Cannabis Wheaton Income Corp.

d.b.a Wheaton Income

(formerly Knightswood Financial Corp).

Condensed Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2017

Stated in Canadian Funds

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

CANNABIS WHEATON INCOME CORP.
(FORMERLY KNIGHTSWOOD FINANCIAL CORP)
Canadian Funds
Unaudited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

		September 30 2017		December 31 2016
Assets				
Current assets				
Cash and cash equivalents	$	26,142,920	$	306,803
Note receivable (Note 4)		650,000		-
Prepaid expenses		184,868		-
Other receivables		245,914		108,544
		27,223,702		415,347
Non-current assets				
Investee companies (Note 5)		1,598		1,598
Deposits		250,000		-
Restricted marketable securities (Note 8a)		6,400,000		-
Property, plant and equipment (Note 6)		53,225		-
Intangible assets (Note 7)		1,441,843		-
Streaming interest (Note 8b)		8,800,000		-
		16,946,666		1,598
Total assets	$	44,170,368	$	416,945
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	225,711	$	32,958
Interest payable on convertible debenture		460,000		-
		685,711		32,958
Non-current liabilities				
Convertible debenture (Note 9)		24,681,861		-
Long-term loans (Note 10)		1,211,635		-
		25,893,496		-
Total liabilities		26,579,207		32,958
Shareholders' Equity				
Share capital (Note 11)		4,497,017		1,758,106
Reserves (Note 11)		23,430,176		190,041
Accumulated other comprehensive income		200,000		-
Deficit		(10,536,032)		(1,564,160)
		17,591,161		383,987
Total liabilities and shareholders' equity	$	44,170,368	$	416,945

Commitments (Note 15)
Subsequent events (Note 16)

The condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2017 and were signed on its behalf by:

(s) Chuck Rifici
Chuck Rifici

(s) Brandon Boddy
Brandon Boddy

CANNABIS WHEATON INCOME CORP.
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Canadian Funds
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CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	Nine-months Ended September 30 2017	Nine-months Ended September 30 2016	**Three-months Ended September 30 2017**	Three-months Ended September 30 2016
Revenues				
Administration fee	**$ -**	$ 180,607	**$ -**	$ 73,125
Expenses				
Wages and salaries	**693,556**	-	**693,556**	-
Director fees (Note 12)	**8,000**	-	**-**	-
General and administration	**633,871**	150,453	**496,402**	53,124
Professional fees	**2,796,472**	-	**1,335,128**	-
Business development	**3,547,339**	-	**2,256,983**	-
Share-based payments (Note 11c)	**147,000**	-	**-**	-
Depreciation	**1,293**	-	**1,293**	-
Total expenses	**7,827,531**	150,453	**4,783,362**	53,124
Income (loss) from operations before other items	**(7,827,531)**	30,154	**(4,783,362)**	20,001
Other items				
Interest income	**32,675**	2,102	**32,675**	706
Interest expense	**(460,000)**	-	**(460,000)**	-
Accretion expense	**(717,016)**	-	**(692,586)**	-
Gain from sale of investment	**-**	81,113	**-**	-
	(1,144,341)	83,215	**(1,119,911)**	706
Net income (loss) before income tax	**(8,971,872)**	113,369	**(5,903,273)**	20,707
Tax expense	**-**	(8,500)	**-**	(5,400)
Net income (loss)	**$ (8,971,872)**	$ 104,869	**$ (5,903,273)**	$ 15,307
Other comprehensive income (loss)				
Fair value change on fair value through other comprehensive income investment	**$ 200,000**	$ -	**$ 200,000**	$ -
Total comprehensive income (loss)	**$ (8,771,872)**	$ 104,869	**$ (5,703,273)**	$ 15,307
Net income (loss) per common share				
Basic and diluted	**$ (0.06)**	$ 0.03	**$ (0.03)**	$ 0.00
Weighted average number of shares outstanding				
Basic and diluted	**139,172,611**	3,011,667	**199,583,181**	3,011,667

CANNABIS WHEATON INCOME CORP.
(FORMERLY KNIGHTSWOOD FINANCIAL CORP)
Canadian Funds
Unaudited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital		Reserves						
	Number of Shares	Share Capital	Warrants	Contributed Surplus	Special Warrants	Convertible Debenture	Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity
Balance January 1, 2016	9,035,001	$1,758,106	$ -	$ 190,041	$ -	$ -	$ (1,334,583)	$ 81,113	$ 694,677
Reversal on available for sale investments sold	-	-	-	-	-	-	-	(81,113) -	81,113
Net income for the period	-	-	-	-	-	-	82,324	-	82,324
	9,035,001	1,758,106	-	190,041	-	-	(1,252,259)	-	695,888
Balance March 31, 2016									
Net income for the period	-	-	-	-	-	-	7,238	-	7,238
Balance June 30, 2016	9,035,001	1,758,106	-	190,041	-	-	(1,245,021)	-	703,126
Net income for the period	-	-	-	-	-	-	15,307	-	15,307
Balance September 30, 2016	9,035,001	$1,758,106	$ -	$ 190,041	$ -	$ -	$ (1,229,714)	$ -	$ 718,433

