Consolidated financial statements

MPX Bioceutical Corporation

(formerly The Canadian Bioceutical Corporation)

March 31, 2018

Independent Auditor's Report

To the Shareholders of
MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)

We have audited the accompanying consolidated financial statements of MPX Bioceutical Corporation, which comprise the consolidated statements of financial position as at March 31, 2018 and March 31, 2017, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
August 2, 2018
Toronto, Canada

Contents

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Consolidated statements of financial position
(in Canadian dollars)

March 31,	**2018**	**2017**
Assets		
Current		
Cash	**$ 8,503,724**	$ 21,519,289
Restricted cash	-	133,220
Accounts receivable (Note 5)	**1,286,725**	764,672
Inventory (Note 6)	**6,469,970**	1,339,937
Biological assets (Note 7)	**1,273,424**	596,191
Prepaid expenses	**587,131**	181,190
Right of first refusal	-	199,830
Due from related parties (Note 24)	**235,316**	-
Assets held for sale	**2,436,966**	1,878,402
	20,793,256	26,612,731
Non-current		
Property, plant and equipment (Note 8)	**27,460,705**	4,546,022
Intangible assets (Note 9)	**60,295,209**	28,514,977
Goodwill (Note 10)	**41,226,840**	12,857,390
Deposits	**629,642**	398,992
Total assets	**$ 150,405,652**	$ 72,930,112
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 11)	**$ 5,018,520**	$ 1,624,425
Income tax payable (Note 12)	**33,444**	545,661
Current portion of mortgage payable (Note 13)	**8,781**	-
Current portion of promissory note (Note 14)	**43,467**	147,453
Current portion of contingent consideration (Notes 4 and 15)	**1,228,018**	-
Current portion of term loans (Note 16)	**12,249,300**	-
	18,581,530	2,317,539
Non-current		
Mortgage payable (Note 13)	**422,030**	-
Promissory note (Note 14)	**1,218,181**	1,303,526
Contingent consideration (Notes 4 and 15)	**1,467,764**	-
Term loans (Note 16)	**12,894,000**	13,322,000
Lease inducement	**1,773,136**	1,764,162
Convertible debentures and credit facility (Notes 17 and 18)	**8,581,166**	77,851
Option component of convertible debentures and credit facility (Notes 17 and 18)	**12,962,330**	185,274
Deferred income taxes	**10,470,923**	11,821,296
	49,789,530	28,474,109
Total liabilities	**68,371,060**	30,791,648
Equity		
Share capital	**85,173,626**	49,147,583
Warrants	**14,351,233**	3,632,398
Contributed surplus	**7,443,121**	2,665,730
Accumulated other comprehensive (loss) income	**(618,597)**	595,434
Deficit	**(31,041,839)**	(13,600,869)
Equity attributable to shareholders of the Corporation	**75,307,544**	42,440,276
Non-controlling interests	**6,727,048**	(301,812)
	82,034,592	42,138,464
Total liabilities and equity	**$ 150,405,652**	$ 72,930,112

On Behalf of the Board:

Signed "W. Scott Boyes" Director   Signed "Randall Stafford" Director

See accompanying notes to the consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Consolidated statements of changes in shareholders' equity
(in Canadian dollars)
Year ended March 31, 2018

	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income	Accumulated losses	Non-controlling interest	Total
Balance, April 1, 2016	$ 6,415,525	$ 156,771	$ 1,153,883	$ 100,973	$ (8,368,835)	$ (301,812)	$ (843,495)
Exercise of warrants	47,500	-	-	-	-	-	47,500
Expiry of warrants	-	(58,325)	58,325	-	-	-	-
Fair value of warrants exercised	3,597	(3,597)	-	-	-	-	-
Warrants issued	(3,537,549)	3,537,549	-	-	-	-	-
Exercise of options	35,250	-	-	-	-	-	35,250
Fair value of options exercised	41,831	-	(41,831)	-	-	-	-
Private placements	48,107,305	-	-	-	-	-	48,107,305
Share issuance costs	(3,200,836)	-	-	-	-	-	(3,200,836)
Shares for services performed	1,234,960	-	-	-	-	-	1,234,960
Share-based compensation	-	-	1,495,353	-	-	-	1,495,353
Net income (loss) and comprehensive income (loss) for the year	-	-	-	494,461	(5,232,034)	-	(4,737,573)
Balance, March 31, 2017	$ 49,147,583	$ 3,632,398	$ 2,665,730	$ 595,434	$ (13,600,869)	$ (301,812)	$ 42,138,464
Balance, April 1, 2017	$ 49,147,583	$ 3,632,398	$ 2,665,730	$ 595,434	$ (13,600,869)	$ (301,812)	$ 42,138,464
Exercise of option	1,171,750	-	-	-	-	-	1,171,750
Fair value of options exercised	744,644	-	(744,644)	-	-	-	-
Exercise of warrants	1,733,700	-	-	-	-	-	1,733,700
Fair value of warrants exercised	512,380	(512,380)	-	-	-	-	-
Private placement	31,012,882	-	-	-	-	-	31,012,882
Private placement - warrants	(6,259,963)	6,259,963	-	-	-	-	-
Share issuance costs - cash	(3,213,467)	-	-	-	-	-	(3,213,467)
Share issuance costs - warrants	(1,125,884)	1,125,884	-	-	-	-	-
Acquisitions	11,045,001	3,348,374	2,830,842	-	-	7,180,397	24,404,614
Consulting fees	405,000	496,994	-	-	-	-	901,994
Share-based compensation	-	-	2,691,193	-	-	-	2,691,193
Net income (loss) and comprehensive income (loss) for the year	-	-	-	(1,214,031)	(17,440,970)	(151,537)	(18,806,538)
Balance, March 31, 2018	$ 85,173,626	$ 14,351,233	$ 7,443,121	$ (618,597)	$ (31,041,839)	$ 6,727,048	$ 82,034,592

See accompanying notes to the consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Consolidated statements of net loss and comprehensive loss

(in Canadian dollars)

Year ended March 31,	**2018**	2017
Sales	**$ 21,332,640**	$ 4,383,962
Cost of sales (Note 7)	**14,275,739**	4,291,312
Gross profit before unrealized gain from changes in fair value of biological assets	**7,056,901**	92,650
Unrealized gain from changes in fair value of biological assets (Note 7)	**4,125,079**	936,974
Gross profit	**11,181,980**	1,029,624
Expenses		
General and administrative (Note 23)	**12,960,621**	3,187,499
Professional fees	**3,166,964**	734,755
Share-based compensation (Note 20)	**2,691,193**	1,495,353
Amortization and depreciation (Notes 8 and 9)	**1,901,998**	338,565
	20,720,776	5,756,172
Loss from operations	**(9,538,796)**	(4,726,548)
Other expense (income)		
Foreign exchange	**197,573**	(142,817)
Interest income	**(39,646)**	(7,633)
Write-off of goodwill and intangible assets	**-**	66,190
Inventory write-down (Note 6)	**763,808**	-
Accretion expense (Notes 13 and 15)	**45,761**	11,154
Changes in fair value of derivative liabilities (Notes 17 and 18)	**7,676,880**	141,874
Interest and financing charges (Notes 13 and 14)	**1,952,943**	328,348
Other	**128,371**	-
Transaction costs (Note 4)	**1,103,590**	524,881
	11,829,280	921,997
Net loss	**$ (21,368,076)**	$ (5,648,545)
Income tax recovery	**(3,775,569)**	(416,511)
Net loss after income taxes	**$ (17,592,507)**	$ (5,232,034)
Net loss attributable to:		
MPX Bioceutical Corporation	**$ (17,440,970)**	$ (5,232,034)
Non-controlling interest	**(151,537)**	-
	$ (17,592,507)	$ (5,232,034)
Other comprehensive (loss) income		
Exchange differences on translating foreign operations	**$ (1,214,031)**	$ 494,461
Comprehensive loss for the year	**$ (18,806,538)**	$ (4,737,573)
Comprehensive loss attributable to:		
MPX Bioceutical Corporation	**$ (18,655,001)**	$ (4,737,573)
Non-controlling interest	**(151,537)**	-
	$ (18,806,538)	$ (4,737,573)
Loss per share, basic and diluted	**(0.07)**	(0.06)
Basic and diluted weighted average number of shares outstanding	**283,468,213**	77,957,565

See accompanying notes to the consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Consolidated statements of cash flows

(in Canadian dollars)

Year ended March 31,	2018	2017
Operating activities		
Net loss	**$ (17,592,507)**	$ (5,232,034)
Items not affecting cash:		
Amortization and depreciation	**1,901,998**	338,565
Share-based compensation	**2,691,193**	1,495,353
Transaction cost	**199,830**	-
Accretion expense	**45,761**	11,154
Change in fair value of derivative liability	**7,676,880**	141,874
Income tax expense	**(3,775,569)**	-
Shares issued for services rendered	**901,994**	101,700
Interest expense	**1,867,366**	17,590
Unrealized foreign exchange loss (gain)	**423,650**	(142,817)
Unrealized gain from changes in fair value of biological assets	**(4,125,079)**	(936,974)
Income tax payments	**(895,900)**	(416,511)
	(10,680,383)	(4,622,100)
Changes in non-cash working capital:		
Accounts receivable	**(236,271)**	(345,040)
Inventory and biological assets	**2,347,033**	2,679,792
Prepaid expenses and deposits	**(424,392)**	(106,625)
Accounts payable and accrued liabilities	**2,301,066**	216,526
Lease inducement	**(97,304)**	777,081
	3,890,132	3,221,734
Net cash used in operations	**(6,790,252)**	(1,400,366)
Investing activities		
Acquisition of subsidiaries, net of cash acquired	**(13,426,755)**	(18,305,427)
Purchase of property, plant and equipment	**(13,556,573)**	(408,730)
Purchase of intangible assets	**(17,968,153)**	(2,000,050)
Acquisition of asset held for sale	**-**	(1,999,950)
Restricted cash	**133,220**	-
Net cash used in investing activities	**(44,818,260)**	(22,714,157)
Financing activities		
Proceeds from convertible facility	**12,487,000**	-
Proceeds from issuance of convertible debt	**-**	110,278
Due to related parties	**(2,603,589)**	(17,776)
Proceeds from private placements, net of issuance costs	**27,799,415**	44,906,469
Proceeds from exercise of warrants	**1,171,750**	47,500
Proceeds from exercise of stock options	**1,733,700**	35,250
Repayment of promissory note	**(196,520)**	(11,638)
Repayment of term loans	**(422,300)**	-
Interest and deferred financing	**(768,979)**	(15,765)
Net cash provided by financing activities	**39,200,477**	45,054,318
(Decrease) increase in cash	**(12,408,036)**	20,939,795
Cash, beginning of year	**21,519,289**	8,135
Effect of exchange rate fluctuations on cash	**(607,529)**	571,359
Cash, end of year	**$ 8,503,724**	$ 21,519,289

See accompanying notes to the consolidated financial statements.

