MVC TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

MVC TECHNOLOGIES INC.
CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

Independent Auditor’s Report

To the shareholders of
MVC Technologies Inc.

Opinion

We have audited the financial statements of **MVC Technologies Inc.** (“the Company”), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of loss and comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit 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 audit 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has not yet achieved profitable production, has accumulated losses of $5,547,759 and has a working capital deficit of $862,515 as at December 31, 2018. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis but does not include the financial statements and our auditor's report thereon.

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 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 IFRSs, 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 these financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to a 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 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 and 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 Jeremy Jagt.

/s/ Grant Thornton LLP

Mississauga, Canada
April 29, 2019

Chartered Professional Accountants
Licensed Public Accountants

MVC TECHNOLOGIES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash [Note 6]	433,833	1,014,482
Inventories	94,854	7,841
Trade and other receivables [Note 7]	297,479	117,984
Receivable from related party [Note 18]	50,000	—
Prepaid expenses	31,364	5,310
Total current assets	907,530	1,145,617
Furniture and equipment [Note 8]	238,173	49,573
Computer software and technology [Note 9]	1,756,447	323,037
Other intangible assets [Notes 5 and 11]	3,907,917	3,941,464
Goodwill [Notes 5 and 11]	3,960,758	3,642,260
Deferred tax assets [Note 14]	122,778	—
Total assets	10,893,603	9,101,951
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	779,370	63,679
Income tax payable	8,185	7,527
Convertible debenture [Note 12]	982,490	—
Promissory note payable [Notes 5 and 13]	—	3,050,056
Total current liabilities	1,770,045	3,121,262
Promissory note payable [Note 13]	3,274,080	—
Convertible debenture [Note 12]	—	999,308
Total liabilities	5,044,125	4,120,570
Equity		
Share capital [Note 15]	7,794,137	5,038,964
Warrant reserve [Note 15]	2,685,560	1,378,074
Option reserve [Note 15]	301,623	226,942
Units to be issued [Note 15]	75,499	—
Equity component of convertible debt [Note 15]	82,428	82,428
Accumulated other comprehensive income	457,990	(223,115)
Accumulated deficit	(5,547,759)	(1,521,912)
Total shareholders' equity	5,849,478	4,981,381
Total liabilities and shareholders' equity	10,893,603	9,101,951

Nature of operations and going concern [Note 1]
Commitments [Note 19]
Subsequent events [Note 21]

/s/ Kashaf Qureshi
Director

/s/ David Danziger
Director

Approved on behalf of the Board of Directors on April 29, 2019

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

MVC TECHNOLOGIES INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Revenue		
Software	28,366	44,101
Clinic	10,739,645	235,958
Total revenue	10,768,011	280,059
Cost of sales	2,862,749	61,349
Gross profit	7,905,262	218,710
Operating expenses		
Management fees, salaries and wages	4,876,240	549,522
Office and administration	1,674,768	129,534
Marketing and business development	916,445	14,708
Professional fees	994,809	211,346
Rent	763,040	33,607
Share-based compensation	546,446	387,943
Depreciation and amortisation	1,005,549	171,677
Total operating expenses	10,777,297	1,498,337
Loss from operations	(2,872,035)	(1,279,627)
Financing expenses		
Interest and bank charges (recovered)	249,308	(2,067)
Foreign exchange loss (gain)	302,151	(91,233)
Accretion on convertible notes	349,863	62,948
Net loss before income taxes	(3,773,357)	(1,249,275)
Income tax (recovery) expense [Note 14]	(116,613)	7,628
Net loss	(3,656,744)	(1,256,903)
Loss per share, basic and diluted	(0.065)	(0.028)
Weighted average number of common shares outstanding - basic and diluted	56,165,850	45,548,230
Other comprehensive loss		
Net loss	(3,656,744)	(1,256,903)
Exchange difference on translation of foreign operations, net of tax	681,105	(223,115)
Comprehensive loss	(2,975,639)	(1,480,018)

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

MVC TECHNOLOGIES INC.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian dollars)

	Common stock					Equity			
	Shares	Amount	Warrant reserve	Option reserve	Units to be issued	component of convertible debt	Accumulated other comprehensive income	Accumulated deficit	Total
As at December 31, 2016	32,900,040	441,806	—	—	—	—	—	(265,009)	176,797
Private placements [Note 15]	13,284,353	2,993,927	1,355,566	—	—	—	—	—	4,349,493
Shares issued on acquisition [Note 5]	4,878,048	1,572,683	—	—	—	—	—	—	1,572,683
Equity and warrant components of convertible debentures [Note 12]	—	—	27,522	—	—	82,428	—	—	109,950
Share issuance costs – cash	—	(140,929)	(64,038)	—	—	—	—	—	(204,967)
Share issuance costs – warrants	—	(59,024)	59,024	—	—	—	—	—	—
Share-based compensation	—	—	—	387,943	—	—	—	—	387,943
Stock options exercised	1,200,000	230,501	—	(161,001)	—	—	—	—	69,500
Foreign currency translation	—	—	—	—	—	—	(223,115)	—	(223,115)
Net loss for the year	—	—	—	—	—	—	—	(1,256,903)	(1,256,903)
As at December 31, 2017	52,262,441	5,038,964	1,378,074	226,942	—	82,428	(223,115)	(1,521,912)	4,981,381
Private placements [Note 15]	10,209,093	2,990,602	1,488,596	—	—	—	—	—	4,479,198
Units to be issued [Note 15]	—	—	—	—	75,499	—	—	—	75,499
Share issuance costs – cash	—	(101,134)	(50,452)	—	—	—	—	—	(151,586)
Share issuance costs - warrants	—	(32,126)	32,126	—	—	—	—	—	—
Premium on redemption of convertible debt [Note 12]	—	—	—	—	—	—	—	(291,149)	(291,149)
Share-based compensation	—	—	—	546,446	—	—	—	—	546,446
Exercise of stock options	2,702,273	497,605	—	(471,765)	—	—	—	—	25,840
Shares issued for services	56,800	16,762	8,237	—	—	—	—	—	24,999
Shares issued on acquisition of software [Note 10]	2,040,909	810,500	—	—	—	—	—	—	810,500
Share buy-back [Note 15]	(3,897,700)	(1,427,036)	(171,021)	—	—	—	—	(77,954)	(1,676,011)
Foreign currency translation	—	—	—	—	—	—	681,105	—	681,105
Net loss for the year	—	—	—	—	—	—	—	(3,656,744)	(3,656,744)
As at December 31, 2018	63,373,816	7,794,137	2,685,560	301,623	75,499	82,328	457,990	(5,547,759)	5,849,478