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

	Share Capital			Reserves					
	Number of Shares	Share Capital	Warrants	Contributed Surplus	Special Warrants	Convertible Debenture	Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity
Balance January 1, 2017	**9,035,001**	**$1,758,106**	**$ -**	**$ 190,041**	**$ -**	**$ -**	**$ (1,564,160)**	**$ -**	**$ 383,987**
Units issued on exercise of January 20 special warrants issued	**60,927,546**	**740,033**	**376,972**	**-**	**-**	**-**	**-**	**-**	**1,117,005**
Units issued on private placement March 13	**54,818,319**	**638,451**	**366,552**	**-**	**-**	**-**	**-**	**-**	**1,005,003**
Units issued on private placement March 20	**21,713,649**	**252,711**	**145,373**	**-**	**-**	**-**	**-**	**-**	**398,084**
Shares issued on exercise of warrants	**4,370,481**	**101,978**	**-**	**-**	**-**	**-**	**-**	**-**	**101,978**
Fair value transfer on exercise of warrants	**-**	**27,040**	**(27,040)**	**-**	**-**	**-**	**-**	**-**	**-**
Share issuance costs	**-**	**(24,230)**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,230)**
Share-based payments	**-**	**-**	**-**	**147,000**	**-**	**-**	**-**	**-**	**147,000**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,485,130)**	**-**	**(1,485,130)**
Balance March 31, 2017	**150,864,996**	**3,494,089**	**861,857**	**337,041**	**-**	**-**	**(3,049,290)**	**-**	**1,643,697**
Special warrants issued on private placement June 29, net of issuance costs	**-**	**-**	**-**	**-**	**18,183,257**	**-**	**-**	**-**	**18,183,257**
Broker warrant units issued on private placement June 29	**-**	**-**	**-**	**1,596,402**	**-**	**-**	**-**	**-**	**1,596,402**
Shares issued on exercise of warrants	**23,541,627**	**541,457**	**-**	**-**	**-**	**-**	**-**	**-**	**541,457**
Fair value transfer on exercise of warrants	**-**	**145,657**	**(145,657)**	**-**	**-**	**-**	**-**	**-**	**-**
Equity component of convertible debentures issued on private placement June 29	**-**	**-**	**749,022**	**-**	**-**	**1,916,411**		**-**	**2,665,433**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(1,583,469)**	**-**	**(1,583,469)**
Balance June 30, 2017	**174,406,623**	**4,181,203**	**1,465,222**	**1,933,443**	**18,183,257**	**1,916,411**	**(4,632,759)**	**-**	**23,046,777**
Shares issued on exercise of warrants	**10,317,135**	**247,657**	**-**	**-**	**-**	**-**	**-**	**-**	**247,657**
Fair value transfer on exercise of warrants	**-**	**68,157**	**(68,157)**	**-**	**-**	**-**	**-**	**-**	**-**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(5,903,273)**	**-**	**(5,903,273)**
Changes in fair value of marketable securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**200,000**	**200,000**
Balance September 30, 2017	**184,723,758**	**$4,497,017**	**$ 1,397,065**	**$ 1,933,443**	**$18,183,257**	**$ 1,916,411**	**$(10,536,032)**	**$ 200,000**	**$ 17,591,161**

CANNABIS WHEATON INCOME CORP.
(FORMERLY KNIGHTSWOOD FINANCIAL CORP)
Canadian Funds
Unaudited

Condensed Consolidated Interim Statements of Cash Flows

	Nine-months Ended September 30 2017	Nine-months Ended September 30 2016
Operating activities		
Net income (loss) for the period	$ (8,971,872)	$ 104,869
Items not affecting cash		
Depreciation	1,293	-
Share-based payments (Note 11c)	147,000	-
Gain from sale of investment	-	(81,113)
Accretion expense (Note 9, 10)	717,016	-
Income tax expense	-	8,500
	(8,106,563)	32,256
Net change in non-cash working capital		
Other receivables	(137,370)	2,208
Prepaid expenses	(184,868)	-
Accounts payable and accrued liabilities	192,753	(3,692)
Interest payable on convertible debentures	460,000	-
Cash generated from (used in) operating activities	(7,776,048)	30,772
Income tax paid	-	(2,636)
Net cash used in operating activities	(7,776,048)	28,136
Investing activities		
Deposits to streaming partners	(250,000)	-
Issuance of note receivable (Note 4)	(650,000)	-
Purchase of capital assets (Note 6)	(54,518)	-
Purchase of intangible assets (Note 7)	(2,200,000)	-
Purchase of restricted investments (Note 8a)	(6,200,000)	-
Investment in streaming interest (Note 8b)	(8,800,000)	-
Proceeds from sale of investments	-	100,000
Acquisitions of investee companies	-	(690)
Deposition of investee companies	-	126
Net cash used in investing activities	(18,154,518)	99,436
Financing activities		
Proceeds from special warrant and unit issuances (Note 11b)	21,277,829	-
Proceeds from convertible debentures (Note 9)	27,685,662	-
Proceeds on issuances from warrants exercised (Note 11d)	891,092	-
Proceeds on long-term debt (Note 10)	1,912,100	-
Net cash from financing activities	51,766,683	-
Net increase in cash and cash equivalents	25,836,117	127,572
Cash position, beginning of period	306,803	566,712
Cash position, end of period	$ 26,142,920	$ 694,284

1. Nature of operations and going concern

Cannabis Wheaton Income Corp. (the “Company”) is a publicly traded company listed on the TSX Venture Exchange under the symbol “CBW”, and was incorporated in British Columbia, Canada. The principal business address is located at 777 Richmond Street West, Toronto, Ontario

a) Historical business of the Company

Historically, the Company's investments have been in private companies (the "Investee Companies") so as to provide those companies with the ability to issue debt instruments that are eligible for registered plans as defined in the Income Tax Act (Canada).

