cannabis concentrates to licensed producers (“LP”) at wholesale prices and tolling fee for producing cannabis concentrates under tolling agreements with LP partners. The Group’s revenue over the time come from investment property rental income.

	2018	**2017**
At a point in time	10,163	-
Over time	35	-
	10,198	**-**

The Group started sales of cannabis concentrates after receiving a sales license on November 12, 2018; therefore, no revenue has been recognized before this date.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 18 – REVENUE (Continued)

The Group's sales at a point in time only consist of white label production sales for the year ending 2018. No tolling revenue was recognized for the year ending 2018. The Group has acquired the investment property on October 2018; therefore, no revenue has been recognized before this date.

Revenue of CAD$9,091 (2017: nil) is derived from a single external customer. All of the Group's revenue is domiciled in Canada.

NOTE 19 – GENERAL ADMINISTRATIVE AND MARKETING AND SELLING EXPENSES

	2018	**2017**
Personnel expenses	1,600	9
Consulting and professional fees	1,182	641
Depreciation	231	-
Travel and entertainment	177	81
Rent and occupancy cost	140	201
Filing fees and shareholder communications	69	-
Other (1)	157	15
Total general administrative expense	**3,556**	**947**

(1) Other includes office related expenses, insurance, utility expenses and subscriptions.

	2018	**2017**
Investor relations	517	-
Advertising and promotion (1)	229	-
Personnel expenses	203	-
Depreciation	116	-
Travel and entertainment	100	-
Rent and occupancy cost	34	-
Other (2)	73	-
Total marketing and selling expense	**1,272**	**-**

(1) Advertising and promotion expenses cover the digital marketing, events and conferences and other advertisement related activities.
(2) Other includes sponsorships, office related expenses and utilities.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 20 – OTHER OPERATING EXPENSE

	2018	**2017**
Start-up and pre-manufacturing cost (1)	964	-
Foreign exchange loss	25	-
Bank and financial institution service fees	7	1
	996	**1**

(1) The Group started its production activities towards the end of September 2018. Until this time, the Group performed testing and research into production, which includes the procurement of some sample raw materials, recruitment of indirect personnel to train, implementation of machineries to be used during production and procurement of supplies to start up the operations. All these expenses, which are classified as start-up and pre-manufacturing cost, are as follows:

	2018	**2017**
Research and development of products	261	-
Personnel expense	253	-
Depreciation	246	-
Supplies and small equipment	147	-
Machinery maintenance	19	-
Other	38	-
Startup and pre-manufacturing cost	**964**	**-**

NOTE 21 – EXPENSES BY NATURE

	2018	**2017**
Supplies and inventory (including pre-manufacturing cost)	5,469	-
Personnel expenses	2,475	9
Consulting and professional fees (1)	1,199	619
Depreciation (Notes 11,12)	982	-
Investor relations	517	-
Rent and occupancy cost (2)	289	201
Travel and entertainment	276	81
Advertising and promotion	229	-
Machinery maintenance	106	-
Filing fee and shareholder communications	69	-
Other (3)	444	38
	12,055	**948**

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 21 – EXPENSES BY NATURE (Continued)

(1) Consulting and professional fees are related to legal and accounting services and various consulting services used during the start up of the Group and during the Transaction.
(2) Rent and occupancy cost include the maintenance and security cost and the incurred rent expense of the facility at Barrie until its acquisition time.
(3) Other includes freight and shipping cost, regulatory fees, sponsorships, office related expenses, utilities, foreign exchange loss and bank service fees.

NOTE 22 – FINANCE INCOME / EXPENSES

	2018	**2017**
Interest income	64	16
Total finance income	**64**	**16**
Interest expense	226	23
Accretion expense	138	40
Finance fees	114	-
Total finance expense	**478**	**63**

NOTE 23 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS

23.1 Income tax

The taxes on income reflected on the consolidated statement of loss for the year ended December 31 are summarized below:

	2018	**2017**
Current income tax expense	-	-
Deferred tax income/expense	-	-
Total income tax	**-**	**-**

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 23 – INCOME TAX EXPENSE/RECOVERY AND DEFERRED TAX ASSETS (Continued)

Reconciliation of income tax is as below:

	2018	**2017**
Loss before tax	(8,466)	(995)
Tax recovery based on statutory rate	2,243	259
Tax effect of amounts which are not deductible	(1,654)	(4)
Adjustments for current tax of prior years	-	32
Difference in overseas tax rates	4	-
Change in unrecognized deferred tax assets	(593)	(287)
Total income tax	-	-

The tax rate above is computed using the Federal and Ontario statutory Canadian tax rate. The Corporation is resident in Canada but has operations in Australia. The enacted blended tax rates relevant to the computation of tax are: Canada 26.5% (2017: 26.0%) and Australia 27.5% (2017: 27.5%).

As at December 31, 2018, the total unused tax losses for which no deferred tax asset has been recognized is CAD$3,384 (2017: CAD$1,028) and the potential tax benefit is CAD$810 (2017: CAD$275). As at December 31, 2018, the total temporary difference for which no deferred tax asset has been recognized is CAD$5,984 (2017: nil) and the potential tax benefit is CAD$1,585 (2017: nil). Since the Group is in the early stage of operations, a deferred tax asset was not recognized for the unused tax losses and other temporary differences.

The Group has Canadian non-capital losses of approximately CAD$3,053 which expire in 2035 to 2038, and Australian tax losses of CAD$331 which can be carried forward indefinitely. The Group has share issuance costs of CAD$2,129 which will be deducted against taxable income over the next four years.