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

MVC TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	For the Year ended December 31, 2018	For the Year ended December 31, 2017
Operating activities		
Net loss for the year	(3,656,744)	(1,256,903)
Adjusted for:		
Depreciation and amortization	1,005,549	171,677
Unrealized foreign exchange loss (gain)	302,151	(92,000)
Accretion on convertible notes	349,863	62,948
Shares issued for services	24,999	—
Share-based compensation	546,446	387,943
Deferred tax recovery	(116,613)	—
Changes in non-cash working capital items:		
Inventories	(83,448)	(7,841)
Trade and other receivables	(145,922)	(102,300)
Receivable from related party	(50,000)	—
Prepaid expenses	3,866	(5,310)
Accounts payable and accrued liabilities	685,478	(1,147)
Income taxes payable	—	7,527
Cash used in operating activities	(1,134,375)	(835,406)
Investing activities		
Purchases of property and equipment	(241,243)	(21,414)
Purchase of computer software	(1,183,064)	(329,922)
Cash paid for acquisition of Canna Care	—	(3,228,250)
Cash used in investing activities	(1,424,307)	(3,579,586)
Financing activities		
Payable to related parties	—	(6,421)
Repurchase of convertible debt	(440,506)	—
Issuance of convertible debt	—	1,037,311
Shares and warrants issued for cash	4,353,452	4,214,026
Units to be issued	75,499	—
Proceeds from issuance of promissory note	3,274,080	—
Repayment of promissory note	(3,260,438)	—
Repurchase of shares and warrants	(1,676,011)	—
Cash provided by financing activities	2,326,076	5,244,916
Net (decrease) increase in cash during the period	(232,606)	829,924
Effect of foreign exchange on cash	(348,043)	141,049
Cash, beginning of the year	1,014,482	43,509
Cash, end of year	433,833	1,014,482
Non-cash transactions:		
Settlement of purchase price by issuing shares [Note 5]	—	1,572,683
Settlement of purchase price by issuing promissory note [Note 5]	—	3,142,056
Settlement of asset acquisition by issuance shares [Note 10]	810,500	—

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

MVC Technologies Inc. ("MVC" or the "Company") was incorporated in the province of Ontario on November 3, 2014 under the Ontario Business Corporation Act ("OBCA"). The Company is a secure cloud-based cannabis healthcare technology platform that connects patients, physicians, and regulated suppliers for the purposes of assessment, qualification, registration, and access to medication. The head office is located at 5045 Orbitor Drive, Building 11, Suite 300, Mississauga, Ontario, Canada, L4W 4Y4.

Share exchange agreement

On August 28, 2018, the Company entered into a letter of intent (the "LOI") with CB2 Insights Inc. (formerly 10557404 Canada Corp.) ("CB2"). The LOI outlined a proposal to enter a Share Exchange Agreement and effect an amalgamation between the Company and a subsidiary of CB2 and a listing of CB2's entity's shares on the Canadian Stock Exchange.

On February 27, 2019, the Company and CB2 executed the Share Exchange Agreement and the Company's shareholders became shareholders of CB2 resulting in a reverse takeover of CB2 by the Company. On March 6, 2019, CB2 commenced trading on the Canadian Securities Exchange (CSE), under the symbol "CBII".

Going concern

These consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date the Company has incurred an accumulated deficit of $5,547,759 and negative cash flow from operations. The Company also has a working capital deficiency as of the balance sheet date of $862,515. The Company has raised debt and equity financing through 2017, 2018 and subsequent to December 31, 2018 in order to fund platform development and activities resulting in growth in its customer base and completed the acquisition of Canna Care [Note 5]. The Company expects that the investments it has made in 2017 and 2018 will result in increased revenue and operating cash flow however, the Company anticipates further investment and will require additional debt and/or equity financing in order to develop its business.

Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will be able to generate sufficient returns from operations. The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities and commitments when due is dependent on the Company generating revenue and debt and/or equity financing sufficient to fund its cash flow needs. These circumstances indicate the existence of material uncertainty that casts significant doubt on the ability of the Company to meet its business plan and its obligations as they come due, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and expenses and the classifications used in the consolidated statement of financial position. Such differences in amounts could be material.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are expressed in Canadian dollars and follow the same accounting policies and methods of their application as set out in our consolidated financial statements for the year ended December 31, 2017 with the exception of those new accounting standards adopted effective January 1, 2018 as set out in Note 4. These 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 International Financial Reporting Interpretations Committee ("IFRIC").

The Board of Directors approved these consolidated financial statements on April 29, 2019.

Basis of consolidation

The consolidated financial statements of the Company as at and for the year ended December 31, 2018 comprise the Company and its wholly-owned subsidiary MVC USA Corp. ("MVC USA"), and its operations.

On December 19, 2017, the Company entered into an Asset Purchase Agreement with MedEval Corp. ("Canna Care"), acquiring the operating assets of Canna Care's business.

Canna Care is a cannabis clinic evaluation business with evaluation centres across several US states with legalized medical cannabis programs. Canna Care qualifies patients into medical cannabis programs through independent medical evaluations, functional capacity evaluations, medical record reviews and occupational health services.

Based on guidance available within *IFRS 3 - Business Combinations*, the acquisition has been determined to be a business acquisition. IFRS 3 defines a business combination as a 'transaction or other event in which an acquirer obtains control of one or more businesses', and a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants'.

All intercompany and inter-operational transactions have been eliminated from the date of acquisition.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the presentation currency. The functional currency of each entity in the Group is determined separately in accordance with International Accounting Standard IAS 21 - *Foreign Exchange* and is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency is the United States Dollar ("USD") for operations in the United States and the Canadian dollar ("CAD") for operations in Canada. Translation gains and losses resulting from translation of functional currency balances of subsidiaries into the reporting currency and those relating to intercompany loans from foreign operations, for which settlement is neither planned nor likely to occur in the foreseeable future, are recorded in other comprehensive income.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of foreign currency transactions not in the entity's functional currency are included in the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

To determine the amount and timing of revenue to be recognized, the Company follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Software revenue – Sail and TokeIn

Sail is a Clinical Decision Support (CDS) platform with a suite of practice management tools built to support the workflows of a clinician and/or their clinical practice specializing in medical cannabis. The platform is licensed to cannabis and other speciality clinics as a full-scale practice management software tool that supports a clinic's entire management processes such as patient document management, scheduling and reporting functions. The platform can also be used as a standalone product by healthcare practitioners to help in the evaluation, dosing and prescription of medical cannabis at the point-of-care. The Company provides access to the platform to clinicians on a subscription basis.

TokeIn provides a SaaS-based customer relationship management (CRM) software and a sales and marketing platform with loyalty and rewards programs allowing its customers, including retail customers, to improve on customer acquisition, customer retention and analytics by feeding business intelligence and targeted marketing campaigns to their customer base.

The Company's principal source of revenue results from monthly subscription fees for the Sail and TokeIn platforms once the contract is executed. The subscription fee is billed to the customer and recognized as revenue at the end of each month and is receivable within 15 days.

The Company has determined that the provision of licenses to customers for both the Sail and TokeIn platforms to be a right to use and revenue is recognized based on a monthly basis as subscription fees are charged to customers.