In January 2017, the Company and Knightswood Holdings Ltd. ("Holdings") entered into an assignment agreement under which the Company transferred all of its right, title and interest in the Investee Companies and all the contracts it has with the Investee Companies to Holdings. Holdings is a wholly owned subsidiary of the Company incorporated to holding the Company's equity interest in the Investee Companies and administering the contracts between the Company and the Investee Companies.

b) Updated investment strategy

In the third quarter of 2016, the Company commenced its search for investment opportunities outside of holding interests in the Investee Companies and identified the cannabis industry to be of interest for future investments. In order to initiate its investment portfolio in the cannabis industry, the Company completed several financings in January, March, and June 2017.

In the second quarter of 2017, the Company closed on its agreement with PanCann Streaming Corp. ("PSC"), to acquire the rights to all of PanCann’s interests in 13 executed streaming agreements and assume the rights to several other agreements in the final stages of negotiation between PanCann and various Licensed Producers or companies that have applied to become Licensed Producers. The Company also entered into an agreement with 2557788 Ontario Ltd. (“255”) to acquire all of 255’s interest in patient outreach and services agreements between 255 and 5 patient outreach and service providers.

In the third quarter of 2017, the Company closed on its agreement with Abcann Global Corporation (“ABcann”) to fund the construction of 50,000 square feet of cultivation space at ABcann’s proposed cannabis cultivation facility in exchange for 50% of the proceeds of future wholesale or retail sales completed by ABcann with respect to cannabis produced in the expanded production space.

2. Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss and fair value through comprehensive income, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

Since the Financial Statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2016.

2. Basis of preparation (continued)

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of Financial Statements in accordance with IAS 1 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period ended September 30, 2017. These financial statements were approved and authorized for issue by the Board of Directors on November 28, 2017.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The estimates used in preparing the Financial Statements are the same as those followed in preparing the most recent audited annual consolidated financial statements other, except for financial instruments classified as financial instruments at fair value through profit and loss and fair value through other comprehensive income, than the items listed below.

a) Inputs when using Black-Scholes valuation model

The estimates used in determining the stock option and warrant fair values, utilizes estimates made by management in determining the appropriate input variables in the Black-Scholes valuation model. Inputs are subject to estimates include volatility, forfeiture rates, estimated lives and market rates.

b) Discount rate

The discount rate used to calculate the net present value of the convertible debentures and the notes payable are based on management's best estimates of an approximate industry peer group weighted average cost of capital and management's best estimate of the Company's risk levels. Changes in the general economic environment could result in significant changes to this estimate.

3. Significant accounting policies

The accounting policies and methods of computation followed in preparing the Financial Statements are the same as those followed in preparing the most recent audited annual consolidated financial statements other than the items listed below.

a) Changes in accounting policies

The Company has early adopted IFRS 9 Financial Instruments with a date of initial application of January 1, 2017. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

3. Significant accounting policies (continued)

b) Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

3. Significant accounting policies (continued)

Impairment

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Summary of the Company’s classification and measurements of financial assets and liabilities

	IFRS 9		IAS 39	
	Classification	**Measurement**	**Classification**	**Measurement**
Cash and cash equivalents	FVTPL	Fair value	Loans and receivables	Amortized cost
Other receivables	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Note receivable	Amortized cost	Amortized cost	Loans and receivables	Amortized cost
Investee companies	FVTPL	Fair value	Available-for-sale investment	Fair Value
Restricted marketable securities	FVOCI	Fair value	Available-for-sale investment	Fair Value
Trade and other payables	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Convertible debenture	Amortized cost	Amortized cost	Other liabilities	Amortized cost
Interest payable on convertible debt	Amortized cost	Amortized cost	Other liabilities	Amortized cost

3. Significant accounting policies (continued)

c) Intangible assets

Intangible assets, either acquired as a result of an acquisition or developed internally, are assets that can be identified, are controlled by the Company and provide future economic benefits to the Company. Intangible assets are recognized at cost and, unless determined to have an indefinite life, are amortized over their expected useful life. Intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that the assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of the asset is estimated to be less than the carrying amount, the carrying amount is reduced to its recoverable amount. The Company derecognizes the carrying amount of intangible assets on disposal or when no future economic benefits are expected from its use.

d) Share capital and share-based payments

The Company has a stock option plan for directors, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche’s vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus. When options are exercised, the amount received is credited to share capital and the fair value attributed to these options is transferred from contributed surplus to share capital.