1. Nature of operations

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation) (the "Corporation" or “MPX”) was incorporated under the Business Corporations Act (Ontario) on April 2, 1974. The Corporation's registered office is located at 5255 Yonge street, Suite 701, Toronto, ON M2N 6P4, Canada.

The Corporation is a multinational diversified cannabis company focused on the medical and adult use cannabis markets. The Corporation has four dispensaries, two cultivation facilities and one production facility in Arizona, three dispensaries and one production facility in the Baltimore and Bethesda areas of Maryland and one cultivation and production facility in North Las Vegas, Nevada. The Corporation is also developing one cultivation and production facility in Fall River, Massachusetts as well as a dispensary in Fall River and Attleboro. Subsequent to the year ended March 31, 2018, MPX acquired Canveda, which has received its cultivation license from Health Canada, and will operate a cultivation and production facility in Peterborough, Ontario (Note 30). The Corporation is also furthering an application with Health Canada to commence operations as a licensed producer of cannabis and cannabis products in Canada.

On November 18, 2014, the Corporation acquired CGX Life Sciences Inc., changed its name to The Canadian Bioceutical Corporation and began trading on the TSX Venture Exchange under the symbol "BCC". On January 17, 2017, the Corporation’s common shares (the “MPX Shares”) were voluntarily delisted from the TSX Venture Exchange. On January 27, 2017 the MPX shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol “BCC”. The Corporation is a reporting issuer in Alberta, British Columbia and Ontario, Canada.

On November 30, 2017, the Corporation changed its name to MPX Bioceutical Corporation. The MPX shares began trading on the Canadian Securities Exchange under the new name and new symbol ‘MPX’ on November 6, 2017. On the OTCQB, the Corporation began trading under a new symbol ‘MPXEF’ on November 2, 2017.

2. Basis of preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on August 2, 2018.

Basis of presentation

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and option component of convertible debentures and credit facility measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the consolidated statements of net loss and comprehensive loss are presented by function. See Note 23 for details of expenses by nature.

Presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the parent Corporation is the US dollar which was changed in the fourth quarter of 2017 from the Canadian dollar. This change was due to a change in operations of the consolidated group in 2017 and an equity raise completed in the fourth quarter which was in US dollars. The functional currencies of the subsidiaries are outlined below.

(in Canadian dollars)

2. Basis of preparation (continued)

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and the following entities which are controlled by the Corporation:

Entity	Place of incorporation	Functional currency	Effective ownership
Prime Pharmaceutical Corporation (“Prime Pharmaceutical”)	Ontario, Canada	CAD	37.4%
Primapharm Funding Corporation (“Primapharm”)	Ontario, Canada	CAD	34%
Biocannabis Products Ltd. (“Biocannabis”)	Ontario, Canada	CAD	100%
CGX Life Sciences Inc. (“CGX”)	Nevada, USA	USD	100%
CinG-X Corporation (“CinG-X”)	Ontario, Canada	USD	100%
CinG-X Corporation of America (“CinG-X America”)	Nevada, USA	USD	100%
Salus Biopharma Corporation (“Salus Biopharma”)	Nevada, USA	USD	100%
S8 Group of Companies (the "S8 Companies" or "S8") includes: S8 Rentals, LLC S8 Industries, LLC S8 Management, LLC S8 Transportation, LLC	Arizona, USA	USD	100%
H4L Group of Companies (collectively “H4L Management”): H4L Management East, LLC H4L Management North, LLC	Arizona, USA	USD	100%
Health for Life, Inc. (“HFL”)	Arizona, USA	USD	0%
Soothing Options, Inc. (“SO”)	Arizona, USA	USD	0%
The Healing Center Wellness Center, LLC (“THC-WC”)	Arizona, USA	USD	0%
ABACA, LLC (“ABACA”)	Arizona, USA	USD	100%
Ambary, LLC (“Ambary”)	Arizona, USA	USD	100%
Tarmac Manufacturing, LLC (“Tarmac”)	Arizona, USA	USD	100%
Tower Management Holdings, LLC (“Tower”)	Arizona, USA	USD	100%
IMT, LLC (“IMT”)	Massachusetts, USA	USD	51%
Fall River Developments, LLC (“FRD”)	Massachusetts, USA	USD	51%
GreenMart of Nevada NLV, LLC (“GreenMart NV”)	Nevada, USA	USD	99%
LMS Wellness, Benefit LLC (“LMS”)	Maryland, USA	USD	0%
GreenMart of Maryland, LLC (“GreenMart MD”)	Maryland, USA	USD	0%
Rosebud Organics Inc. (“Rosebud”)	Maryland, USA	USD	0%
Budding Rose Inc. (“Budding Rose”)	Maryland, USA	USD	0%

All inter-company transactions and balances with subsidiaries have been eliminated.

3. Significant accounting policies

(a) Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit and loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of entities with a functional currency other than the Canadian dollar are translated into Canadian dollars upon consolidation. On consolidation, assets and liabilities have been translated into Canadian currency at the closing rate. Income and expenses have been translated into Canadian currency at the average rate over the reporting period. Exchange differences are credited to other comprehensive income and recognized in accumulated other comprehensive income.

(b) Cash

Cash includes cash on hand and balances with banks.

(c) Restricted cash

Restricted cash includes balances in reserve accounts held at banks, restricted to secure the Corporation's operating accounts.

(d) Biological assets

The Corporation measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Agricultural produce consisting of cannabis is measured at fair value less cost to sell at the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Gains or losses arising from changes in fair value less cost to sell during the year, including the impact on the carrying amount of inventory, are included in the consolidated statements of net loss and comprehensive loss of the related year.

(e) Inventories

Inventories of harvested finished goods and packing materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The cost of inventories includes direct product costs, direct labour, and an allocation of significant variable and fixed manufacturing overhead.

3. Significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Depreciation commences when the assets are available for use and is charged to the income statement on a straight-line basis over its useful life as outlined below:

Vehicles	3 years
Buildings	40 years
Equipment	7 years
Furniture and fixtures	7 years
Leasehold improvements	4 - 40 years

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

(g) Leases

Leases that do not transfer to the Corporation substantially all the benefits and risks incident to ownership of the asset are accounted for as operating leases. These operating leased assets are not recognized in the Corporation's statement of financial position. Operating lease payments are recognized in the statement of net loss and comprehensive loss on a straight-line basis over the lease term.

Lease inducements are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

(h) Asset held for sale

The asset held for disposal is no longer depreciated and is presented separately in the statement of financial position at the lower of its carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

The assets held for sale comprised of land and building of $1,818,054 from THC-WC and $618,912 not being used in business operations. The Corporation is actively seeking buyers for these assets and is expected to sell these assets in the next 12 months.

(i) Intangible assets

The Corporation's intangible assets consist of the licenses, management agreements, customer relationships, both wholesale and retail, brands and non-competition agreement arising from the business combinations and asset acquisitions described in Note 4. Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. They are amortized on a straight-line basis over their estimated useful lives. The estimated useful life of the management agreements is 60 years. Customer relationships and brands have useful lives of 15 years and the non-competition agreement has a useful life of 3 years.

3. Significant accounting policies (continued)

(j) Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of an acquired business. The Corporation measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit. The Corporation elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are expensed as incurred.

(k) Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Corporation's activities. Revenue is shown net of returns and discounts.

Revenue from the sale of inventory is recognized when the Corporation has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the economic benefits of the transaction will flow to the Corporation. Significant risks and rewards are generally considered to be transferred when the Corporation has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

(l) Share-based compensation

The fair value of share-based payments granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in equity. For equity-settled share-based payment transactions with non-employees, the Corporation measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Corporation measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For equity-settled share-based payment transactions with employees and other providing similar services, the fair value is measured at the grant date and recognized over the period during which the share-based payments vest. The fair value of the share-based payments granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the share-based payments were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share-based payments that are expected to vest.

(m) Loss per share

Basic loss per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except the if-converted method is used in assessing the dilution impact of convertible notes. The treasury method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Corporation at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining diluted EPS if they are in-the-money except where such conversion would be antidilutive.

3. Significant accounting policies (continued)

(n) Income taxes

Income tax on the consolidated statements of loss for the periods presented comprises current and deferred tax. Income tax is recognized in the consolidated statements of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(o) Convertible debentures and credit facility

Convertible debentures and credit facility were initially recorded at amortized cost and accounted for as hybrid financial instruments with separate debt and derivative liability components. The derivative liabilities are recorded at fair value and deducted from the principal of the debt to arrive at the net principle to be accreted to face value of the life of the note. The derivative liabilities are measured at fair value each period subsequent to initial recognition.

(p) Contingent consideration

Contingent consideration is recorded at the acquisition-date fair value as part of the consideration transferred in exchange for the acquiree in a business combination. Contingent consideration classified as equity shall not be remeasured. Other contingent consideration shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

(q) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value on the date that they are originated. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All financial assets (including assets designated at FVTPL) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

3. Significant accounting policies (continued)

(q) Financial instruments (continued)

Financial liabilities

All financial liabilities (including liabilities designated at FVTPL) are recognized initially on the date at which the Corporation becomes a party to the contractual provisions of the instrument. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are classified as either financial liabilities at FVTPL or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Classification of financial instruments

The Corporation classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial assets:	**Classification:**
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable and deposits	Loans and receivables
Due from related parties	Loans and receivables

Financial liabilities:	**Classification:**
Accounts payable and accrued liabilities	Other financial liabilities
Mortgage payable	Other financial liabilities
Term loans	Other financial liabilities
Promissory note	Other financial liabilities
Convertible debentures and credit facility	Other financial liabilities
Contingent consideration	Other financial liabilities
Option component of convertible debentures and credit facility	FVTPL

Impairment of financial assets

Financial assets, other than those classified at FVTPL, are assessed for indicators of impairment at the end of the year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been affected.

Fair value hierarchy

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. Significant accounting policies (continued)

(r) Impairment of non-financial assets

Non-financial assets include property, plant and equipment, intangible assets and goodwill. The Corporation's intangibles with finite lives are reviewed for an indication of impairment at each balance sheet date. Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss. An impairment loss, other than goodwill impairment, is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

(s) Critical accounting estimates and judgements

The consolidated financial statements in conformity with IFRS requires the Corporation's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Valuation of biological assets and inventory

The Corporation values its biological assets at the end of each reporting period at the fair value less costs to sell. The Corporation uses observable market data where available. In locations where there are no active markets for cannabis plants at the point of harvest, the valuation is determined using a valuation technique that uses inputs that are based on unobservable market data (Level 3).

The fair value of biological assets is determined based on the stage of growth and is estimated by determining the selling price of the finished product less costs to sell, and then attributing to the biological assets based on the stage of growth. Refer to Note 7 for further information.

Estimated useful lives and depreciation of property and equipment and intangible assets

Depreciation of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3. Significant accounting policies (continued)

(s) Critical accounting estimates and judgements (continued)

Business combinations

In a business combination, the Corporation may acquire assets and assume certain liabilities of an acquired entity. Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Corporation may rely on independent third party valuators. The determination of these fair values involves a variety of assumptions, include revenue growth rates, expected operating income, discount rates, and earnings multiples.