NOTE 24 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group is exposed to a variety of financial risks due to its operations. These risks include credit risk, market risk (foreign exchange risk and interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Financial risk management is carried out by the Subsidiaries of the Group under policies approved by the Company's Board of Directors.

(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Canadian dollars (CAD$) unless otherwise stated.)

NOTE 24 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

24.1 Credit risk

Credit risk arises from deposits with banks and financial institutions and outstanding receivables. Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. As of end of December 31, 2018, the Group has significant concentration of credit risk on outstanding receivables; however, management considers that the customers that the Group is working with have low credit risk. In addition, the Group gets 50% of sales value in advance.

The Group does not have any past due outstanding receivables and the expected loss rate for undue balance is estimated to be nominal.

24.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at banks and financial institutions of CAD$7,850 (2017: CAD$2,493) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the management maintains flexibility in funding by maintaining a minimum cash level at banks and financial institutions.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities At December 31, 2018	Less than 6 month	6-12 months	Total contractual cash flows	Carrying amount
Trade payables	8,094	-	8,094	8,094
Mortgage payable	277	6,231	6,508	6,000
Total financial liabilities	**8,371**	**6,231**	**14,602**	**14,094**

Contractual maturities of financial liabilities At December 31, 2017	Less than 6 month	6-12 months	Total contractual cash flows	Carrying amount
Trade payables	1,209	-	1,209	1,209
Convertible debenture	-	1,194	1,194	1,194
Total financial liabilities	**1,209**	**1,194**	**2,403**	**2,403**

NOTE 24 –FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (Continued)

24.3 Market risk

Market risk is the risk that changes in market price in cannabis flower, foreign exchange rates, interest rates affecting the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Foreign currency risk

Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. As of the end of the reporting period, the Group does not have significant foreign currency exposure.

(ii) Interest rate risk

The Group is exposed to interest rate risk through floating interest rates at the greater of fixed interest rate declared by Mortgage Agreement or floating interest rate. As at December 31, 2018, the fixed interest rate is greater than the floating interest rate; therefore, the Group is not exposed to interest rate risk. The Group has CAD$6,000 mortgage payable and the maturity of this financial instrument is less than 1 year. Therefore, the management believes that the Group's fair value interest rate risk is not significant to its consolidated financial statements.

24.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management defines capital as the Company's shareholder's equity and debt. As at December 31, 2018, total managed capital is CAD$33,649 (2017: CAD$4,068).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

NOTE 25 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The judgements and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, The Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

NOTE 25 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The Group's cash and cash equivalents are classified as Level 1 whereas other financial assets (trade receivables) are classified as Level 2. Carrying values of significant portion of financial assets do not differ significantly from their fair values due to their short-term nature. Equity investments at fair value through other comprehensive income are not traded in an active market and valuation techniques with Level 3 inputs are not available based on market conditions. Considering the significance of the equity investment amount, the fair value of these financial assets is assumed to approximate their carrying value.

The Group's mortgage payables and convertible debenture are classified as Level 1 whereas other financial liabilities (trade payables) are classified as Level 2. Fair values of financial liabilities (mortgage payable and trade payables) are assumed to approximate their carrying values due to their short term and floating interest rates.

NOTE 26 – SEGMENT INFORMATION

The Group operates in one segment, the production and sales of cannabis oil. Non-current assets located outside of Canada is CAD$903 (2017: CAD$2) and made up of property, plant and equipment.

All revenues were principally generated in Canada during the year ended December 31, 2018.

NOTE 27 – EVENTS AFTER THE REPORTING PERIOD

27.1 Issued stock options

The Board of Directors of the Company has approved a grant of stock options under its stock option plan to purchase an aggregate of 791,000 common shares in the capital of the Company at an exercise price of CAD$3.34 (in full amount) per share for a five-year term expiring March 29, 2024. Each grant vests in five equal instalments, the first of which vests immediately with the four other instalments vesting on the dates which are six, twelve, eighteen and twenty-four months from the grant date. The stock options were granted to the employees of the Company.

The Board of Directors of the Company has approved a grant of stock options under its stock option plan to purchase an aggregate of 790,500 common shares in the capital of the Company at an exercise price of CAD$1.96 (in full amount) per share for a five-year term expiring February 4, 2024. Each grant vests in five equal instalments, the first of which vests immediately with the four other instalments vesting on the

NOTE 27 – EVENTS AFTER THE REPORTING PERIOD (Continued)

dates which are six, twelve, eighteen and twenty-four months from the grant date. The stock options were granted to the employees of the Company.

The Board of Directors of the Company has approved a grant of stock options under its stock option plan to purchase an aggregate of 5,300,900 common shares in the capital of the Company at an exercise price of CAD$2 (in full amount) per share for a five-year term expiring January 8, 2024. Each grant vests in five equal instalments, the first of which vests immediately with the four other instalments vesting on the dates which are six, twelve, eighteen and twenty-four months from the grant date. The stock options were granted to the directors, officers, employees and consultants of the Company.

27.2 Exercised stock options and warrants

Subsequent to year end, 5,763,706 stock options were exercised into common shares for proceeds of CAD$1,365, of which CAD$13 was received during the year ended December 31, 2018. Out of this amount, 3,043,200 stock options were exercised by the officers and directors of the Group.

Subsequent to year end, 1,952,529 warrants were exercised for the gross proceeds of CAD$1,809.

27.3 Agreements with commitments

On February 12, 2019, the Group entered into a private label supply agreement with a *Cannabis Act* licenced cultivator where the Group committed to delivering an aggregate of $27 million of cannabis oil within a 12-month period. In addition, the licenced cultivator has the option to increase its purchase commitment by $13.5 million within the same period.