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Contributed surplus includes amounts in connection with conversion options embedded in compound financial instruments, stock-based compensation and the value of expired options and warrants. Deficit includes all current and prior period income and losses.

e) Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or upon expiration, where the carrying value of the equity portion is transferred to common shares or contributed surplus.

3. Significant accounting policies (continued)

f) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses are determined by comparing the proceeds from disposal and the carrying amount of the asset and are recognized in the profit and loss statement. Depreciation is calculated using the straight-line method over the useful life of each asset as follows:

- Computer Equipment 5 years
- Office Furniture 8 years

Depreciation methods, useful lives, and estimated residual values are reviewed at each financial year end.

4. Note receivable

On August 9, 2017, the Company issued a note receivable with a principal value of $650,000. The note has a maturity date of December 31, 2017 and interest is accrued on the outstanding value of the principal at 1% per annum. The note is secured by an interest in the Debtor’s property and assets, which include securities in the capital of Curative Cannabis. The fair value of the note approximates its carrying amount.

5. Investee Companies

As indicated in Note 1, the historical business of the Company led to the Company owning several investee companies (“Investee Companies”). The Investee Companies are unconsolidated structured entities as defined under IFRS 12, referred to as structured entities not controlled by an entity. The Company is a party to a put option regarding each Investee Company, which allows the Company to sell all the shares of the Investee Company to a third party affiliated with the Investee Company. The option price is generally the amount the Company paid for the shares of the Investee Company, between $1 and $100.

The maximum exposure to loss from the Company's interest in the Investee Companies is the cost of the shares, which was $1,598 at September 30, 2017 ($1,598 at December 31, 2016).

a) Acquisitions and dispositions

During the year ended December 31, 2016, the Company acquired 60% of the issued and outstanding shares of a company for $600 and 90% of the issued and outstanding shares of a start-up company for $90. Also during the year, the Company dissolved an Investee Company which had never commenced operations since incorporation and disposed of an Investee Company for $51 which ceased operations after it redeemed all its bonds in 2015. No gain or loss was recorded from these dispositions.

At September 30, 2017 and December 31, 2016, the Company had 22 Investee Companies.

b) Transactions with Investee Companies

The administrative agreement into which the Company and each individual Investee Company entered provides that the Investee Company pays to the Company a fee determined based upon the outstanding debenture balance of the Investee Company at the end of a period. For nine months ended September 30, 2017, the Company reported administration fees of $Nil (September 30, 2016 - $180,607).

6. Property, plant and equipment

	Computer Equipment	Office Furniture	Total
Cost:			
BALANCE AT DECEMBER 31, 2016	$ -	$ -	**$ -**
Additions	41,214	13,304	**54,518**
Dispositions	-	-	**-**
BALANCE AT SEPTEMBER 30, 2017	$ 41,214	$ 13,304	$ **54,518**
Accumulated depreciation:			
BALANCE AT 31 DECEMBER 2016	$ -	$ -	**$ -**
Depreciation	1,115	178	**1,293**
BALANCE AT 30 SEPTEMBER 2017	$ 1,115	$ 178	**$ 1,293**
Carrying amounts:			
BALANCE AT 31 DECEMBER 2016	$ -	$ -	**$ -**
BALANCE AT 30 SEPTEMBER 2017	$ 40,099	$ 13,216	**$ 53,225**

7. Intangible assets

	Patient Referral Agreements	Streaming Agreements	Total
BALANCE AT DECEMBER 31, 2016	$ -	$ -	**$ -**
Additions	838,369	603,474	**1,441,843**
Dispositions	-	-	**-**
BALANCE AT SEPTEMBER 30, 2017	$ 838,369	$ 603,474	**$ 1,441,843**

a) Patient referral agreement purchases

On April 18, 2017, the Company entered into a purchase agreement with 2557788 Ontario Ltd. ("255"), a private Ontario company acting at arm's length to the Company, pursuant to which the Company acquired all of 255's interests in certain patient outreach and services agreements between 255 and several different patient outreach and service providers for total consideration of $1,200,000, which included cash of $288,000 on closing and the assumption of a promissory note in a separate legal agreement. The present value of the loan was originally calculated at $550,369, and as at September 30, 2017, no amortization has been recorded as the assets are not yet in use.

b) Streaming agreement purchases

On April 27, 2017, the Company entered into a purchase agreement with PanCann Streaming Corp. ("PSC"), a private Ontario company, acting at arm's length to the Company, pursuant to which the Company acquired all of PSC's interests in certain binding interim streaming agreements between PSC and various licensed producers and LP applicants. In consideration of the acquisition, the Company entered into a loan to PanCann Streaming Corp. for $1,000,000, which formed the purchase consideration on closing of the Acquisition. See note 10 for further details on the loan. The present value of the loan was originally calculated at $603,479. As at September 30, 2017, no amortization has been recorded as the assets are not yet in use. Both the 255 and PSC transactions have been accounted for as asset acquisitions.

8. ABcann investment

On July 10, 2017, the Company entered into an agreement to purchase $15,000,000 of ABcann Global Corporation ("ABcann") shares. On August 1, 2017, 6,666,666 shares were purchased at an agreed upon valuation of $2.25 per ABcann share.