The Corporation measures all the assets acquired and liabilities assumed at their acquisition-date fair values. Non-controlling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements.) The excess of the aggregate of (a) the consideration transferred to obtain control, the amount of any non-controlling interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Consolidation of subsidiaries

The Corporation uses significant judgement in assessing whether it controls entities through its management agreements, and whether those entities should be consolidated into the Corporation's financial statements. These entities include HFL, SO, THC-WC, LMS, GreenMart MD, Rosebud and Budding Rose.

Income taxes and recoverability of deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Corporation considers whether relevant tax planning opportunities are within the Corporation's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Corporation from realizing the tax benefits from the deferred tax assets. The Corporation reassesses unrecognized income tax assets at each reporting period.

Change in accounting policies

Amendments to IAS 7 – Statements of Cash Flows

Amendments to IAS 7 – Statement of Cash Flows require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation has adopted the amendments to IAS 7 in its financial statements for the annual period beginning on April 1, 2017 and has disclosed the required information.

3. Significant accounting policies (continued)

Change in accounting policies (continued)

Amendments to IAS 12 – Income Taxes

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount. The Corporation has adopted the amendments to IAS 12 in its financial statements for the annual period beginning on April 1, 2017 with no resulting adjustments.

New standards and interpretations not yet adopted

The Corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 – Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, FVTPL and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 introduces an 'expected credit loss' model for the impairment of financial assets. The measurement of the Corporation's financial assets and liabilities will not significantly change on transition to IFRS 9. Additionally, the Corporation is exposed to minimal expected credit losses due to the fact that it has an insignificant amount of accounts receivable. As a result, the Corporation has determined that this new pronouncement will not have a significant impact on its consolidated financial statements. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, and must be applied retrospectively. The Corporation's revenues are derived from sale of cannabis to retail and wholesale customers. Under IFRS 15, the Corporation has determined that revenue will be recognized at point of sale for retail customers and at point of shipment of for wholesale customers which is consistent with the Corporation's revenue recognition policy under IAS 18. The amount of revenue considering discounts, rebates and variable consideration recognized from this revenue stream is unaffected. As a result, the Corporation has determined that this new pronouncement will not have a significant impact on its consolidated financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Corporation is assessing the potential impact of IFRS 16.

(in Canadian dollars)

4. Acquisitions

2017 Acquisitions

Acquisition of Arizona Medical Cannabis Management Group

On January 19, 2017, pursuant to the definitive purchase agreement effective January 1, 2017 (the "AZ Purchase Agreement"), the Corporation, through its wholly owned subsidiary CGX, completed the acquisition of all of the issued and outstanding membership interests of (i) S8 Industries, LLC, an Arizona limited liability company, (ii) S8 Management, LLC, (iii) S8 Rental Services, LLC, (iv) S8 Transportation, LLC, (v) H4L Management East, LLC and (vi) H4L Management North, LLC (together, the "2017 AZ Acquisition") for the purchase price of $33,595,000 (USD $25,000,000) to be satisfied by a cash payment of $20,157,000 (USD $15,000,000), subject to adjustments and term loan in the principal amount of $13,438,000 (USD $10,000,000) payable to the sellers (see Note 15).

Concurrent with the 2017 AZ Acquisition, the Corporation undertook a private placement for $35,481,809 (USD $27,033,759) through the issuance of 177,409,011 common shares pursuant to a capital advisory agreement with Chrystal Capital dated September 9, 2016.

In addition, S8 Management entered into management services agreements with each of HFL (the "HFL Management Services Agreement") and SO (the "SO Management Services Agreement"). S8 Management will earn a fee equal to 5% of gross revenues earned by HFL and SO and an incentive fee equal to 90% of net revenues.

The initial term of each of the HFL Management Services Agreement and the SO Management Services Agreement is twenty years and S8 Management shall have the right to renew each of the HFL Management Services Agreement and the SO Management Services Agreement for two further twenty-year terms. These agreements give S8 Management control over HFL and SO. Therefore, these entities have been consolidated in these financial statements.

The 2017 AZ Acquisition has been accounted for as a business combination. The following table summarizes the allocation of the purchase price of $33,595,000 (USD $25,000,000) to the identifiable assets and liabilities of the acquisition on January 19, 2017. The assets acquired and liabilities assumed were recorded at their fair values.

Cash	$	1,851,573
Restricted cash		133,220
Amounts receivable		317,796
Inventory		3,114,885
Biological assets		585,672
Prepaid expenses		49,721
Right of first refusal		201,570
Plant, property and equipment		4,215,004
Intangible assets (Note 9)		25,377,487
Goodwill (Note 10)		12,969,344
Deposits		459,580
Accounts payable and accrued liabilities		(846,054)
Income tax payable		(421,281)
Lease inducement		(433,635)
Promissory note (Note 14)		(1,486,243)
Deferred income taxes		(12,493,639)
Net assets acquired	$	33,595,000
Cash	$	20,157,000
Term loan		13,438,000
Total consideration paid for acquisition	$	33,595,000

(in Canadian dollars)

4. Acquisitions (continued)

2018 Acquisitions

Acquisition of IMT, LLC and Fall River Developments, LLC

On June 14, 2017 the Corporation, through its wholly-owned subsidiary, CGX, entered into the definitive purchase agreement effective June 14, 2017 to acquire 51% interest of (i) IMT and (ii) FRD (together, the “MA Acquisition”) for the purchase price of (i) $6,736,590 (USD $5,100,000) in cash and (ii) 2,000,000 stock options in MPX with an exercise price equal to $0.39 valued at $473,622 (USD $358,560). As part of consideration, the Corporation also agreed to (i) make available a USD $10,000,000 line of credit to IMT, (ii) pay $66,045 (USD $50,000) finder's fee and (iii) pay USD $800,000 per additional marijuana license for the right to manage up to two additional licenses once zoning and other required permits have been granted.

In January 2016 IMT entered into a management agreement to provide Cannatech with certain financing, real estate and other goods and services. IMT does not have the unilateral right to direct Cannatech’s activities and therefore does not control Cannatech.

The MA Acquisition has been accounted for as an asset acquisition. The acquisition of the Arizona Medical Cannabis Management Group has been accounted for as a business combination. The following table summarizes the allocation of the purchase price of $7,315,702 (USD $5,538,422) to the identifiable assets on June 14, 2017.

Property, plant and equipment (Note 8)	$	3,870,237
Intangible assets (Note 9)		10,474,277
Non-controlling interest		(7,028,812)
Net assets acquired	$	7,315,702
Cash	$	6,736,590
Stock options		473,622
Finder’s fee		66,045
Legal costs		39,445
Total consideration paid for acquisition	$	7,315,702

Acquisition of GreenMart of Nevada NLV, LLC

On October 11, 2017 the Corporation, through its wholly-owned subsidiary, CGX, entered into the definitive purchase agreement effective November 30, 2017 (the “NV Purchase Agreement”) to acquire 99% of the membership units of GreenMart NV (the “NV Acquisition”) by paying the purchase price of $19,966,253 (USD $15,492,127) of (i) $12,243,600 (USD $9,500,000) non-interest bearing promissory note, payable in full on or before June 30, 2018; (ii) 14,103,732 MPX shares valued at $7,051,866 (USD $5,471,653) at November 30, 2017; and (iii) 3,525,934 common share purchase warrants to acquire MPX Shares of the Issuer, each unit, valued at $670,787 (USD $520,474) at November 30, 2017. Each warrant is exercisable at a price of $0.75 per share for a period of 24 months. The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.50; and (iv) expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

(in Canadian dollars)

4. Acquisitions (continued)

Acquisition of GreenMart of Nevada NLV, LLC (continued)

The NV Acquisition has been accounted for as a business combination. The following table summarizes the preliminary allocation of the purchase price of $19,966,253 (USD $15,492,127) to the identifiable assets and liabilities of the Acquisition on November 30, 2017. The assets acquired, and liabilities assumed are to be recorded at their estimated fair market values, which are based on preliminary management estimates and are subject to final valuation adjustments. Certain assets acquired and liabilities assumed have been recorded at their book values on a preliminary basis until their fair values can be determined.

Cash	$	352,987
Inventory		624,412
Biological assets		252,485
Prepaid expenses		176,566
Property, plant and equipment (Note 8)		7,589,560
Intangible assets (Note 9)		8,290,850
Goodwill (Note 10)		8,359,874
Accounts payable and accrued liabilities		(144,920)
Lease inducement		(30,626)
Deferred tax liability		(3,080,647)
Loans due to related parties		(2,424,288)
Net assets acquired	$	19,966,253
Term loan	$	12,243,600
Common shares		7,051,866
Warrants		670,787
Total consideration paid for acquisition	$	19,966,253

Option to Acquire LMS Wellness, Benefit LLC

On December 8, 2017 the Corporation through its indirect wholly-owned subsidiary, CGX, purchased an option to acquire a 91.27951% interest in LMS (the “LMS Acquisition”) at an exercise price of USD $1.00 for an option period of two (2) years. CGX may not exercise the option until ninety (90) days following the award by the Natalie M. LaPrade Maryland Medical Cannabis Commission (the “Commission”) of a license authorizing or permitting LMS to dispense medical cannabis in the State of Maryland in Senatorial District 8 (the “Final Dispensary License”) and the issuance to CGX of the 91.27951% membership interests of LMS is subject to the approval of the Commission. To acquire the option, CGX paid LMS an option premium of USD $1,233,809 and agreeing to pay certain expenses of LMS in the aggregate amount of USD $118,827. The option premium was used by LMS to redeem the issued and outstanding membership interests in LMS of all of the members of LMS other than William Huber (“Huber”). Additionally, MPX assumed existing debts of LMS in the amount of USD $1,332,119. Concurrently, CGX, entered into an option agreement with Huber to acquire 100% of Huber’s membership interest in LMS for an exercise price of USD $117,873 for an option period of two (2) years which brings the total potential cost of the transaction to USD $2,802,628.

Concurrently, the Corporation through its indirect wholly-owned subsidiary, S8 Management, LLC (“S8 Management”), entered into a management agreement (the “LMS Management Agreement”) with LMS. The initial term of the LMS Management Agreement is twenty years and S8 Management shall have the right to renew for two further twenty-year terms. This agreement provides S8 Management control over LMS. Therefore, LMS has been consolidated in these financial statements.

(in Canadian dollars)

4. Acquisitions (continued)

Option to Acquire LMS Wellness, Benefit LLC (continued)

The LMS Acquisition has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of LMS which have been recorded at their fair values.