Clinic revenue – Canna Care

This revenue stream was acquired as a part of the Canna Care asset acquisition. With regards to this revenue stream, the Company recognizes revenue from the provision of consultation services and discussing various treatment plans with patients, including the use of medical cannabis, to alleviate their symptoms. Revenue is recognized at the point in time when these services are provided to the patients. The Company requires upfront payment from patients for their visit.

The Company provides an integrated set of services to patients and assumes the risks associated with operating its clinics and therefore the Company acts as a principal when earning clinic revenue. As a result, revenue from clinical operations is recognized at the gross amount.

Inventory

Inventory is held for resale and is recorded at the lower of average cost and net realizable value.

Furniture and equipment

Items of furniture and equipment are recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. All furniture and equipment is amortized on a straight-line basis over a 3 year useful life.

Computer software

The Company incurs costs associated with the design and development of its CDS software. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Internally generated software development costs recognized as intangible assets are carried at cost less any accumulated amortization on a straight-line basis over 3 years after available for commercial release. These assets are subject to impairment testing as described below.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

Customer relationships and Brand

The Company acquired customer relationships and brand as part of the acquisition of Canna Care. Customer relationships are being amortized on a straight-line basis over a 5 year useful life whereas Brands have an indefinite useful life.

Impairment of non-financial assets

The Company reviews goodwill and indefinite life intangible assets for impairment annually, or when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. The Company reviews the carrying amounts of its finite life non-financial assets, when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. Each of the Company's operations in the US and Canada are CGUs for purposes of evaluating impairment and measuring recoverable amounts.

Recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). In assessing VIU, the estimated future cash flows to be derived from continuing use of the asset or cash generating unit are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. FVLCD is the price that would be received to sell an asset or cash generating unit in an orderly transaction between market participants at the measurement date, less the costs of disposal. When a binding sale agreement is not available, FVLCD is estimated using a discounted cash flow approach with inputs and assumptions consistent with those of a market participant. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net income. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Segment information

The Company's Chief Executive Officer has been identified as the Chief Operating Decision Maker (the "CODM") with respect to segmented information disclosures. The CODM represents the appropriate level of management to analyze and determine the distinct operating segments of the Company. The CODM examine the Company's performance both from a product and geographic perspective and has identified two reportable segments of its business, namely the US and the Canadian operations.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities, including derivatives, are recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are measured at fair value on initial recognition. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in net loss.

Classification and subsequent measurement

The Company classifies financial assets, at the time of initial recognition, according to the Company's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified in the following measurement categories:

a) amortized cost
b) fair value through profit or loss (FVTPL), or
c) fair value through other comprehensive income (FVTOCI).

Financial assets are subsequently measured at amortized cost if both the following conditions are met and they are not designated as FVTPL:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired. All financial assets not classified as amortized cost as described above are measured at FVTPL or FVTOCI depending on the business model and cash flow characteristics. The Company has no financial assets measured at FVTPL or FVTOCI.

Financial liabilities are classified into one of the following measurement categories:

a) amortized cost; or
b) fair value through profit or loss (FVTPL).

Financial liabilities not at FVTPL are subsequently measured at amortized cost using the effective interest rate method with gains and losses recognized in net income in the period that the liability is derecognized.

Impairment of financial instruments

For trade accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all accounts receivable based on the Company's historical default rates over the expected life of the accounts receivable and is adjusted for forward-looking estimates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

All individually significant receivables are assessed for impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for impairment. Receivables not individually significant are collectively assessed for impairment by grouping together loans receivable with similar risk characteristics.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are recognized in the statements of comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Fair value measurement

The Company classifies its fair value measurements and disclosures using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

Cash and cash equivalents

The Company considers all investments with original maturities of three months or less, that are highly liquid and readily convertible into cash, to be cash equivalents.

Equity

The common shares of the Company are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to issuance of common shares are deducted from the proceeds of equity offerings.

The value of the share capital issued as consideration is based on the stock trade value or is valued at the time the risk and rewards of ownership of the asset are transferred to the Company or the Company's liability is extinguished. Equity component of convertible debentures is the residual value after the liability component is measured at fair value. Warrant reserve includes the fair value of warrants issued. Option reserve includes the fair value of options issued and expected to vest.

Accumulated other comprehensive income includes impact of foreign exchange translation for net equity held in foreign operations.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Share-based payments

The Company records equity settled share-based payments for the granting of stock options and warrants granted using the fair value method whereby all awards to employees and consultants are recorded at the fair value of each stock option or warrant at the date of the grant using the Black-Scholes option pricing model.

The fair value of the stock options is amortized over the vesting period with a corresponding increase in equity reserves. The amount recognized as an expense is adjusted to reflect the number of options expected to eventually vest. Any consideration paid by the option or warrant holders to purchase shares is credited to share capital and the related share-based payments is transferred from warrant or option reserve to share capital.

Significant accounting judgments and estimates

Application of accounting policies requires management to use estimates and judgments that can have significant effect on the revenues, expenses, comprehensive income, assets and liabilities recognized and disclosures made in the financial statements.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made.

Management uses historical experience, general economic conditions and assumptions regarding probable future outcomes as the basis for determining estimates. Estimates and their underlying assumptions are reviewed periodically, and the effects of any changes are recognized immediately. Actual results could differ from the estimates used.

The following areas require significant estimates or judgment by management.

Functional currency

Determining the appropriate functional currencies for entities in the Company requires analysis of various factors, including the currency and country-specific factors that mainly influence sales prices, and the currencies that mainly influence labour, supplies, and other costs of providing goods or services.

Business combinations

When the Company completes an acquisition, management is required to make judgments to determine whether the acquisition meets the definition of a business under IFRS 3 – Business Combinations.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

In addition, the Company may provide contingent consideration as part of the purchase price for acquisitions of businesses and/or assets. Management is required to make judgments and estimates of the future performance of the acquired business and/or assets in order to determine the amount of contingent consideration to be recognized at acquisition and at each subsequent reporting date.

Impairment of long-lived assets

Long-lived assets are tested for impairment if there is an indicator of impairment and annually for all CGUs with goodwill and/or intangible assets that are not amortized. The Company considers both external and internal sources of information for indications that long-lived assets are impaired. External sources of information we consider include changes in the market and economic and legal environment in which the CGU operates that are not within its control and affect the recoverable amount of goodwill. Internal sources of information considered include the strategic plans for the production and distribution segments including estimates of revenue and other indications of economic performance of the assets. Calculating the fair value less cost of disposal ("FVLCD") of CGUs for impairment tests requires management to make estimates and assumptions with respect to future revenue, costs of sales, expenses, adjusted EBITDA, other net cash flow adjustments and discount rates. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis. Refer to note 10 for further information.

Warrants, options, and equity-components of convertible debentures

Common share purchase warrants, options, and the equity-components of convertible debentures require a determination of the date of grant and the fair value of the units at that date, and for cash-settled share-based payments at each reporting date thereafter. The estimation of fair value requires the application of the most appropriate valuation model.