The investment forms part of a larger phased investment by the Company to fund the expansion of 50,000 square feet of pure cultivation space of ABcann's proposed cannabis cultivation facility located in Napanee, Ontario and known as the Kimmett facility. As part of the agreement with ABcann, the Company also committed to invest a further $15,000,000, on the earlier of March 31, 2018 or within 10 days of the Company raising an aggregate of $150,000,000 in financing. The shares will be issued at a price equal to the greater of two times the current trading price and $2.25. The investment is made pursuant to an interim agreement entered into between ABcann and the Company on May 29, 2017 whereby upon completion of the full investment and construction of the expansion, the Company will be entitled to 50% of the cultivation yield generated by Kimmett facility. All cannabis product produced that is allocated to the Company will be sold by ABcann through its ordinary distribution channels or wholesale transferred in bulk at the request of the Company to another legal purchaser.

a) Restricted marketable securities

The investment in common shares is held for long-term purposes and not intended for trading. Upon the adoption of IFRS 9, Financial Instruments, the Company has made an irrevocable election to designate these long-term investments in common shares held as Financial Assets at Fair Value Through Other Comprehensive Income as it believes this provides a more meaningful presentation for long-term investments, rather than reflecting changes in fair value in net earnings. Fair value is assessed at the end of each financial reporting period and any gains/losses are recorded in Other Comprehensive Income. The Company has allocated $6,200,000 of the $15,000,000 investment as a FVTOCI investment, based on the fair market value of the ABcann shares on the share purchase date. The shares are restricted for trading for a period of 4 months from the purchase date.

	Restricted Marketable Securities
FAIR VALUE AS OF AUGUST 1, 2017	$ 6,200,000
Fair value change of fair value through other comprehensive income	200,000
BALANCE AT SEPTEMBER 30, 2017	$ 6,400,000

b) Streaming interest

The Company has allocated $8,800,000 of the $15,000,000 investment in ABcann as a streaming interest asset. This amount represents the premium paid by the Company over and above the fair market value of the shares on the date of the agreement.

9. Convertible debenture

On June 29, 2017, the Company completed a brokered private placement of unsecured convertible debentures units in the aggregate amount of $30,000,000. Each convertible debenture unit consists of a $1,000 principal amount of unsecured convertible debentures and 500 share purchase warrants.

The debentures bear interest at 6% per annum, payable semi-annually and mature 24 months. The principal amount of the debentures will be convertible into common shares of the Company at a price of $1.00 per share, at the option of the holder. The fair value of the debenture was recorded at its fair value of $24,022,537, discounted at a market interest rate of 12% and is net of debt issue costs.

The accretion expense calculated using the effective interest method for the nine months period ended September 30, 2017 was $659,324. Interest expense accrued for the nine months period ended September 30, 2017 was $460,000.

The fair value of the conversion feature was estimated at a fair value of $1,988,074, net of share issue costs based on the following assumptions: Stock price volatility – 89%; Risk-free interest rate – 1.08%; Dividend yield – 0%; and Expected life – 2 years.

Each warrant will be exercisable to acquire one common share at an exercise price of $1.50 per share for a period of 24 months following the closing date. The fair value of these warrants was estimated at $777,035 based on the following assumptions: Stock price volatility – 89%; Risk-free interest rate – 1.08%; Dividend yield – 0%; and Expected life – 2 years.

On closing, the Company paid the Agent (i) a commission of $2,100,000 representing 7% of the gross proceeds of the private placement; and (ii) 2,100 broker warrant units estimated at a fair value of $997,692 based on the following assumptions: Stock price volatility – 89%; Risk-free interest rate – 1.08%; Dividend yield – 0%; and Expected life – 2 years. Each broker warrant unit is exercisable into one common share and one warrant at an exercise price of $1.00 per share, expiring two years from the date of issuance. In addition, the Company also paid legal fees and advisory expenses as part of the wider private placement that is further described in note 11.

Beginning on the date that is four months and one day following the closing date, the Company may force the conversion of the principal amount of the convertible debentures and the expiry of date of the convertible debt warrants should the daily volume weighted average trading price of the Company's common shares be greater than $2.00 for 10 consecutive trading days.

		Convertible debenture
BALANCE AT DECEMBER 31, 2016	$	-
Face value of debt upon issuance		30,000,000
Less: Discount		(2,997,192)
Less: Debt issue costs		(2,980,271)
Fair value of debt on initial recognition		24,022,537
Accretion expense during the period		659,324
BALANCE AT SEPTEMBER 30, 2017	$	24,681,861

10. Long-term loans

	2557788 Ontario Ltd. (A)	PanCann Streaming Corp. (B)	Total
BALANCE AT DECEMBER 31, 2016	$ -	$ -	**$ -**
Face value of debt upon issuance	912,100	1,000,000	**1,912,000**
Less: Discount	(361,631)	(396,526)	**(758,157)**
Fair value of debt on initial recognition	550,469	603,474	**1,153,943**
Accretion expense during the period	27,518	30,174	**57,692**
BALANCE AT SEPTEMBER 30, 2017	$ 577,987	$ 633,648	**$ 1,211,635**

a) The Company entered an unsecured promissory note with 255 for $912,100 as part of the purchase of the patient referral agreement (see Note 5). The loan has a term of five years and matures on April 17, 2022. The amount can be repaid at any time and is not subject to a prepayment fee. The loan bears interest at 1% per annum, compounded annually. The Company recognized the fair value of the below-market interest loan using a market interest rate of 12%.

b) The Company entered into an unsecured promissory note with PSC for $1,000,000 as part of the purchase of the streaming agreements (see Note 5). The loan has a term of five years and matures on April 25, 2022. The amount can be repaid at any time and is not subject to a prepayment fee. The loan bears interest at 1% per annum, compounded annually. The Company recognized the fair value of the below-market interest loan using a market interest rate of 12%.