Deposits	$	7,182
Property, plant and equipment		956,022
Intangible assets (Note 9)		3,730,163
Lease inducement		(3,265)
Loans due to related parties		(1,163,081)
Non-controlling interest		(151,586)
Net assets acquired	$	3,375,435
Cash	$	3,222,623
Transaction costs		152,812
Total consideration paid for acquisition	$	3,375,435

Option to Acquire GreenMart of Maryland, LLC

On January 31, 2018, the Corporation, through its wholly owned subsidiary, CGX, purchased an option from The Elizabeth Stavola 2016 NV Irrevocable Trust to acquire a 100% interest in GreenMart MD (the "GMMD Acquisition") at an exercise price of USD $1.00 for an option period of two (2) years. CGX may not exercise the option until ninety (90) days following the award, by the Commission, of a license authorizing or permitting GreenMart MD to dispense medical cannabis in the State of Maryland in Senatorial District 6. To acquire the option CGX paid a premium of USD $2,500,000.

Concurrently, the Corporation through its indirect wholly-owned subsidiary, S8 Management, entered into a management agreement (the "GMMD Management Agreement") with GreenMart MD in Maryland. The initial term of the GMMD Management Agreement is twenty years and S8 Management shall have the right to renew for two further twenty-year terms. This agreement gives S8 Management control over GreenMart MD Therefore, GreenMart MD has been consolidated in these financial statements.

The GMMD Acquisition has been accounted for as an asset acquisition. The following table summarizes the assets acquired and liabilities assumed of GreenMart MD which have been recorded at their fair values.

Cash	$	128,952
Deposits		52,767
Property, plant and equipment		859,377
Intangible assets (Note 9)		3,123,101
Accounts payable and accrued liabilities		(241,786)
Loans due to related parties		(840,411)
Net assets acquired	$	3,082,000
Cash	$	3,082,000
Total consideration paid for acquisition	$	3,082,000

(in Canadian dollars)

4. **Acquisitions** (continued)

Option to Acquire Rosebud Organics Inc. and Budding Rose Inc.

On January 8, 2018, the Corporation, through its wholly owned subsidiary, CGX, purchased options to acquire 100% of the issued and outstanding common stock of Rosebud (the "RB Acquisition") for aggregate consideration of $3,978,910 (USD $3,208,023) and Budding Rose (the "BR Acquisition") for aggregate consideration of $3,276,665 (USD $2,641,834) for an option period of two (2) years. The Rosebud exercise price will be comprised of a cash payment of $2,728,660 (USD $2,200,000) with the remainder of the purchase price satisfied by the issuance of 1,329,811 common shares in the capital of the Corporation (the "MPX Shares"), which was calculated using a price of $0.77 per MPX Share. At the date of purchase of the option, the 1,329,811 MPX shares were fair valued at $1,236,791 (USD $997,171) using the quoted price of $0.93 per MPX share. The Budding Rose exercise price will be comprised of a cash payment of $2,232,540 (USD $1,800,000) with the remainder of the purchase price satisfied by the issuance of 1,108,184 MPX Shares, which was calculated using a price of $0.77 per MPX Share. At the date of purchase of the option, the 1,108,184 MPX shares were fair valued at $1,030,667 (USD $830,982) using the quoted price of $0.93 per MPX share.

Concurrently, CGX entered into secured loan agreements to the sellers of Rosebud and Budding Rose in the aggregate principal amount of $4,961,200 (USD $4,000,000) bearing interest at a rate of 3% per annum. The secured loans are repayable on the earliest of: (a) the termination of the option agreement; (b) the option has not been exercised within 180 days following the expiry of the option period; and (c) following an event of default.

Concurrently, the Corporation through its indirect wholly-owned subsidiary, S8 Management, entered into management agreements (the "RB & BR Management Agreements") with Rosebud, which is authorized to purchase, process and sell medical cannabis products in Maryland and with Budding Rose, which is authorized to operate a dispensary and sell medical cannabis product in Maryland. The initial term of the RB and BR Management Agreements is twenty years and S8 Management shall have the right to renew each of the agreements for two further twenty-year terms. These agreements provide S8 Management control over Rosebud and Budding Rose. Therefore, Rosebud and Budding Rose have been consolidated in these financial statements.

The RB Acquisition has been accounted for as an asset acquisition. The following table summarizes the asset acquired and liabilities assumed of Rosebud which have been recorded at their fair values.

Prepaid expenses	$	164,829
Property, plant and equipment		786,190
Intangible assets (Note 9)		4,517,394
Accounts payable and accrued liabilities		(37,543)
Loans due to related parties		(1,451,960)
Net assets acquired	$	3,978,910
Cash	$	2,728,784
Shares to be issued		1,236,791
Transaction costs		13,335
Total consideration paid for acquisition	$	3,978,910

(in Canadian dollars)

4. Acquisitions (continued)

Option to Acquire Rosebud Organics Inc. and Budding Rose Inc. (continued)

The BR Acquisition has been accounted for as an asset acquisition. The following table summarizes the asset acquired and liabilities assumed of Budding Rose which have been recorded at their fair values.

Prepaid expenses	$	32,676
Property, plant and equipment		606,394
Intangible assets (Note 9)		3,560,600
Accounts payable and accrued liabilities		(179,046)
Loans due to related parties		(743,959)
Net assets acquired	$	3,276,665
Cash	$	2,232,664
Shares to be issued		1,030,667
Transaction costs		13,335
Total consideration paid for acquisition	$	3,276,665

Acquisition of Arizona Companies

On March 5, 2018 the Corporation, through its wholly-owned subsidiary, CGX, entered into the definitive limited liability membership interest and asset purchase agreement effect March 2, 2018 to acquire 100% of the membership units of ABACA, Ambary, Tarmac, and Tower (together, the “2018 AZ Acquisition”) by paying the purchase price of (i) $15,469,200 (USD 12,000,000) in cash, (ii) $58,010 (USD $45,000) in cash interest, (iii) $3,993,135 (USD $3,097,615) through the issuance of 5,704,479 common shares of MPX issued at a price of $0.67, (iv) 2,677,587 (USD $2,077,098) in the issuance of 4,700,000 common share purchase warrants each exercisable into one (1) common share at an exercise price of $0.67 for a period of five (5) years from the date of issuance, and a (v) promissory note of $7,734,600 (USD$ 6,000,000).

The 2018 AZ Acquisition has been accounted for as a business combination. The following table summarizes the preliminary allocation of the purchase price of $29,932,532 (USD $23,219,713) to the identifiable assets and liabilities of the acquisition on March 2, 2018. The assets acquired, and liabilities assumed are to be recorded at their estimated fair values, which are based on preliminary management estimates and are subject to final valuation adjustments. Certain assets acquired, and liabilities assumed have been recorded at their book values on a preliminary basis until their fair values can be determined. The Corporation is identifying certain intangible assets, which have been allocated to Goodwill on a preliminary basis.

Cash	$	1,747,378
Amounts receivable		254,520
Deposits		13,296
Biological assets		279,106
Inventory		2,799,780
Property, plant and equipment		1,034,527
Goodwill		19,937,581
Deferred tax liability		(124,661)
Accounts payable and accrued liabilities		(635,579)
Mortgage payable		(430,710)
Net assets acquired	$	24,875,238
Cash	$	15,527,210
Common shares		3,993,135
Warrants		2,677,587
Contingent consideration (Note 15)		2,677,306
Total consideration paid for acquisition	$	24,875,238

(in Canadian dollars)

5. Accounts receivable

	March 31, 2018	March 31, 2017
Trade receivables	**$ 296,403**	$ 96,421
Other receivables	**689,122**	629,218
HST receivable	**301,200**	39,033
	$ 1,286,725	$ 764,672

Bad debt expense for the year ended March 31, 2018 was $Nil (March 31, 2017 was $Nil). Accounts receivable more than 90 days past due totalled $Nil at March 31, 2018 (March 31, 2017 - $Nil).

6. Inventory

	March 31, 2018	March 31, 2017
Dry cannabis		
Finished goods	**$ 1,313,464**	$ 716,362
Work-in-process	**1,710,981**	-
	3,024,445	716,362
Cannabis oils		
Finished goods	**857,723**	151,511
Work-in-process	**606,165**	96,570
Raw materials	**1,134,281**	116,032
	2,598,169	364,113
Products for resale	**847,356**	259,462
	$ 6,469,970	$ 1,339,937

As at March 31, 2018, the Corporation held 632,332 grams of dry cannabis (281,588 grams of finished goods, 350,744 grams of work-in-process) (March 31, 2017 - 89,560 grams of finished goods), 72,249 grams of cannabis oils (30,026 grams of finished goods, 42,223 grams of work-in process) (March 31, 2017 - 17,639 grams (9,720 grams of finished goods, 7,919 grams of work-in process), and 1,549,846 grams of raw materials waiting for extraction (March 31, 2017 - 59,595 grams).

For the year ended March 31, 2018, management identified a write-down on supplies purchased from a third party and have recognized an expense of $763,808 (USD $595,000) in the consolidated statement of net loss and comprehensive loss. $466,532 (USD $363,425) of this expense was recorded against prepaid expenses and $297,275 (USD $231,575) was recorded against inventory.

(in Canadian dollars)

7. Biological assets

Biological assets consist of cannabis on plants and biological assets. The changes in the carrying value of biological assets for the years ended March 31, 2018 and 2017 are as follows:

	March 31, 2018	March 31, 2017
Balance, beginning of year	**$ 596,191**	$ -
Acquired biological assets	**531,591**	585,672
Net increase in fair value less cost to sell due to biological transformation	**4,125,080**	936,974
Transferred to inventory upon harvest	**(3,961,361)**	(921,046)
Foreign exchange	**(18,077)**	(5,409)
Balance, end of year	**$ 1,273,424**	$ 596,191

As at March 31, 2018, included in the carrying amount of biological assets was $1,273,424 (March 31, 2017 - $596,191) in live plants.

Management has made the following estimates in the model:

- Average number of days in the growing and processing cycle;
- Average harvest yield, which incorporates estimates around wastage;
- Average selling price, which varies depending on locations and strains;
- Standard costs to grow and process; and
- Average costs to sell.

In Management's view, the following are significant unobservable inputs into the model:

Significant unobservable inputs	Range	Average	Sensitivity
Average harvest yield, which incorporates estimates around wastage	21 to 45 grams for flower	31 grams	A slight increase in the expected yield per plant would result in a significant increase in fair value, and vice versa
Average selling prices, which varies depending on locations and strains	USD $6.98 to US$9.88 per gram	USD $8.23 per gram	A slight increase in the selling price per strain would result in a significant increase in fair value, and vice versa
Standard costs	USD $0.98 to US$1.95 per gram	USD $1.45 per gram	Standard costs are used to attribute fair value based on the plant's stage of growth. Changes to standard costs relative to the plant's stage of growth may increase or decrease fair value.
Stage of growth	1 to 13 weeks	7 weeks	Standard costs are used to attribute fair value based on the plant's stage of growth. Changes to standard costs relative to the plant's stage of growth may increase or decrease fair value.