Income taxes

The calculation of current and deferred income taxes requires the Company to make estimates and assumptions and to exercise judgment regarding the carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results, the timing of reversal of temporary differences and possible audits of income tax filings by the tax authorities.

Changes or differences in underlying estimates or assumptions may result in changes to the current or deferred income tax balances on the statements of financial position, a charge or credit to income tax expense included as part of net income and may result in cash payments or receipts. Judgment includes consideration of the Company's future cash requirements in its numerous tax jurisdictions.

All income, capital and commodity tax filings are subject to audits and reassessments. Changes in interpretations or judgments may result in a change in the Company's income, capital or commodity tax provisions in the future. The amount of such a change cannot be reasonably estimated.

4. CHANGES IN ACCOUNTING STANDARDS

Recently adopted accounting standards

<u>IFRS 9 - Financial instruments</u>

The Company adopted IFRS 9 effective January 1, 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through profit and loss, at fair value through other comprehensive income, and at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in net earnings.

The requirements in IAS 39 for classification and measurement were carried forward to IFRS 9 and the Company's accounting policy with respect to financial liabilities remains unchanged.

As a result of the adoption of this standard, the Company has changed its accounting classification for financial assets and all financial assets are carried at amortized cost. The change did not impact the carrying value of any financial assets on the transition date, January 1, 2018.

All other aspects of our accounting policies for financial instruments as disclosed in Note 3 to the audited consolidated financial statements for the year ended December 31, 2018 are unaffected.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), which replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes ("IFRIC 13"), as well as various other interpretations regarding revenue. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. Various clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company has adopted IFRS 15 in these consolidated financial statements for the period beginning on January 1, 2018, using the full retrospective approach. The Company has determined that adoption of the new IFRS 15 standard has no impact on revenue recognition for its software and clinical revenue streams.

Changes in accounting standards not yet effective

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company has made a preliminary assessment of the impact the final standard is expected to have on its consolidated financial statements on adoption in 2019. The Company expects that its premises leases will result in the recognition of a right of use asset and lease liability to be recorded in the statement of financial position on adoption of the new standard.

IFRIC 23, Uncertainty Over Income Tax Treatments

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements on adoption in 2019.

(Expressed in Canadian dollars)

5. ACQUISITION OF CANNA CARE DOCS

On December 19, 2017 (closing date), the Company acquired identified assets of Canna Care Docs. The Company determined that the acquisition was a business combination under IFRS 3 – Business Combinations and was accounted for by applying the acquisition method, whereby the assets acquired and liabilities assumed were recorded at their fair values with any excess of the aggregate consideration over the fair values of the identifiable net assets allocated to goodwill. The goodwill acquired is associated with the Canna Care workforce and is expected to be fully deductible for tax purposes.

Acquisition-related costs were expensed as incurred, totalled $111,244 and are included in professional fees. Operating results have been included in these consolidated financial statements from the date of the acquisition.

The aggregate purchase consideration comprises the following:

- US$5,000,000 cash of which US$2,500,000 ($3,228,250) was immediately payable and the balance of US$2,500,000 represented by a promissory note payable by December 19, 2018. The note was discounted and initially recorded at present value of US$2,336,449 ($3,017,056) on closing date using an effective interest rate of 7%. The promissory note was repaid
- 4,878,048 shares in the Company valued at $1,572,683.
- Additional shares in the Company contingent upon the Company achieving from the Canna Care operations a revenue of US$10,000,000 or more with a profit margin of at least 25%, within 12 months of the closing date. The shares would be valued at 6.5% of the US$ gross revenues. At the acquisition date and as at December 31, 2018, the Company has estimated its obligation associated with the contingent consideration to be $nil.

The allocated purchase price calculation is as follows:

	CAD
Fair value of identifiable assets (liabilities)	
Furniture and equipment	35,148
Computer software	16,903
Accounts payable	(59,571)
Net liabilities	**(7,520)**
Identifiable intangible assets acquired	
Customer relationships	1,794,907
Brand	2,273,979
Total intangible assets	**4,068,886**
Total identifiable assets	**4,061,366**
Consideration paid	
Cash	3,228,250
Shares	1,572,683
Promissory note payable	3,017,057
Total consideration paid	**7,817,990**
Total goodwill	**3,756,624**

Had the above noted business combination occurred on January 1, 2017, the revenues and net income for the year ended December 31, 2017, from Canna Care, would have been $9,183,749 and $803,241, respectively. Canna Care's revenue and net income for the period from the date of acquisition to December 31, 2017 included in the consolidated statement of comprehensive income are US$185,589 ($235,958) and US$18,621 ($23,675), respectively.

(Expressed in Canadian dollars)

6. CASH

Cash includes funds held in trust with the Company's legal counsel amounting to $80,896, not yet transferred to the Company's bank account.

7. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade receivables	98,433	75,133
GST/HST recoverable	199,046	42,851
	297,479	**117,984**

8. FURNITURE AND EQUIPMENT

	Furniture	Vehicles	Computer Hardware	Leaseholds	Equipment	Total
Cost						
Balance, January 1, 2017	—	—	—	—	—	—
Acquisition of Canna Care [Note 5]	8,568	10,973	2,732	12,875	—	35,148
Additions	7,667	—	—	—	13,747	21,414
Balance, December 31, 2017	**16,235**	**10,973**	**2,732**	**12,875**	**13,747**	**56,562**
Additions	67,984	11,266	74,706	53,484	33,802	241,242
Net exchange differences	2,580	1,555	4,189	3,953	—	12,277
Balance, December 31, 2018	**86,799**	**23,794**	**81,627**	**70,312**	**47,549**	**310,081**
Amortization						
Balance, January 1, 2017	—	—	—	—	—	—
Amortization	2,407	—	—	—	4,582	6,989
Balance, December 31, 2017	**2,407**	—	—	—	**4,582**	**6,989**
Amortization	18,053	6,154	13,890	13,845	10,702	62,644
Net exchange differences	482	325	735	733	—	2,275
Balance, December 31, 2018	**20,942**	**6,479**	**14,625**	**14,578**	**15,284**	**71,908**
Net book value						
As at December 31, 2018	**65,857**	**17,315**	**67,002**	**55,734**	**32,265**	**238,173**
As at December 31, 2017	**13,828**	**10,973**	**2,732**	**12,875**	**9,165**	**49,573**

(Expressed in Canadian dollars)

9. COMPUTER SOFTWARE AND TECHNOLOGY

	Software	Total
Cost		
Balance, January 1, 2017	129,279	129,279
Acquisition of Canna Care [Note 5]	16,903	16,903
Additions – internally generated	329,922	329,922
Balance, December 31, 2017	**476,104**	**476,104**
Additions – TokeIn [Note 10]	982,785	982,785
Additions – internally generated	1,033,064	1,033,064
Net exchange differences	1,478	1,478
Balance, December 31, 2018	**2,493,431**	**2,493,431**
Amortization		
Balance, January 1, 2017	—	—
Amortization	153,067	153,067
Balance, December 31, 2017	**153,067**	**153,067**
Amortization	583,686	583,686
Net exchange differences	231	231
Balance, December 31, 2018	**736,984**	**736,984**
Net book value		
As at December 31, 2018	**1,756,447**	**1,756,447**
As at January 1, 2018	**323,037**	**323,037**