11. Share capital

a) Authorized

Until January 6, 2017, the Company was authorized to issue 100,000,000 common shares with no par value. In January 2017, the authorized share capital of the Company was approved to increase to an unlimited number of common shares. On April 10, 2017, the Company completed a forward stock split of its common shares on a three for one basis. All historical references to share transactions or balances prior to this date have been recast on a three for one basis.

b) Issued and outstanding

At September 30, 2017, there were 184,723,758 issued and fully paid common shares.

On January 20, 2017, the Company closed a non-brokered private placement and distributed 60,927,546 special warrants for gross proceeds of $1,117,005. The warrants convert to units on February 22, 2017.

Each warrant entitled the holder to receive one unit of the Company, with each unit consisting of one common share and one share purchase warrant with each warrant entitling the holder to purchase one additional share at $0.023 until January 20, 2019. The Company recorded $740,033 for the issuance of shares and $376,972 for the issuance of warrants based on a relative fair value calculation. The fair value of these warrants for the relative fair value calculation was based on the following assumptions: Stock price volatility – 72.40%; Risk-free interest rate – 0.76%; Dividend yield – 0%; and Expected life – 2 years.

11. Share capital (continued)

In March 2017, the Company closed two non-brokered private placements and distributed a total of 76,531,968 units for gross proceeds of $1,403,088. Each unit consists of one share and one warrant, with each warrant entitling the holder to purchase one additional share at $0.023 until March 2019. The Company recorded $891,162 for the issuance of shares and $511,925 for the issuance of warrants based on a relative fair value calculation. The fair value of these warrants for the relative fair value calculation was based on the following assumptions: Stock price volatility – 72.40%; Risk-free interest rate – 0.85%; Dividend yield – 0%; and Expected life – 2 years.

On June 29, 2017, the Company closed a private placement of special warrants and distributed a total of 20,252,203 special warrants for gross proceeds of $20,252,203. Each special warrant will be automatically exercised into one unit on the date that is the earlier of: (i) the date that is three business days following the date on which the Company obtains a receipt from the applicable Canadian securities regulatory authorities for a final short form prospectus qualifying the distribution of the units issuable upon exercise of the special warrants, and (ii) the date that is four months and one day after the closing date. Each unit will consist of one common share and warrant. Each warrant will entitle to purchase one common share, at any time on or prior to the date that is 24 months following the closing date, at an exercise price of $1.50 per common share.

On closing of the June 29, 2017 issuance, the Company paid the Agent (i) a commission of $1,319,549 representing 7% of the gross proceeds of the private placement; and (ii) 1,319,549 broker warrant units estimated at a fair value of $598,710 based on the following assumptions: Stock price volatility – 89%; Risk-free interest rate – 1.08%; Dividend yield – 0%; and Expected life – 2 years. Each broker warrant unit is exercisable into one common share and one warrant at an exercise price of $1.00 per share, expiring two years from the date of issuance. In addition, the Company paid legal fees and advisory expenses of $419,573 for the issuance of the June 29, 2017 special warrants, and the debenture units discussed in note 9.

c) Stock options

The Company has a stock option plan to provide incentives to directors, employees and consultants of the Company. Prior to an amendment to the Plan approved by the shareholders of the Company at a meeting held in January 2017, the maximum number of shares reserved for issuance was 632,334 shares and the total number of options awarded in any 12-month period was not to exceed 5% of the issued and outstanding shares to any one individual or 2% to any one consultant or employee. No options were granted or exercised during the year ended December 31, 2016.

At December 31, 2016, 602,333 options were available for grant under the stock option plan.

On March 15, 2017, the Company granted 12,716,085 stock options with each stock option permitting the holder to acquire one common share of the Company at a price of $0.025 per share. The stock options expire five years from the date of grant. Under the plan, the Company may grant options for up to 10% of the issued and outstanding common shares of the Company.

11. Share capital (continued)

The following table summarizes information about stock options outstanding as at September 30, 2017:

Expiry date	Exercise Price	September 30 2017 Outstanding	December 31 2016 Exercisable
March 14, 2022	$ 0.025	12,716,085	$ -

The following table reflects the continuity of stock options for the periods presented:

STOCK OPTION ACTIVITY	September 30 2017	Weighted Average Exercise price	December 31 2016	Weighted Average Exercise price
Balance – beginning of year	**-**	**$ -**	$ -	$ -
Granted	12,716,085	0.025	-	-
Balance – end of year	**12,716,085**	**$ 0.025**	$ -	$ -

As at September 30, 2017, stock options outstanding have a weighted average remaining life of 4.5 years.