(in Canadian dollars)

7. Biological assets (continued)

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at March 31, 2018, it is expected that the Corporation's biological assets will yield approximately 440,888 grams (March 31, 2017 - 235,373 grams) of medical cannabis and 1,034,304 grams (March 31, 2017 - Nil grams) of whole wet plant (WWP) cannabis for processing when harvested. The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

The effect of changes in the fair value of biological assets and inventory during the year is as follows:

	2018	2017
Unrealized change in fair value of biological assets	**$ 4,125,079**	$ 936,974
Realized fair value increments on inventory sold during the year	**(1,853,860)**	(795,464)
Net effect of changes in fair value of biological assets and inventory	**$ 2,271,219**	$ 141,510

(in Canadian dollars)

8. Property, plant and equipment

Gross carrying amount	Vehicle	Land	Building	Leasehold improvements	Equipment	Furniture and fixtures	Total
Balance, April 1, 2017	$ 16,471	$ 545,510	$ 2,555,067	$ 842,743	$ 619,589	$ 15,423	$ 4,594,803
Acquisitions through business combinations	-	87,014	458,308	5,090,128	2,917,676	70,961	8,624,087
Additions	-	462,316	12,422,997	1,553,773	1,326,098	148,915	15,914,099
Transferred to assets held for sale	-	-	(706,114)	-	-	-	(706,114)
Net exchange differences	(529)	(28,529)	(128,145)	(166,667)	(67,769)	(393)	(392,032)
Balance, March 31, 2018	$ 15,942	$ 1,066,311	$ 14,602,113	$ 7,319,977	$ 4,795,594	$ 234,906	$ 28,034,843
Depreciation							
Balance, April 1, 2017	$ (1,145)	$ -	$ (15,483)	$ (7,046)	$ (25,175)	$ 68	$ (48,781)
Depreciation	(4,525)	-	(163,647)	(172,619)	(271,511)	(8,843)	(621,145)
Transferred to assets held for sale	-	-	87,202	-	-	-	87,202
Net exchange differences	98	-	1,767	2,391	4,273	57	8,586
Balance, March 31, 2018	$ (5,572)	$ -	$ (90,161)	$ (177,274)	$ (292,413)	$ (8,718)	$ (574,138)
Carrying amount March 31, 2018	$ 10,370	$ 1,066,311	$ 14,511,952	$ 7,142,703	$ 4,503,181	$ 226,188	$ 27,460,705
Carrying amount March 31, 2017	$ 15,326	$ 545,510	$ 2,555,067	$ 835,697	$ 594,414	$ 15,491	$ 4,546,022

(in Canadian dollars)

9. Intangible assets

Gross carrying amount	Management agreements	Customer relationships - retail	Customer relationships - wholesale	Non-compete agreement	Brand	Licenses	Total
Balance, April 1, 2017	$ 15,272,040	$ 8,431,494	$ 984,496	$ 233,135	$ 3,882,031	$ -	$ 28,803,196
Adjustment to fair values from acquisition [(1)]	452,001	-	(643,680)	-	-	-	(191,679)
Acquisitions	-	-	180,432	-	-	8,110,328	8,290,760
Additions	10,474,277	-	-	-	-	15,057,827	25,532,104
Net exchange differences	(642,686)	(270,881)	(5,488)	(7,490)	(124,719)	471,609	(579,655)
Balance, March 31, 2018	$ 25,555,632	$ 8,160,613	$ 515,760	$ 225,645	$ 3,757,312	$ 23,639,764	$ 61,854,726
Amortization and impairment							
Balance, April 1, 2017	$ (47,157)	$ (140,525)	$ (16,408)	$ (19,428)	$ (64,701)	$ -	$ (288,219)
Adjustment to fair values from acquisition [(1)]	(4,304)	-	10,250	-	-	-	5,946
Amortization for the year	(388,703)	(541,640)	(26,245)	(74,883)	(249,382)	-	(1,280,853)
Net exchange differences	(227)	2,114	457	292	973	-	3,609
Balance, March 31, 2018	$ (440,391)	$ (680,051)	$ (31,946)	$ (94,019)	$ (313,110)	$ -	$ (1,559,517)
Carrying amount, March 31, 2018	$ 25,115,241	$ 7,480,562	$ 483,814	$ 131,626	$ 3,444,202	$ 23,639,764	$ 60,295,209
Carrying amount, March 31, 2017	$ 15,224,883	$ 8,290,969	$ 968,088	$ 213,707	$ 3,817,330	$ -	$ 28,514,977

[(1)] These fair value adjustments are related to the finalization of the purchase price allocation of the acquisition of Arizona Medical Cannabis Management Group.

(in Canadian dollars)

10. Goodwill

	March 31, 2018	March 31, 2017
Balance, April 1, 2017	**$ 12,857,390**	$ -
Acquisition of GreenMart NV	**8,371,996**	-
Acquisition of Arizona Companies	**19,992,879**	-
Acquisition of Arizona Medical Cannabis Management Group	**-**	12,969,344
Net exchange differences	**4,575**	(111,954)
	$ 41,226,840	$ 12,857,390

For the purposes of annual impairment testing, the Arizona Medical Cannabis Management Group forms a separate CGU group to which $12,857,390 of goodwill arising from that business acquisition was allocated. As the fair values of the net assets acquired from GreenMart NV and the Arizona Companies have not yet been finalized as at March 31, 2018, the remaining goodwill of $28,369,450 has not been allocated to a CGU group as at March 31, 2018. Accordingly, no goodwill impairment testing was performed on these balances.

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU group to which goodwill is allocated was calculated based on fair value less costs to sell.

As $12,381,685 of the goodwill arose from deferred tax liabilities recognized on the fair value increment on intangible assets with no tax base, the deferred tax liability has an incremental fair value of $Nil and was deducted from the balance of goodwill subject to impairment. Since the remaining fair value of that CGU's net assets exceeds the remaining goodwill balance of $475,705, there was no goodwill impairment for the year ended March 31, 2018 (March 31, 2017 - $nil).

11. Accounts payable and accrued liabilities

	March 31, 2018	March 31, 2017
Trade payables	**$ 2,549,516**	$ 200,191
Accrued liabilities	**1,975,805**	1,106,674
Sales tax payable	**235,319**	107,368
Interest payable	**257,880**	210,192
	$ 5,018,520	$ 1,624,425

12. Income tax payable

	March 31, 2018	March 31, 2017
Income tax payable, acquired on acquisition	**$ -**	$ 420,661
Income tax payable, current year	**33,444**	125,000
	$ 33,444	$ 545,661

(in Canadian dollars)

13. Mortgage payable

In connection with the 2018 AZ Acquisition (Note 4), the Corporation acquired a 30-year mortgage that commenced on October 1, 2015. The principal amount of the mortgage is $451,290 (USD $350,000) and bears interest of 4% per annum (payable monthly). As at March 31, 2018, the balance of the principal was $430,811 (USD $334,117). The mortgage is secured by the property on which the mortgage is held.

The Corporation's expected principal repayments and interest expense is as follows:

	Payment amount	Interest expense	Principal reduction
2019	$ 25,854	$ 17,073	$ 8,781
2020	25,854	16,715	9,139
2021	25,854	16,343	9,511
2022	25,854	15,955	9,899
2023	25,854	15,552	10,302
2024 and thereafter	581,731	198,552	383,179
	$ 711,001	$ 280,190	$ 430,811

14. Promissory note

In connection with the acquisition of Arizona Medical Cannabis Management Group during the year ended March 31, 2017, the Corporation acquired $1,529,580 (USD $1,138,250) by way of a promissory note and transaction costs totalling $53,536 (USD $39,839) for net proceeds of $1,486,243 (USD $1,098,411). The note bears interest at a rate of 9.25% per annum (payable monthly), is secured and due on November 1, 2031. During the year ended March 31, 2018, the Corporation repaid $149,274 (USD $116,284) of principal (March 31, 2017 - $15,812 USD $11,900) resulting in a remaining principal balance owing of $1,302,380 (USD $1,010,066). (March 31, 2017 - $1,500,748 (USD $1,126,350). As at March 31, 2018, the balance of $1,261,648 (USD $978,477) (March 31, 2017 - $1,450,979 (USD $1,089,160)) on the consolidated statement of financial position is net of deferred financing charges of $40,731 (USD $31,589) (March 31, 2017 - $49,769 (USD $37,190).

	Maturity date	Effective interest rate	**March 31, 2018**	March 31, 2017
Promissory note bearing interest at 9.25%. Principal is repayable in monthly repayments	November 2031	9.02%	**$ 1,261,648**	$ 1,450,979
Less: current portion			**43,467**	147,453
			$ 1,218,181	$ 1,303,526

(in Canadian dollars)

14. Promissory note (continued)

The Corporation's expected principal repayments and accretion expense is as follows:

	Principal repayments	Accretion expense	Net amount
2019	$ 49,826	$ 6,417	$ 43,409
2020	54,635	5,746	48,889
2021	59,909	5,122	54,787
2022	65,691	4,539	61,152
2023	72,032	3,994	68,038
2024 and thereafter	1,000,847	15,474	985,373
	$ 1,302,940	$ 41,292	$ 1,261,648

a) For the year ended March 31, 2018, accretion expense of $7,189 (March 31, 2017 - $11,154) was recorded. As at March 31, 2018, $Nil (2017 - $11,597) of interest is payable and is recorded in accrued liabilities

b) The promissory note agreement had a balloon payment feature that required a principal repayment of $106,496 (USD $79,250) on or before December 1, 2017 (paid).

c) The promissory note agreement is secured by the deed of trust, security agreement, assignment of leases and rents and fixture financing statement related to the Corporation's land and buildings in Mesa Arizona (Note 8).

15. Contingent consideration

As part of the agreement to acquire all of the issued and outstanding membership interests of the companies outlined in the "THC Purchase Agreement", the Corporation, through its wholly owned subsidiary CGX, promised to pay William Abbott, Cindy Abbott, Dan Hayden, Jason Kaplan and Eric Nauhaus up to an amount of $7,734,600 (USD $6,000,000). See Note 4, 2018 Acquisitions, Acquisition of Arizona Companies.

The Corporation will pay $77,364 (USD $60,000) monthly and the monthly payments shall be subject to a quarterly true up where the Corporation shall pay within twenty business days after each quarter, an additional payment of $77,364 (USD $60,000) and one half of an agreed percentage scale on revenues in excess of an agreed revenue target during such calendar quarters. If the revenues are below the agreed revenue target during any quarter, the next succeeding monthly payment shall be reduced by an amount equal to the difference of the agreed revenue target and the actual revenue in such calendar quarter. The underlining agreement expires in August 2020 at which point any remaining balance will not be subject to payment unless the agreement is renewed for a period beyond August 2020. The note shall not accrue any interest.

The Corporation is of the expectation that based on current trends, the agreed revenues will exceed the revenue target in each quarter. Based on this expectation the Corporation has estimated that an additional $88,948 (USD $69,000) will be payable in each quarter. The Corporation has measured the contingent consideration up until the expiry of the agreement in August 2020 based on estimated revenues which have been derived based on current revenue trends. The Corporation has used the present value method at a discount rate of 8% to measure this liability as at March 31, 2018.