10. ASSET ACQUISITION

On September 11, 2018, the Company entered into an Asset Purchase Agreement with 1035855 Canada Inc. ("TokeIn"), acquiring the assets of TokeIn. TokeIn's primary asset is a web-based customer loyalty program specifically designed to cater to cannabis dispensaries across North America. Contingent consideration is dependent on achievement of certain performance targets. The aggregate purchase consideration comprises the following:

- Upon signing, the Company paid $150,000 cash and issued 795,455 common shares at a fair value of $262,500.
- The remaining obligation consisted of an issuance of 1,245,454 common shares valued at $548,000.
- Contingent consideration equal to $1,252,000 in the form of a number of common shares based on the 20-day volume weighted average price of the Company's shares for the date on which certain performance targets are met.
- The purchase price also included $22,285 transaction costs.

This transaction did not meet the criteria of an acquisition of a business under IFRS 3 and the Company allocated the full $982,785 of purchase consideration to software.

(Expressed in Canadian dollars)

The allocated purchase price calculation is as follows:

Purchase price allocation	
Cash	150,000
795,455 common shares (i)	262,500
1,245,454 common shares (ii)	548,000
Contingent consideration (iii)	—
Transaction costs	22,285
Total consideration allocated to software	**982,785**

(i) For the purpose of determining the value of the purchase price consideration, the 795,455 common shares were valued at $0.33 per share based on MVC's last financing that closed on September 10, 2018 (see note 15).

(ii) The Company issued 1,245,454 common shares on December 31, 2018 valued at $548,000 where share price is based on a comparable issue price of $0.44 per share as the Common Shares were not listed on a recognized Canadian stock exchange.

(iii) Management estimated that the amount of contingent consideration on closing of the acquisition and as at December 31, 2018 at $nil which was determined by estimating the probability of achieving certain performance targets.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	**Customer relationships**	**Brand**	**Total other intangibles**
Cost				
Balance, January 1, 2017	—	—	—	—
Acquisition of Canna Care	3,756,624	1,794,907	2,273,979	4,068,886
Net exchange differences	(114,364)	(51,151)	(64,804)	(115,955)
Balance, December 31, 2017	**3,642,260**	**1,743,756**	**2,209,175**	**3,952,931**
Net exchange differences	318,498	152,482	193,181	345,663
Balance, December 31, 2018	**3,960,758**	**1,896,238**	**2,402,356**	**4,298,594**
Amortization				
Balance, January 1, 2017	—	—	—	—
Amortization	—	11,621	—	11,621
Net exchange differences	—	(154)	—	(154)
Balance, December 31, 2017	—	**11,467**	—	**11,467**
Amortization	—	359,217	—	359,217
Net exchange differences	—	19,994	—	19,994
Balance, December 31, 2018	—	**390,677**	—	**390,677**
Net book value				
As at December 31, 2018	**3,960,758**	**1,505,561**	**2,402,356**	**3,907,917**
As at December 31, 2017	**3,642,260**	**1,732,289**	**2,209,175**	**3,941,464**

(Expressed in Canadian dollars)

Impairment testing

The Company has determined that its CGUs are the Canadian operating segment and US operating segment. For the purpose of annual impairment testing, goodwill is allocated to the CGUs expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable amount as at December 31, 2018. The Company has determined that the entire goodwill and brand balances are attributable to the US operating segment. Comparative amounts are not shown as the annual impairment test was not required in fiscal 2017 due to goodwill, and brand, not having yet been part of the Company's consolidated financial statements for at least one year from the time of acquisition.

	2018
US operating segment	7,354,404

The Company has used fair value less costs of disposal ("FVLCD") as the basis for the determination of the recoverable amount of the CGU. In determining FVLCD, the Company has not used the quoted price in an active market as the primary valuation component but has considered this as one component in the valuation.

The level of fair value hierarchy in the FVLCD is Level 3.

The Company has used a valuation technique which includes an estimate of future cash flows for the next nine years. A terminal growth rate is determined and applied to project future cash flows after the ninth year. The present value of the expected cash flows from the segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and the risks specific to the segment. Projected future cash flows are based on operating profit growth rates for each segment.

Key assumptions for fiscal 2019 to 2027:	Growth Rate	Discount Rate
US operating segment	7%	
	Terminal – 2%	21.5%

Growth rates

The segment profit growth rates are based on management's best estimates considering historical and expected operating plans, strategic plans, economic considerations and the general outlook for the industry and markets in which the segment operates.

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of the segment.

Sensitivity to changes in assumptions

If the US operating segment were to fall short of its 2019 segment operating profit by 20%, the carrying amount of the CGU would exceed its recoverable amount by approximately $1,300,000. A decrease in 2019 segment profit of 10% combined with an increase in the discount rate from 21.5% to 22.5% would result in the carrying amount of the CGU exceeding its recoverable amount by approximately $750,000.

12. CONVERTIBLE DEBENTURES

In May and September 2017, the Company issued 7,333,333 (post reverse split) 5% convertible debentures for $1,109,000. Each convertible debenture is convertible into a "Unit" comprising one Class A common share of the Company at $0.15 per share, and one warrant which entitles the holder to acquire one half Class A common share of the Company at $0.20 per warrant. The convertible debentures will automatically convert into Units on completion of a liquidity event. In the event that a liquidity event does not occur, the debentures are due on May 30, 2019. The Company received $1,037,310, net of $71,690 arrangement fees, as proceeds from the issue.

The liability component of the convertible debentures was valued at $999,050 by discounting the maturity date interest and principal payments to grant date present value using a discount rate of 10% which is the estimated market rate at which the Company can obtain new financing. The effective interest rate on the convertible debentures is 13.44%.

On October 25, 2018, the Company paid $440,506 to repurchase an aggregate principal amount of $150,000 of 5% convertible senior secured debentures. The carrying value of the debentures on the repurchase date was $149,357 and the Company recorded a loss on repurchase amounting to $291,149. Since the transaction was with debenture holders that were also shareholders, the loss on repurchase has been recorded as a charge to the deficit.

Accretion expense amounting to $141,539 was recorded on the convertible debentures during the year (2017 - $62,948).

13. PROMISSORY NOTE PAYABLE

On December 19, 2017, the Company entered into an acquisition transaction with Canna Care as detailed in Note 5. As part of the purchase consideration, the Company issued a promissory note in the amount of US$2,500,000 ("Canna Care Note"). The note was discounted to its present value and initially recorded at US$2,336,449 ($3,017,057) on the closing date using an effective interest rate of 7%. Accretion expense amounting to $208,324 (2017 - $nil) was recorded on this promissory note during the year ended December 31, 2018.