The total fair value of stock options granted during the nine months ended September 30, 2017 was $147,000 (2016 – $Nil).

The fair value of stock options was estimated using the Black-Scholes option pricing model with the following assumptions: Stock price volatility – 53.20%; Risk-free interest rate – 1.10%; Dividend yield – 0%; and Expected life – 5 years.

11. Share capital (continued)

d) Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

WARRANT ACTIVITY	September 30 2017		Weighted Average Exercise Price		December 31 2016		Weighted Average Exercise Price
Balance – Beginning of Year	**-**	**$**	**-**	$	-	$	-
Issued	152,459,514		0.169		-		-
Expired	-		-		-		-
Exercised	(38,229,243)		0.023		-		-
Balance – End of Period	**114,230,271**	**$**	**0.217**	$	-	$	-

The weighted average fair value of warrants outstanding during the nine months ended September 30, 2017 was $0.012. As at September 30, 2017, warrants outstanding have a weighted average remaining life of 1.46 years.

The following table summarizes information about warrants outstanding as at September 30, 2017:

Date of Issuance	Date of Expiry		Exercise Price	September 30 2017 Outstanding	December 31 2016 Outstanding
February 22, 2017	February 21, 2019	$	0.023	31,353,757	-
March 13, 2017	March 12, 2019	$	0.023	46,162,865	-
March 20, 2017	March 19, 2019	$	0.023	21,713,649	-
June 29, 2017	June 27, 2019	$	1.500	15,000,000	-
				114,230,271	-

e) Special warrants

During period ended September 30, 2017, the Company issued 20,252,203 special warrants. See note 11b for details on the special warrant issuance and the details on the automatic exercise of the special warrants. The following table reflects the continuity of warrants issued for the periods presented:

Date of Issuance	Date of Expiry		Exercise Price	September 30 2017	December 31 2016
June 29, 2017	June 28, 2019	$	1.000	20,252,203	-

11. Share capital (continued)

f) Broker warrant units

During period ended September 30, 2017, the Company issued 3,419,549 broker warrant units. See note 11b for details on the broker warrant unit issuance. The following table reflects the continuity of broker warrant units issued for the periods presented:

Date of Issuance	Date of Expiry		Exercise Price	September 30 2017	December 31 2016
June 29, 2017	June 28, 2019	$	1.000	**3,419,549**	-

g) Earnings per share

The calculation of basic and diluted income (loss) per share is based on the income (loss) for the period divided by the weighted average number of shares in circulation during the period. In calculating the weighted average number of shares, the shares relating to the special warrants were deemed to be issued on the date the special warrants were issued. In calculating the diluted loss per share, potentially dilutive shares such as options, convertible debt and warrants have not been included as they would have the effect of decreasing the loss per share and they would, therefore be antidilutive.

12. Related party balances and transactions

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, executive officers and the President. Compensation of key management personnel may include short-term and long-term benefits. Short-term benefits include salaries, bonuses and medical benefits. Long-term benefits include stock options or post-employment benefits. Compensation provided to current and former key management are as follows:

For the nine months ended September 30	2017	2016
Short-term benefits	$ 1,340,593	$ 45,000
Long-term benefits (*)	134,354	-
	$ 1,474,947	$ 45,000

(*) Consists of share-based payments as the fair value of options granted to key management personnel of the Company under the Company's stock option plan.

Nesta Holding Co Ltd, a company owned and controlled by the CEO of the Company, provides travel and accommodation services to the Company on a month to month basis. For the nine-month period ended September 30, 2017, the Company incurred $4,066 (September 30, 2016 - $nil) in travel expenses. There was no amount outstanding to Nesta Holding Co Ltd at September 30, 2017 (September 30, 2016 - $Nil).

Canterra, a company owned and controlled by a former director of the Company, provides management consulting services to the Company on a month to month basis. For the nine-month period ended September 30, 2017, the Company incurred $307,789 (September 30, 2016 - $22,500) in management consulting fees. There was no amount outstanding to Canterra at September 30, 2017 (September 30, 2016 - $Nil).

12. Related party balances and transactions (continued)

Elcyc, a company owned and controlled by the former President and former director of the Company, provides management consulting services to the Company on a month to month basis. For the nine-month period ended September 30, 2017, the Company incurred $137,750 (September 30, 2016 - $22,500). There was no amount outstanding to Elcyc at September 30, 2017 (September 30, 2016 - $Nil).

The Company provides a monthly fee to former directors for services provided. For the nine-month period ended September 30, 2017, the Company incurred $8,000 (September 30, 2016 – $22,500) in director's fees. The Company also paid $198,154 for additional consulting services to the former President and former director of the Company (September 30, 2016 - $Nil) and $202,000 for additional consulting services to another former director (September 30, 2016 - $Nil).

13. Financial instruments and risk management

The Company has exposure to the following risks from its use of financial instruments. The Board of Directors approves and monitors the risk management processes.

a) Financial instrument classification and measurement

Financial instruments that are recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significant of the inputs used in making the measurements.