(in Canadian dollars)

15. Contingent consideration (continued)

The Corporation's expected repayments are follows:

	Principal repayments
2019	$ 1,228,018
2020	1,133,905
2021	333,859
	$ 2,695,782

16. Term loans

Acquisition of Arizona Medical Cannabis Management Group

In order to acquire all issued and outstanding membership interests of companies outlined in the "AZ Purchase Agreement", the Corporation, through its wholly owned subsidiary CGX, agreed to jointly and severally pay to the order of Christine Flores and Lonnie E. Davis, co-trustees of the Elizabeth Stavola 2016 NV Irrevocable Trust dated April 21, 2016 (the "Trust") the principal sum of $12,480,000 (USD $10,000,000) along with accrued and unpaid interest which is due three (3) years after the effective date of January 1, 2017. Through the Maturity Date, simple interest on the unpaid balance of the principal amount of this Note shall accrue at a per annum rate equal to eight percent (8.00%) (calculated on the basis of a 360-day year) and shall be cumulative. Interest only payments are due on the last day of every three (3) months. Repayment of this Note is secured by a security interest granted by CGX in favour of the Trust over all the assets of the acquisition of the Arizona Medical Cannabis Management Group, including a first priority mortgage on all real property owned by the Acquisition pursuant to a security agreement dated January 19, 2017 between the Corporation, CGX and the Trust.

For the year ended March 31, 2018, interest expense of $1,026,960 (USD $800,000) (March 31, 2017 - $206,835 (USD $157,778) was recorded. As at March 31, 2018, $257,880 (USD $200,000) (2017 - $210,192 (USD $157,778)) of interest is payable and is recorded in accounts payable and accrued liabilities.

Acquisition of GreenMart NV

In order to acquire 99% of the membership interests of GreenMart NV, companies outlined in the "NLV Purchase Agreement", the Corporation, through its wholly owned subsidiary CGX, promised to pay to the order of Joel A. Laub and Kimberly L. Laub, Co-Trustees of the Joel A. Laub and Kimberly L. Laub Family Trust, dated March 1, 1988 (the "Laub Trust"), Christine Flores, in her individual capacity ("Flores"), and Margaret A. McLetchie and Lonnie E. Davis, Co-Trustees of the Trust (the "Trust" and together with the Laub Trust and Flores, each a "Lender" and collectively, the "Lenders"), the principal sum of $12,249,300 (USD $9,500,000) on or before June 30, 2018, the maturity date. The note shall not accrue any interest through the maturity date of the note and shall commence accruing interest at the rate of 8% per annum. (the "Default Rate") until the end of the Default period, as defined in the NV Purchase Agreement. Subsequent to the year ended March 31, 2018 and prior to the maturity date, the principal balance was paid in full.

17. Credit facility

The Corporation arranged a USD $25 million revolving credit facility (the "Hi-Med Facility") with Hi-Med, LLC (the "Lender") of Florida. The funds drawn down against the line of credit will be earmarked specifically for making further acquisitions, as well as, where needed, the development of assets obtained in any transaction.

The principal amount remaining from time to time unpaid and outstanding shall bear interest at seven percent (7.0%) per annum. The principal remaining, and any interest accrued, shall be repayable, in full, 36 months from the date of closing. In connection with the facility, MPX will pay a 2.0% arrangement fee on each advance made to the Corporation by the Lender.

17. Credit facility (continued)

On October 24, 2017, the Corporation made an initial drawdown of USD $10 million under the USD $25 million revolving credit facility. The funds drawn down against the facility were earmarked specifically for making further acquisitions, capacity expansion and the development of new facilities in Massachusetts and Maryland.

The lender shall have the right to convert outstanding principal amount of the initial drawdown plus any accrued interest (accruing at the rate of 7% per annum calculated and compounding on a monthly basis) into MPX Shares at a conversion price of $0.50 per share.

The Lender shall have the following rights to convert future principal amounts into MPX shares, as follows:

(1) any principal drawn down in excess of the initial USD $10 million, and less than USD $20 million, shall be convertible into MPX shares at a conversion price of CAD $1.00 per MPX share.

(2) any principal drawn down in excess of USD $20 million, and less than USD $25 million plus outstanding interest payable on the outstanding loan amount shall be convertible into common shares at a conversion price of CAD $1.50 per common share.

The Corporation used the residual value method to allocate the principal amount of the secured and convertible revolving credit note (the “Credit Note”) between the liability and option component of Credit Note. The option component of the Credit Note is a derivative liability. The Corporation valued the conversion option of the Credit Note by using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend of 0%; expected volatility of 90%; risk free interest rate of 1.66%; and an expected life of 3 years. The liability component of the Credit Note was initially valued as the difference between the face value of the Credit Note and the conversion option calculated above. Based on this calculation, the liability component was $7,579,617 (USD $6,070,006) and the option component of the Credit Note was $4,907,383 (USD $3,929,994) on issuance. A 2% origination fee of $249,740 (USD $200,000) was paid to ARG Advisory Services, of which $204,020 (USD $158,229) is included in deferred financing costs at March 31, 2018.

On March 31, 2018, the fair value of the option component of the Credit Note was estimated at $12,743,678 using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 115%; risk free interest rate of 1.76%; and an expected life of 2.55 years. As a result, the Corporation recorded an unrealized loss on the change in fair value of derivative liability for the year ended March 31, 2018 of $7,642,472.

18. Convertible debentures

On April 4, 2016 and June 7, 2016, the Corporation closed convertible debenture tranches of $72,743 and $37,535, respectively, of its private placement offering of the Debentures to arm's length investors. No fees or commissions were paid as part of the financing.

The Debentures are unsecured and pay 6% interest per annum, calculated and paid annually and mature three years from the date of issuance. The Debentures are convertible into units of the Corporation (the "Units") at the option of the subscriber at any time until maturity at a price of either (a) $0.35 per Share; or (b) on the same terms and conditions (including (without limitation) at the same price per share) as those applicable to any sale of capital stock to any other investor at any time between the date of issuance and the date the subscriber exercises its right of conversion, but, in any case, not less than $0.35 (the "Conversion Price").

Each Unit comprises one MPX share and one common share purchase warrant of the Corporation (a "Warrant"). Each Warrant entitles the holder thereof to purchase one MPX Share (a "Warrant Share") for thirty-six months following the closing date at either (at the option of the holder): (a) $0.65 per Warrant Share; or (b) on the same terms and conditions (including (without limitation) at the same price per share) as those applicable to any sale of capital stock to any other investor at any time between the date of issuance of the debenture and the date of the holder exercising its right of conversion, but, in any case, not less than $0.65 (the "Warrant Share Price").

(in Canadian dollars)

18. Convertible debentures (continued)

The Corporation used the residual value method to allocate the principal amount of the convertible debentures between the liability and option component of convertible debentures. The option component of convertible debentures is a derivative liability. The Corporation valued the conversion option of the debentures by using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend of 0%; expected volatility of 163%; risk free interest rate of 0.53%; and an expected life of 3 years. The liability component of convertible debentures was initially valued as the difference between the face value of the debentures and the conversion option calculated above. Based on this calculation, the liability component was $66,878 and the option component of convertible debentures was $43,400 on issuance.

On March 31, 2018, the fair value of the option component of convertible debentures was estimated at $218,651 (March 31, 2017 - $185,274) using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (March 31, 2017 – 0%); expected volatility of 96% (March 31, 2017 – 105%); risk free interest rate of 1.76% (March 31, 2017 – 0.74%); and an expected life of 1.01 years. As a result, the Corporation recorded an unrealized loss on the change in fair value of derivative liability for the year ended March 31, 2018 of $34,408 (March 31, 2017 – $160,058).

19. Share capital

a) Authorized

Unlimited number of common shares without par value

b) Common shares issued

	Number of common shares	Value
Balance, March 31, 2016	41,269,553	$ 6,415,525
Exercise of warrants	475,000	47,500
Fair value of warrants	-	3,597
Allocated to warrants	-	(3,537,549)
Exercise of options	705,000	35,250
Fair value of options	-	41,831
Shares issued on private placements	202,660,003	48,107,305
Share issuance costs	4,274,090	(3,200,836)
Shares for services performed	3,285,300	1,234,960
Balance, March 31, 2017	252,668,946	49,147,583
Shares issued on private placements (a) (b) (d)	65,690,330	31,012,882
Share issuance costs (a) (b) (d)	40,986	(3,213,467)
Allocated to warrants (a) (b) (d)	-	(7,385,847)
Acquisition of GreenMart NV (Note 4)	14,103,732	7,051,866
Acquisition of the Arizona Companies (Note 4)	5,704,479	3,993,135
Consulting fees (c) (Note 21)	900,000	405,000
Exercise of options	7,325,000	1,171,750
Fair value of options	-	744,644
Exercise of warrants	14,031,000	1,733,700
Fair value of warrants	-	512,380
Balance, March 31, 2018	360,464,473	$ 85,173,626

19. Share capital (continued)

b) Common shares issued (continued)

(a) On May 5, 2017, the Corporation completed the second and final tranche of a private placement for gross proceeds of $2,300,271 (USD $1,683,700) through the issuance of 4,600,541 common shares. In relation to the private placement, the Corporation paid finder's fees to: (1) Chrystal Capital Partners LLP ("Chrystal Capital") as follows: (a) a cash fee of $91,725 (USD $66,894); and (b) compensation options to acquire 182,782 Common Shares in the Corporation at an exercise price of $0.50 per Common Share for a period of sixty (60) months from the date of issuance; (2) ARG Advisory Services, LLC as follows: (a) a cash fee of $4,114 (USD $3,000); and (b) 1,040,986 common shares of which 1,000,000 were issued in last reporting period; (3) Walmer Capital Limited as follows: (a) a cash fee of $76,986 (USD $56,145); and (4) Island Investments Holdings Limited as follows: (a) a cash fee of $76,986 (USD $56,145).

(b) On December 22, 2017, the Corporation completed the first tranche of a private placement for gross proceeds of $ 26,473,670 (USD $20,578,069) through the issuance of 56,326,958 units (the "Units") at a price of $0.47 per Unit (the "Offering"). Each Unit issued in the Offering consists of one MPX share and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of $0.64 per MPX Share for a period of 24 months. In relation to the Offering, the Corporation paid to: (1) Echelon Wealth Partners Inc., Canaccord Genuity Corp. and Chrystal Capital (together, the "Agents") (a) an aggregate cash commission of $1,855,742 (USD $1,442,474) and (b) an aggregate of 3,948,387 broker warrants (the "Broker Warrants"). Each Broker Warrant entitles the holder to acquire one Unit at an exercise price of $0.47 per Unit for a period of 24 months; (2) Walmer Capital Limited a cash fee of $262,837 (USD $204,304); and (3) Island Investments Holdings a cash fee of $262,837 (USD $204,304).

(c) The Corporation entered into an agreement with Canadian Capital, LLC ("Canadian Capital") to provide the Corporation with executive management, operations, administrative, finance and tax services for term of three (3) years. In connection with the agreement, the Corporation issued 900,000 MPX Shares to Canadian Capital.