The note was repayable on, and interest free up to, December 19, 2018 after which date interest of 15% per annum was charged. The note was secured by the purchased assets of Canna Care.

On December 19, 2018, the Company repaid the full amount of the Canna Care Note with the proceeds from the issuance of a promissory note to Merida Capital Partners ("Merida") ("Merida Note").

On December 19, 2018, the Company issued the Merida Note and Merida advanced to the Company funds amounting to US$2,400,000. The Merida note bears interest at 12% per annum and is due 18 months from the issue date. The Merida Note contained an option for Merida to convert the Merida Note to a convertible debenture that would permit the conversion of the underlying liability to common shares ("Merida Option"). The Merida Option expired on January 20, 2019 and the interest rate also increased to 15% per annum on that date. The Merida Note was measured at fair value on issuance and the Company has elected to carry the note at FVTPL.

(Expressed in Canadian dollars)

14. INCOME TAXES

The deferred income tax expenses shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates due to the following:

	December 31, 2018	December 31, 2017
Statutory tax rate	**26.5%**	26.5%
Net loss before income taxes	**(3,773,357)**	(1,249,275)
Expected tax expense (recovery)	**(999,940)**	(331,058)
Tax rate differential for foreign taxes	**(6,777)**	(470)
Permanent differences	**279,027**	102,805
Other	**49,691**	—
Change in tax benefits not recognized	**561,386**	236,351
Total income tax expense (recovery)	**(116,613)**	7,628

The Company's income tax (recovery) is allocated as follows:

Current income tax	—	7,628
Deferred income tax	**(116,613)**	—
	(116,613)	7,628

Deferred tax

The following table summarizes the components of recognized tax benefits:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Non-capital losses carried forward	**116,613**	—

The following table summarizes the components of unrecognized tax benefits:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Non-capital losses carried forward	**1,002,805**	335,279

The Company has non-capital losses to reduce future taxable income, the benefit of which has not been recognized. If unutilized, these losses will expire as follows:

2034	$ 20,000
2035	104,000
2036	211,000
2037	904,000
2038	2,569,000

(Expressed in Canadian dollars)

15. SHARE CAPITAL

Common stock

(a) Authorized

Unlimited Class A common shares without par value

(b) Issued and fully paid common shares

	December 31, 2018 $	December 31, 2017 $
Class A common shares – 63,373,816 (2017: 52,262,441)	7,794,137	5,038,964

The following table provides details on common share transactions for the years ended December 31, 2018, and 2017:

	Shares	Amount $
Balance, January 1, 2017	**32,900,040**	**441,806**
Private placements		
February 1, 2017 and March 9, 2017 (i)	3,242,790	276,900
September 26, 2017 (ii)	138,900	12,501
December 19, 2017 (iii)	8,026,510	3,290,869
December 29, 2017 (iv)	1,876,153	769,223
Proceeds allocated to warrants	—	(1,355,566)
Share issuance costs (v)	—	(199,953)
Exercise of stock options	1,200,000	230,501
Shares issued on acquisitions [Note 5]	4,878,048	1,572,683
Balance, December 31, 2017	**52,262,441**	**5,038,964**
Private placements		
January 3, 2018 (i)	426,829	175,000
July 2018 (ii)	3,951,600	1,738,704
September 2018 (iii)	3,768,119	1,657,973
October 2, 2018 (v)	2,062,545	907,521
Proceeds allocated to warrants (i) (ii) (iii) (iv) (v)	—	(1,488,596)
Share issuance costs (ix)	—	(133,260)
Exercise of stock options	2,702,273	497,605
Share repurchase (v)(vi)(vii)	(3,897,700)	(1,427,036)
Shares issued for services (viii)	56,800	16,762
Shares issued on acquisition of TokeIn [Note 10]	2,040,909	810,500
Balance, December 31, 2018	**63,373,816**	**7,794,137**

Private placements
2018

(i) On January 3, 2018, the Company completed a private placement for gross proceeds of $175,000 through issuance of 426,829 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 213,415 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share, expected annualized volatility of 127.58%; risk-free interest rate of 1.79%; expected dividend yield of 0%; and expected life of 2 years. In relation to the January 3, 2018 private placement, the Company issued 170,000 broker warrants to obtain one common share of the Company at an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the broker warrants was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share; expected annualized volatility of 130.43%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 2.00 years.

(ii) During July 2018, the Company completed a private placement for gross proceeds of $1,738,704 through issuance of 3,951,600 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 2,052,750 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.04%; expected dividend yield of 0%; and expected life of 2 years.

(iii) During September 2018, the Company completed a private placement for gross proceeds of $1,657,973 through issuance of 3,768,119 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 1,888,604 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.04%; expected dividend yield of 0%; and expected life of 2 years.

(iv) On October 2, 2018, the Company completed a final tranche of a private placement financing with the issuance of an aggregate of 2,062,545 Units at a price of $0.44 per Unit for gross proceeds of $907,520. Each Unit consists of 1 common share and one half common share purchase warrant. An aggregate of 1,031,273 warrants were issued with each whole warrant exercisable to purchase one common share of MVC at price of $0.50 for a period of two years from issuance. The fair value of the 1,031,273 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.21 per warrant, based on the following assumptions: underlying share price of $0.33 per share, expected annualized volatility of 144.33%; risk-free interest rate of 2.33%; expected dividend yield of 0%; and expected life of 2 years.

(v) On October 19, 2018, the Company repurchased an aggregate of 1,651,745 common shares and an aggregate of 825,872 common share purchase warrants for total consideration of $710,250.

(vi) On October 19, 2018, the Company repurchased an aggregate of 294,955 common shares and an aggregate of 147,477 common share purchase warrants for total consideration of $126,831.

(vii) On October 25, 2018, the Company repurchased an aggregate principal amount of $150,000 of 5% convertible senior secured debentures and 1,951,000 common shares for total consideration of $440,506 and $838,930, respectively.

(viii) On October 29, 2018, the Company issued 56,800 common shares and 28,400 common share purchase warrants to a consultant of MVC in satisfaction of debt owed to the consultant, amounting to $24,999. Each whole warrant is exercisable to purchase one common share of MVC at a price of $0.50 for a period of two years from issuance.

(ix) In relation to 2018 private placements, the Company paid cash issuance costs of $151,586 and issued broker warrants valued at $32,126, the total of which was allocated to shares and warrants on a pro-rata basis based on their relative fair values.

2017

(i) Between February 1, 2017 and March 9, 2017, the Company completed private placements for gross proceeds of $276,900 through issuance of 3,242,790 common shares.