The fair value of hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, marketable securities, other receivables, accounts payable and accrued liabilities, convertible debenture and long-term loans. As at September 30, 2017 and December 31, 2016, the carrying value of cash and cash equivalents is carried at fair value. Accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The convertible debenture and long-term loans carrying value approximate fair value due to their recent issuance and being at market rates for similar instruments.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

The Company is exposed to equity price risk, which arises from investments measured at FVTOCI. For such investments classified as at FVTOCI, the impact of a 10% increase in the share price would have increased equity by $640,000 before tax. An equal change in the opposite direction would have decreased equity by $640,000 before tax.

13. Financial instruments and risk management (continued)

d) Interest rate risk

Interest rate risk is the risk that changes interest rates will impact the cash flows of the Company. As all of the Company's financial debt are on fixed interest rates, the impact of a change in interest rates will not impact the Company's income or cash flows.

14. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company considers its capital structure to include convertible debt, working capital and shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or debt, acquire or dispose of assets to maintain or adjust its capital structure.

The Company is dependent on expected business growth, changes in the business environment and capital markets as its source of operating capital. The Company is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management in the year.

15. Commitments

a) As at September 30, 2017, the Company has entered into streaming agreements with 14 partners. By entering into these streaming agreements, the Company has commitments, subject to due diligence and other closing conditions, to do one or both of the following:
    a. invest in a private placement of common shares of the streaming partner for certain gross proceeds resulting in the Company owning an equity interest in the Investee Company.
    b. provide all necessary funding to secure proposed cultivation sites and for the construction of cultivation sites.

b) As at September 30, 2017, the Company has entered into patient referral agreements with 5 clinics. By entering into these patient referral agreements, the Company has committed to milestone payments to the clinics based on specific referral targets.

c) As part of the agreement with ABcann, the Company has committed to invest $15,000,000, on the earlier of March 31, 2018 or within 10 days of the Company raising an aggregate of $150,000,000 in financing. The shares will be issued at a price equal to the greater of two times the current trading price and $2.25. The Company will also fund 50,000 sq. ft. of the Kimmett facility expansion, in accordance with ABcann's expansion construction budget and timeline.

15. Commitments (continued)

d) The Company is committed under two sublease agreements with respect to its office premises located in Toronto, Ontario, expiring May 31, 2020 and April 30, 2024 as follows:

2017	$	104,031
2018		462,362
2019		308,241
2020		610,620
2021		456,778
Thereafter		1,091,130
Total	**$**	**3,033,162**

16. Subsequent events

a. On October 2, 2017, the special warrants as part of the June 29, 2017 private placement were exercised, following receipt of the Company's final short form prospectus dated September 27, 2017. The Prospectus qualifies the distribution of the common shares and the common share purchase warrants of the Company.

b. On October 5, 2017, the Company and Beleave Inc. ("Beleave") entered into an agreement where the Company will provide Beleave with up to $10,000,000 in debt financing repayable in product equivalents. The proceeds will be used by Beleave to fund the construction of an expansion facility, which will be situated adjacent to Beleave's current facility outside of Hamilton, Ontario. On October 17, 2017, the Company advanced $5,000,000 of the up to $10,000,000 financing to Beleave.

c. On October 31, 2017 the Company acquired all issued and outstanding shares of RockGarden Medicinals (2014) Inc. ("RockGarden"). In connection with the acquisition, the shareholders of RockGarden are entitled to receive aggregate consideration of 27,499,912 common shares in the capital of the Company as follows:

    i. 17,499,970 common shares upon closing of the acquisition;
    ii. 4,999,971 common shares issued and held in escrow to be released to the RockGarden shareholders upon RockGarden receiving a sales authorization; and
    iii. 4,999,971 issued and held in escrow to be released to key employees satisfying performance obligations.

    Located in Carleton Place, Ontario, RockGarden is a privately owned licensed producer of cannabis pursuant to the Access to Cannabis for Medical Purposes regulations (the "ACMPR"). On August 25, 2017, RockGarden was granted a cultivation license. The acquisition furthers the Company's streaming strategy by providing the Company with additional resources and strategic regulatory tool to help accelerate current and future partners' development ant their pathways to licensing under the ACMPR.

16. Subsequent events (continued)

d. On November 2, 2017, the Company issued 35,000 convertible debenture units for aggregate gross proceeds of $35 million. Each convertible debenture unit consists of $1,000 principal amount of senior unsecured convertible debentures and 833 common share purchase warrants of the Company. The debentures bear interest at 8.0% per annum, calculated semi-annually on June 30 and December 31 of each year and mature 60 months from the date of closing. MMCAP International Inc. SPC subscribed for $28 million of the aggregate principal amount of Convertible Debenture Units and is considered to be an insider of the Company.

   The debentures are convertible at the option of the holder, at any time prior to maturity, into common shares of the Company computed on the basis of the principal amount of the debentures divided by the conversion price of $1.20 per common share and a cash payment equal to the additional interest amount that such holder would have received if it had held the debenture from the date of conversion until maturity. Each warrant is exercisable to acquire one common share at an exercise price of $1.20 per common share for a period of 24 months following the closing of the offering.

   Subsequent to September 30, 2017, the Company issued 29,166,665 common shares on full conversion of the 35,000 convertible debenture units.

e. 1,916,786 common shares were issued on the exercise of 1,916,786 warrants for gross proceeds of $44,725.