(d) On January 15, 2018, the Corporation completed the second and final tranche of the Offering for gross proceeds of $2,232,109 (USD $1,786,402) through the issuance of 4,749,169 Units at a price of $0.47 per Unit. Each Unit issued in the Offering consists of one MPX Share and one half of one Warrant. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of $0.64 per MPX Share for a period of 24 months. In relation to the Offering, the Corporation paid to the Agents: (a) an aggregate cash commission of $156,247 (USD $125,048); and (b) an aggregate of 332,442 Broker Warrants. Each Broker Warrant entitles the holder to acquire one Unit at an exercise price of $0.47 per Unit for a period of 24 months.

20. Stock options

The Corporation has a stock option plan (the "Plan") under which the directors of the Corporation may grant options to acquire MPX Shares of the Corporation to qualified directors, officers, employees, and consultants of the Corporation. The maximum number of shares allocated to be made available to be issued under the Plan shall not exceed 10% of the issued and outstanding MPX Shares at the time of grant. Exercise prices cannot be less than the closing price of the MPX Shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years.

(in Canadian dollars)

20. Stock options (continued)

The following table shows the continuity of options:

	Number of options	Weighted average exercise price
Balance, March 31, 2016	3,292,000	$ 0.10
Granted	19,080,000	0.42
Exercised	(705,000)	0.05
Expired	(332,000)	0.30
Balance, March 31, 2017	21,335,000	0.38
Granted (a) (b) (c) (Note 4)	12,835,762	0.70
Exercised	(7,325,000)	0.16
Expired	(300,000)	0.19
Balance, March 31, 2018	26,545,762	$ 0.60

(a) As part of the acquisition of IMT and FRD, the Corporation granted 2,000,000 stock options in MPX with an exercise price equal to $0.39 valued at $473,622 (USD $358,560). The fair value of the options has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 97%; (iii) risk-free interest rate of 1.1%; (iv) share price of $0.39; forfeiture rate of 0; and (v) expected life of 3 years. The expected volatility is based on the historical trading prices of similar companies. The stock options shall vest on June 14, 2018.

(b) On October 30, 2017, the Corporation granted 2,350,000 stock options to officers, directors and a consultant of the Corporation at an exercise price of $0.405 per MPX Share and expiring on October 30, 2022. The fair value of the options has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.41; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. The stock options vested immediately.

(c) On January 15, 2018, the Corporation granted 8,485,762 stock options to officers, directors and a consultant of the Corporation at an exercise price of $0.86 per MPX Share and expiring on January 15, 2023. The fair value of the options has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 115%; (iii) risk-free interest rate of 1.9%; (iv) share price of $0.92; forfeiture rate of 0; and (v) expected life of 5 years. The expected volatility is based on the historical trading prices of similar companies. The stock options shall vest on January 15, 2019.

(in Canadian dollars)

20. Stock options (continued)

Number of options	Remaining life (years)		Average exercise price	Expiry date
6,710,000	3.82		0.20	Jan 25, 2022
3,500,000	3.82		0.60	Jan 25, 2022
3,500,000	3.82		1.00	Jan 25, 2022
2,000,000	4.21		0.39	Jun 14, 2022
2,350,000	4.59		0.405	Oct 30, 2022
8,485,762	4.80		0.86	Jan 15, 2023
26,545,762	4.23	$	0.60	

21. Warrants

	Number of warrants		Amount
Balance, March 31, 2016	13,846,155	$	156,771
Granted	17,687,745		3,537,549
Exercised	(475,000)		(3,597)
Expired	(846,155)		(58,325)
Balance, March 31, 2017	30,212,745		3,632,398
Granted (a) (b) (c) (d)	46,227,592		11,231,215
Exercised	(14,031,000)		(512,380)
Balance, March 31, 2018	62,409,337	$	14,351,233

(a) On May 5, 2017, the Corporation completed the second and final tranche of a private placement for gross proceeds of $2,300,271 (USD $1,683,700) through the issuance of 4,600,541 MPX Shares. In relation to the private placement, the Corporation paid finder's fees to Chrystal Capital with compensation options to acquire 182,782 MPX Shares at an exercise price of $0.50 per MPX Share for a period of sixty (60) months from the date of issuance.

(b) On December 7, 2017, the Corporation issued 3,525,934 common share purchase warrants to acquire MPX Shares exercisable at a price of $0.75 per share for a period of twenty-four (24) months. The fair value of the warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.50; and (iv) expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

(c) On December 22, 2017, the Corporation completed the first tranche of a private placement for gross proceeds of $ 26,473,670 (USD $20,578,069) through the issuance of 56,326,958 Units at a price of $0.47 per Unit. Each Unit issued consisted of one MPX Share and one half of one Warrant. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of $0.64 per MPX Share for a period of 24 months. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.44; and (iv) expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

(in Canadian dollars)

21. Warrants (continued)

In relation to the private placement, the Corporation paid finder's fees to an aggregate of 3,948,387 Broker Warrants. Each Broker Warrant entitles the holder to acquire one Unit at an exercise price of $0.47 per Unit for a period of 24 months. The fair value of the Broker Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.44; and (iv) expected life of 2 years. The expected volatility is based on the historical trading prices of similar companies.

(d) The Corporation entered into an agreement with Canadian Capital, LLC ("Canadian Capital") to provide the Corporation with executive management, operations, administrative, finance and tax services for term of three (3) years. In connection with the agreement, the Corporation issued to Canadian Capital common share purchase warrants ("Warrants") expiring on October 30, 2022 as follows:

(1) 1,200,000 Warrants at an exercise price of CAD $0.35 vesting immediately. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.41; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

(2) 900,000 Warrants at an exercise price of CAD $0.60 which shall vest on the one (1) year anniversary of the agreement. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.41; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

(3) 900,000 Warrants at an exercise price of CAD $1.00 which shall vest on the two (2) year anniversary of agreement. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.41; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

The following table reflects the outstanding warrants as at March 31, 2018:

Number of warrants		Exercise price	Expiry date
3,525,934	$	0.75	Dec 7, 2019
332,442	$	0.47	Dec 19, 2019
2,374,585	$	0.64	Dec 19, 2019
28,163,462	$	0.64	Dec 22, 2019
17,381,745	$	0.20	Jan 19, 2022
182,782	$	0.50	May 05, 2022
900,000	$	0.60	Oct 30, 2022
900,000	$	1.00	Oct 30, 2022
3,948,387	$	0.47	Dec 22, 2022
4,700,000	$	0.67	March 02, 2023
62,409,337	$	0.52	

(in Canadian dollars)

22. Income taxes

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.5% (2017 -26.5%) to the income for the year and is reconciled as follows:

	2018	2017
Loss before income taxes	**$ (21,368,076)**	$ (5,648,545)
Income tax recovery based on statutory rate	**(5,662,540)**	(1,496,864)
Adjustment to expected income tax benefit:		
Non-deductible expenses	**4,180,541**	190,301
Share-based compensation	**504,803**	383,091
Current period temporary differences – financing fees	**-**	(848,222)
Effect of foreign tax rates	**(267,270)**	(98,045)
Change in benefit of tax assets not recognized	**2,130,439**	1,641,243
Federal (US) tax rate change	**(4,843,876)**	-
Other	**182,334**	(188,015)
Income tax recovery	**$ (3,775,569)**	$ (416,511)
Income tax expense comprises:		
Current tax expense	**$ 383,683**	125,000
Deferred tax expense:		
Origination and reversal of temporary differences	**(4,159,252)**	(541,511)
Income tax recovery	**$ (3,775,569)**	$ (416,511)

The tax rate above is computed using the statutory Canadian tax rate based on Federal and Ontario.

The Corporation, while resident in Canada, operates in the United States. The enacted blended tax rates relevant to the computation of tax expense (recovery) are: Canada 26.5% (26.5% - 2017), United States 34.1% (34% - 2017).

Deferred tax liabilities (assets)	**April 1, 2017**	**Recognized in business combination**	**Recognized in other comprehensive income**	**Recognized in profit or loss**	**March 31, 2018**
Non-current assets					
Property, plant and equipment	$ 83,078	$ 167,523	$ (1,688)	$ 58,100	$ 307,034
Intangible assets	9,096,014	2,768,385	(298,415)	(3,823,701)	7,742,283
Other	-	-	(51)	(11,535)	(11,586)
Current assets					
Inventory	319,662	256,687	(6,966)	487,200	1,056,583
Current liabilities					
Accounts payable and accrued Liabilities	(78,254)	-	2,848	75,406	-
Deferred revenue	2,581,417	-	(84,757)	(410,564)	2,086,096
Unused tax losses	(180,621)	-	5,292	(534,158)	$ (709,487)
	$ 11,821,296	**$ 3,192,596**	**$ (383,717)**	**$ (4,159,252)**	**$ 10,470,923**

(in Canadian dollars)

22. Income taxes (continued)

The following deductible temporary differences and non-capital loss carry-forwards have not been recognized in the consolidated financial statements:

	2018	2017
Unutilized non-capital losses	**$ 15,001,482**	$ 7,069,105
Share issue costs	**2,085,018**	2,681,644
Equipment and intellectual property	**427,269**	431,411
Lease inducement	**-**	1,065,955
	$ 17,513,769	$ 11,248,115

The Corporation has unutilized non-capital losses available for carryforward in Canada and the US. The operating losses will expire as follows:

	Canada	USA	Total
2026	$ 48,828	$ -	$ 48,828
2027	34,000	-	34,000
2028	122,000	-	122,000
2029	236,463	-	236,463
2030	324,368	-	324,368
2031	208,219	-	208,219
2032	303,187	-	303,187
2033	362,384	-	362,384
2034	71,032	-	71,032
2035	446,190	-	446,190
2036	1,424,348	-	1,424,348
2036	2,609,447	411,273	3,020,720
2037	8,811,016	2,271,449	11,277,389
	$ 15,001,482	$ 2,877,647	$ 17,879,129

The Company has $15,645,000 of taxable temporary differences related to investments in its US subsidiaries for which no deferred tax liability has been recognized in the consolidated financial statements as the Company controls the timing of the reversal of these temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The Act reduces the US federal corporate tax rate from 34% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign sourced earnings. At March 31, 2018, we have not completed our accounting for the tax effects of enactment of the Act; however, in certain cases, as described below, we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax. In other cases, we have not been able to make a reasonable estimate and continue to account for those items based on our existing accounting under IAS 12, Income Taxes, and the provisions of the tax laws that were in effect immediately prior to enactment. For the items for which we were able to determine a reasonable estimate, we recognized a provisional tax benefit of $4,843,876, which is included as a component of income tax expense from continuing operations. In all cases, we will continue to make and refine our calculations as additional analysis is completed. In addition, our estimates may also be affected as we gain a more thorough understanding of the tax law.

Provisional amounts

Deferred tax assets and liabilities: We remeasured certain deferred tax assets and liabilities based on the federal rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement of our deferred tax balance was $4,843,876.