(ii) On September 26, 2017, the Company completed a private placement for gross proceeds of $12,501 through issuance of 138,900 units with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.20 per common share for a period of thirty eight (38) months from the date of issuance. The fair value of the 69,450 warrants contained in the units issued on this date was estimated using the Black-Scholes option pricing model at $0.11 per warrant, based on the following assumptions: underlying share price of $0.14 per share, expected annualized volatility of 122.70%; risk-free interest rate of 1.57%; expected dividend yield of 0%; and expected life of 3.18 years.

(iii) On December 19, 2017, the Company completed a private placement for gross proceeds of $3,290,869 through issuance of 8,026,510 units with each unit containing one common share and one half common share purchase with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the 4,013,255 warrants issued on this date was estimated using the Black-Scholes options pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share, expected annualized volatility of 124.83%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 2.00 years.

In relation to the December 19, 2017 private placement, the Company issued 489,850 broker warrants to obtain one common share in the Company at an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the broker warrants was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share, expected annualized volatility of 124.83%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 2.00 years.

(iv) On December 29, 2017 the Company completed a private placement for gross proceeds of $769,223 through issuance of 1,876,153 units containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance. The fair value of the underlying 938,077 warrants issued on this date was estimated using the Black-Scholes option pricing model at $0.18 per warrant, based on the following assumptions: underlying share price of $0.32 per share, expected annualized volatility of 126.89%; risk-free interest rate of 1.66%; expected dividend yield of 0%; and expected life of 1.97 years.

(v) In relation to 2017 private placements, the Company paid cash issuance costs of $204,967 and issued broker warrants valued at $59,024, the total of which was allocated to shares and warrants on a pro-rata basis based on their relative fair values.

Units to be issued:

During December 2018, the Company received $75,499 for 37,750 units to be issued with each unit containing one common share and one half common share purchase warrant with an exercise price of $0.50 per common share for a period of twenty four (24) months from the date of issuance.

Warrants

As more fully described under "Private Placements", in conjunction with private placements during the year ended December 31, 2018, the Company issued 5,127,952 common share purchase warrants with an exercise price of $0.50 and 251,945 broker warrants, for the purchase of units, with an exercise price of $0.50.

(Expressed in Canadian dollars)

A summary of the warrant activity for the year ended December 31, 2018 is as follows:

	Number of Warrants	Weighted Average Exercise Price $
Balance, January 1, 2017	—	—
Granted	9,140,632	0.38
Balance, December 31, 2017	9,140,632	0.38
Granted	5,379,897	0.50
Repurchased	(973,349)	0.50
Balance, December 31, 2018	**13,547,180**	**0.42**

At December 31, 2018, a summary of warrants outstanding and exercisable is as follows:

Outstanding Warrants

Range of exercise prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life
< $0.20	3,699,450	$0.20	1.83
$0.41 - $0.50	9,847,730	$0.49	1.27
	13,547,180	**$0.42**	**1.43**

Options

During the year ended December 31, 2018, the Company granted stock options to consultants in exchange for services rendered. Options are exercisable over periods of up to 10 years from the date of grant. The options vest immediately or on terms established by the Board of Directors, excluding certain performance based options which vest based on the Company meeting revenue milestones. The Company maintains a stock option plan for certain employees. Stock options have a 4 year vesting period with vesting occurring annually on the anniversary date of each grant. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option agreement, as established by the Board of Directors which, when the Company's shares are publicly listed, is equal to at least the Company's share price on the date on which options are granted.

On November 5, 2018, the Company signed employment agreements with its Chief Executive Officer (CEO) and Chief Operating Officer (COO). Pursuant to the agreements, the Company granted to each of the executives, options to purchase an aggregate of 2% of the total issued and outstanding common shares of the Company at the date of the agreements (1,242,567 options each for the CEO and COO), exercisable at $0.44 per share, for 10 years and vesting annually in three equal installments.

On November 8, 2018, the Company granted an aggregate of 19,889 options to consultants, exercisable over a period of one to two years from the date of grant with exercise prices ranging from $0.41-$0.44, vesting immediately.

(Expressed in Canadian dollars)

A summary of stock option activity for the year ended December 31, 2018 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance as of December 31, 2016	—	—
Granted	4,368,240	$0.02
Exercised	1,200,000	$0.06
Balance as of December 31, 2017	3,168,240	$0.02
Granted	5,482,581	$0.38
Expired	(22,680)	$0.02
Exercised	(2,702,273)	$0.01
Balance as of December 31, 2018	**5,925,868**	**$0.36**

At December 31, 2018, a summary of stock options outstanding and exercisable is as follows:

	Outstanding Options			**Exercisable Options**	
Range of exercise prices	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life	Number Exercisable	Weighted Average Exercise Price
$0.01 - $0.04	300,000	$0.02	1.38	300,000	$0.02
$0.09 - $0.12	55,560	$0.09	0.18	55,560	$0.09
$0.12 - $0.16	1,123,332	$0.15	4.27	219,167	$0.15
$0.41 - $0.44	4,446,976	$0.43	7.53	596,347	$0.43
	5,925,868	**$0.36**	**6.53**	**1,171,074**	**$0.26**

At December 31, 2017, a summary of stock options outstanding and exercisable is as follows:

	Outstanding Options			**Exercisable Options**	
Range of exercise prices	Number Outstandin g	Weighted Average Exercise Price	Weighted Average Remaining Life	Number Exercisable	Weighted Average Exercise Price
$0.01 - $0.04	3,022,680	$ 0.01	3.11	322,680	$ 0.02
$0.09 - $0.12	55,560	$ 0.09	2.00	55,560	$ 0.09
$0.12 - $0.16	90,000	$ 0.15	1.53	90,000	$ 0.15
	3,168,240	$ 0.02	3.05	468,240	$ 0.05

The fair value of 4,368,240 stock options issued in 2017 totaled $700,178. The fair value of the options was calculated using the Black-Scholes model using a weighted average risk-free interest rate of 0.70%, weighted average volatility of 125%, expected life of 2.38 years and 0% dividend yield. The forfeiture rate is estimated to be 0%.

The fair value of the 5,482,581 stock options issued in 2018 totaled $1,712,008. The fair value of the options was calculated using the Black-Scholes model using a risk-free interest rate of 1.85% - 1.96%, weighted average volatility of 144%, expected life of 6.53 years, and 0% dividend yield. The forfeiture rate is estimated to be 0%.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed, in varying degrees, to a variety of financial related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on cash in bank, and accounts and other receivables as at December 31, 2018. The bank balances are deposited with high credit rated banks, therefore the credit risk is limited. The Company has established procedures to manage credit exposure including credit approvals and credit limits. These procedures are mainly due to the Company's internal guidelines.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. The Company manages Company-wide cash projections centrally and regularly updates projections for changes in business and exchange rates. The expected timing of consolidated cash flows relating to financial liabilities as at December 31, 2018, is as follows:

	Less than 1 year	**1-3 years**	**Total**
	$	**$**	**$**
Accounts payable and accrued liabilities	779,370	—	779,370
Promissory note payable	—	3,274,080	3,274,080
Convertible debentures	982,490	—	982,490
	1,761,860	3,274,080	5,035,940

Foreign currency risk

Currency risk relates to the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign exchange rates. Exchange rate fluctuations affect the revenues and costs that the Company earns and incurs in its operations.

The Company's presentation currency is the Canadian dollar and the Company's subsidiary operates in the United States and therefore a majority of revenues are earned in US dollars. The Company also holds US dollar denominated debt. The fluctuation of the Canadian dollar in relation to the US dollar will consequently impact the profitability of the Company and may also affect the value of the Company's assets and liabilities and the amount of shareholders' equity. The Company's net monetary position in the US dollar as of December 31, 2018 is summarized below with the effect on earnings before tax of a 10% fluctuation of the US dollar to the Canadian dollar:

	Net Monetary Asset (Liability) Position December 31, 2018 (CA$ equivalent)	Impact of 10% variance in foreign exchange rate
US dollar	(3,181,427)	318,143

(Expressed in Canadian dollars)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is limited and only relates to its ability to earn interest income on cash balances at variable rates. Changes in short term interest rates will not have a significant effect on the fair value of the Company's cash account.

Fair value

The fair value of the Company's financial instruments approximates carrying value due to their short-term nature and/or carrying market rates of interest.

Contingent consideration relating to the Company's acquisition of Canna Care [Note 5] is $nil based on expectations of amounts due.

Contingent consideration relating to the Company's acquisition of TokeIn [Note 10] is $nil based on expectations of amounts due.

17. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital and reserves ($5,849,478 and $4,981,381 as at December 31, 2018 and 2017, respectively).

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2017.

18. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

	2018	**2017**
Salary and short-term employee benefits	463,641	201,358
Share based compensation	379,789	155,432
	843,430	356,790

Receivables from related party $50,000 (2017 - $nil) comprise amounts advanced to CB2 in relation to public listing expenses.

(Expressed in Canadian dollars)

19. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company rents premises under operating leases which expire beginning in 2018. Annual minimum lease payments in aggregate and for the next five years are as follows:

2019	$ 688,943
2020	497,046
2021	321,974
2022	207,235
2023	91,006

20. SEGMENTED INFORMATION

The Company has two reportable operating segments related to its software and clinic businesses which also align with the two countries in which it operates, namely, United States and Canada. Corporate costs are included in the Canadian segment. The disclosure with regards to the Company's aforementioned segments and locations are listed below:

Year ended December 31, 2018	USA (Clinic)	Canada (Software)	Total
Revenue	10,739,645	28,366	10,768,011
Cost of sales	2,862,749	—	2,862,749
Gross profit	**7,876,896**	**28,366**	**7,905,262**
Total operating expenses	7,842,358	2,934,939	10,777,297
Income (loss) from operations	**34,538**	**(2,906,573)**	**(2,872,035)**
Interest and bank charges	245,107	4,201	249,308
Foreign exchange gain	—	302,151	302,151
Accretion on convertible notes	—	349,863	349,863
Net income (loss) before income taxes	**(210,569)**	**(3,562,788)**	**(3,773,357)**
Income taxes expense (recovery)	(116,613)	—	(116,613)
Net income (loss)	**(93,956)**	**(3,562,788)**	**(3,656,744)**
As at December 31, 2018			
Non-current assets	**9,132,781**	**853,292**	**9,986,073**
Total assets	**8,530,452**	**2,363,151**	**10,893,603**
Total liabilities	**168,244**	**4,875,881**	**5,044,125**

(Expressed in Canadian dollars)

Year ended December 31, 2017	**USA (Clinic)**	**Canada (Software)**	**Total**
Revenue	235,958	44,101	280,059
Cost of sales	61,349	—	61,349
Gross Profit	**174,609**	**44,101**	**218,710**
Total operating expenses	143,305	1,355,032	1,498,337
Income (loss) from operations	**31,304**	**(1,310,931)**	**(1,279,627)**
Interest and bank charges	—	(2,067)	(2,067)
Foreign exchange gain	—	(91,233)	(91,233)
Accretion on convertible notes	—	62,948	62,948
Net income (loss) before income taxes	**31,304**	**(1,280,579)**	**(1,249,275)**
Income taxes expense	7,628	—	7,628
Net income (loss)	**23,676**	**(1,280,579)**	**(1,256,903)**
As at December 31, 2017			
Non-current assets	**7,634,292**	**322,042**	**7,956,334**
Total assets	**7,775,228**	**1,326,723**	**9,101,951**
Total liabilities	**115,980**	**4,004,590**	**4,120,570**

21. SUBSEQUENT EVENTS

(a) On January 17, 2019, the Company completed a Private Placement financing with the issuance of an aggregate of 374,998 Units at a price of $0.50 per Unit for gross proceeds of $187,499. Each Units consists of 1 common share and one half common share purchase warrant. An aggregate of 187,500 warrants were issued with each whole warrant exercisable to purchase one common share of the Company at a price of $0.80 for a period of three (3) years from issuance.

(b) On January 23, 2019, the Company granted an aggregate of 485,000 options to employees, directors and consultants. These options are exercisable over a period of 1-5 years from the date of grant with exercise prices ranging from $0.44-$0.50, vesting over 4 years for employees and immediately for directors and consultants.

(c) During January and February 2019, the Company closed four tranches of Private Placement financing of subscription receipts with the issuance of 4,758,340 Subscription Receipt Units for gross proceeds of $2,379,170. Each Subscription Receipt Unit converts automatically into one common share and one half common share purchase warrant. An aggregate of 4,758,340 common shares and 2,379,170 warrants are issuable on conversion of the Subscription Receipt Units, with each whole warrant is exercisable to purchase one common share of MVC at a price of $0.80 for a period of three (3) years from issuance. The Company also issued 26,040 broker warrants in combination with the closing of the Subscription Receipt Units. Each broker warrant entitling the holder to purchase one Unit at $0.50 for a period of three (3) years, with each whole warrant is exercisable to purchase one common share of the Company at a price of $0.80 for a period of three (3) years from issuance.

(d) In relation to the 2019 private placements, the Company paid cash issuance costs of $23,730.

(e) On February 1, 2019, a consultant exercised 300,000 options at a price of $0.016 per share.

(f) On March 5, 2019 a consultant exercised 55,560 options at a price of $0.09 per share.

(g) On March 5, 2019, $950,000 principal amount debentures, plus accrued interest, were converted into 7,524,207 shares of CB2.

(h) On March 20, 2019, the Company entered into a binding agreement to acquire MedEval Clinic LLC, a medical cannabis evaluation and education center group with multiple locations in Colorado and Arizona, for US$150,000 cash and the issuance of 450,000 common shares.

(i) On April 4, 2019, the Company acquired the assets of Colorado-based medical cannabis clinic group Rae of Sunshine Health Services ("ROSH") LLC, operating as "Relaxed Clarity" for a cash payment of US$200,000 and issuance of 500,000 common shares.

22. COMPARATIVE FIGURES

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.