(in Canadian dollars)

23. General and administrative expenses

	2018	2017
Occupancy costs	**$ 1,451,909**	$ 659,677
Consulting fees	**2,203,487**	-
Office and general	**2,400,281**	519,071
Repairs and maintenance	**119,367**	36,900
Salaries and benefits	**6,272,889**	1,826,015
Sales and marketing	**224,620**	42,126
Regulatory expenses	**288,068**	103,710
	$ 12,960,621	$ 3,187,499

24. Related party transactions

Related party transactions not disclosed elsewhere are summarized below:

As at March 31, 2018, the Corporation has an outstanding term loan of $12,894,000 (USD $10,000,000) (March 31, 2017 - $13,322,000 (USD $10,000,000)), due to a trust whose beneficiary is an officer of the Corporation (note 14). In connection with this loan, the Corporation recorded interest expense of $1,026,960 (USD $800,000) (March 31, 2017 - $206,835 (USD $157,778)). As at March 31, 2018, $257,880 (USD $200,000) (March 31, 2017 – $210,192 (USD $157,778)) of interest is payable and is recorded in accounts payable and accrued liabilities.

As at March 31, 2018, the Corporation has an outstanding term loan of which $6,002,157 (USD $4,655,000) (March 31, 2017 $Nil) is due to a trust of which a beneficiary is an officer and director of the Corporation. Subsequent to the year ended March 31, 2018, this balance was paid in full.

As at March 31, 2018, the Corporation was owed $77,364 (USD $60,000) (March 31, 2017 - $Nil) from an officer of the Corporation and this amount is included in due from related parties.

As at March 31, 2018, the Corporation was owed $157,952 (USD $122,500) (March 31, 2017 - $Nil) from companies at a principal is an officer of the Corporation and this amount is included in due from related parties.

As at March 31, 2018, the Corporation was owed $19,480 (March 31, 2017 - $Nil) from an employee of the Corporation and this amount is included in accounts receivable.

During the year ending March 31, 2018, the Corporation arranged a USD $25 million revolving credit facility with a company at which two officers are Directors of the Corporation. As at March 31, 2018, the Corporation has drawn down USD $10 million on the facility.

During the year ending March 31, 2018, the Corporation issued 900,000 MPX Shares (March 31, 2017 - Nil) and 3,000,000 warrants (March 31, 2017 - Nil) to a company of which directors of the Corporation are senior members. 1,200,000 of these warrants were converted into MPX common shares on February 13, 2018 at an exercise price of CAD $0.35 per warrant. For the year ended March 31, 2018, the Corporation recorded $901,579 (USD $702,323) (March 31, 2017 - $Nil) of consulting fees associated with these issuances.

For the year ended March 31, 2018, the Corporation recorded $231,068 (USD $180,000) (March 31, 2017 - $Nil) of consulting fees to a company of which directors of the Corporation are senior members.

For the year ended March 31, 2018, the Corporation recorded $10,110 (USD $7,875) (March 31, 2017 - $Nil) of consulting fees to a director of the Corporation.

(in Canadian dollars)

24. Related party transactions (continued)

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Corporation. Remuneration of directors and key management personnel of the Corporation was as follows:

	2018	2017
Salaries and benefits	**$ 1,047,587**	$ 357,897
Share-based compensation	**1,642,510**	1,297,722
	$ 2,690,097	$ 1,655,619

The above noted transactions are in the normal course of business and are measured at the exchange amount as agreed to by the parties and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

At March 31, 2018, each of the directors with control of less than 10% of the common shares of the Corporation collectively control 6,581,986 common shares of the Corporation or approximately 1.83% of the total common shares outstanding.

25. Commitments and contingencies

Legal Claims

2017 Claim

On June 22, 2017, the Corporation was served with an amended statement of claim by Marrelli Support Services Inc. ("MSSI"). The Claim was commenced in the Ontario Superior Court of Justice and seeks damages for breach of contract, inducing breach of contract, breach of honest dealings, breach of fiduciary and trust duties, knowingly assisting in the breach of said duties and unjust enrichment in the amount of $500,000, plus punitive and exemplary damages in the amount of $50,000. The Corporation is vigorously defending the Claim and has filed its Defence with the Court. Pleadings have not closed and documentary discovery has not been completed. As a result, it is premature to further assess the merits of the allegations at this time.

Leases

Owen Sound, ON:

On February 25, 2015, BioCannabis entered into a lease of a facility in Owen Sound for the production of medical marijuana (the "Old Lease"). The term of the Old Lease was 15 years and six months, beginning April 1, 2015. However, due to the delay by Health Canada issuing a license to the Corporation under the Marihuana for Medical Purposes Regulations, a delay outside the control of the Corporation, the landlord and the Corporation have cancelled the Old Lease. On March 24, 2017, the parties entered into a new lease agreement for a smaller portion of the facility (the "New Lease"). The term of the New Lease is 10 years and six months, beginning April 1, 2017.

During the year ended March 31, 2018, the Corporation recognized $114,630 (2017 - $508,446) in occupancy costs related to this property. As at March 31, 2018, the Corporation has $35,471 included in deposits (2017 - $44,814) in connection with this lease.

Toronto, ON:

The Corporation entered into a lease agreement for office space beginning on July 1, 2017. The term of the lease is 3 years, beginning July 1, 2017. On March 1, 2018, the Corporation leased additional office space in the same building for a period of six months. For the year ended March 31, 2018 the Corporation recognized $57,881 (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $8,782 included in deposits (2017 - $Nil) in connection with this lease.

25. Commitments and contingencies (continued)

Mesa, AZ:

S8 Rental entered into a lease of a building in Mesa, Arizona for the production and sale of medical marijuana. The term of the original lease is 10 years, beginning November 9, 2016. For the year ended March 31, 2018 the Corporation recognized $654,435 (USD $509,802) (2017 - $141,165 (USD $105,964)) in occupancy costs. In addition to the lease commitments below, the Corporation has agreed to spend at least USD $500,000 in leasehold improvements with the landlord to develop the facility, of which USD $472,000 is reimbursable back to the Companies.

As at March 31, 2018, the Corporation has $243,910 (USD $189,165) included in deposits (2017 - $330,956 (USD $250,000) in connection with this lease. The deposit is to be applied to payments at the beginning of the second and third years, with the remaining balance reimbursable on expiration of the lease.

North Las Vegas, NV:

GreenMart of Nevada entered into a lease of a building in North Las Vegas, Nevada for the production and sale of medical marijuana. The term of the lease is 3 years, beginning September 1, 2015. For the year ended March 31, 2018 the Corporation recognized $90,874 (USD $70,790) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $32,235 (USD $25,000) included in deposits (2017 - $Nil) in connection with this lease.

Baltimore, MD (Ridge Road):

GreenMart of Maryland entered into a lease of a building in Baltimore, Maryland for the production and sale of medical marijuana. The term of the lease is 5 years, beginning May 1, 2017. For the year ended March 31, 2018 the Corporation recognized $28,395 (USD $22,119) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $7,201 (USD $5,585) included in deposits (2017 - $Nil) in connection with this lease.

Phoenix, AZ (49th Avenue):

Tower Cultivation Management of Arizona entered into a lease of a building in Phoenix, Arizona for the production and sale of medical and adult use marijuana. The term of the lease is 5 years, beginning May 1, 2013. Subsequent to year end, this lease was extended until 30 April 2023. For the year ended March 31, 2018 the Corporation recognized $13,605 (USD $10,598) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $13,234 (USD $10,264) included in deposits (2017 - $Nil) in connection with this lease.

Phoenix, AZ (North Cave Creek Road):

Tower Cultivation Management of Arizona entered into a lease of a building in Phoenix, Arizona for the sale of medical marijuana. The term of the lease is 6 years, beginning April 3, 2013. For the year ended March 31, 2018 the Corporation recognized $4,836 (USD $3,767) (2017 - $Nil) in occupancy costs.

Baltimore, MD (Rolling Mill Road):

CGX Life Sciences, Inc, entered into a lease of a building in Baltimore, Maryland for the sale of medical marijuana. The term of the lease is 10 years, beginning September 1, 2017. For the year ended March 31, 2018 the Corporation recognized $30,273 (USD $23,583) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $8,977 (USD $6,963) included in deposits (2017 - $Nil) in connection with this lease.

(in Canadian dollars)

25. Commitments and contingencies (continued)

Gaithersburg, MD:

Rosebud Organics LLC entered into a lease of a building in Gaithersburg, Maryland for the operation of a facility for the processing of usable medical cannabis concentrates. The term of the lease is 6 years, beginning June 16, 2017. For the year ended March 31, 2018 the Corporation recognized $15,122 (USD $11,448) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $6,885 (USD $5,340) included in deposits (2017 - $Nil) in connection with this lease.

Bethesda, MD:

Budding Rose LLC, of Maryland entered into a lease of a building Bethesda, Maryland for the sale of medical marijuana. The term of the lease is 7 years, beginning May 10, 2017. For the year ended March 31, 2018 the Corporation recognized $18,366 (USD $14,307) (2017 - $Nil) in occupancy costs. As at March 31, 2018, the Corporation has $34,085 (USD $26,435) included in deposits (2017 - $Nil) in connection with this lease.

The Corporation's minimum lease payments are as follows:

2019	$ 1,459,598
2020	1,275,830
2021	1,258,386
2022	1,262,789
2023	1,195,686
2024 and beyond	3,725,250
	$ 10,177,539

Services Agreements

On April 1, 2017, the Corporation entered into a services agreement (the "Tequesta Agreement") with Tequesta Properties Inc. ("Tequesta") whereby Tequesta will provide the following services to MPX for a service fee of USD $30,000 per month: (a) support and analysis for the acquisition of cannabis dispensary, cultivation and production entities in the United States; (b) general administrative services, including, accounting, treasury management, bookkeeping, financial analysis, contract management, project management, human resources support, procurement services, corporate governance, and oversight of company policies and procedures; and (c) assisting with the structuring and evaluation of financing proposals as required to further the growth and profitability of MPX. The term of the Tequesta Agreement is twenty-four (24) months.

On October 30,2017, the Corporation entered into an agreement with Canadian Capital to provide the Corporation with executive management, operations, administrative, finance and tax services for term of three (3) years. In consideration of the services rendered hereunder, the Corporation issued 900,000 MPX Shares and the following common share purchase warrants (the "Warrants") expiring on October 30, 2022 as follows:

(1) 1,200,000 Warrants at an exercise price of CAD $0.35 vesting immediately;
(2) 900,000 Warrants at an exercise price of CAD $0.60 which shall vest on the one (1) year anniversary of the agreement;
(3) 900,000 Warrants at an exercise price of CAD $1.00 which shall vest on the two (2) year anniversary of agreement.

25. Commitments and contingencies (continued)

Services Agreements (continued)

As further consideration of the services rendered hereunder, the Corporation shall issue to Canadian Capital the following:

(4) 900,000 common shares on the one (1) year anniversary of the agreement; and
(5) 900,000 common shares on the two (2) year anniversary of the agreement.

Members of Canadian Capital include certain directors of the Corporation.

26. Financial instruments and risk management

Fair values

The carrying values of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The mortgage payable, promissory note receivable, term loan, convertible debentures and credit facility were originally recorded at fair value and subsequently at amortized cost that approximates the fair value of the instruments due to current market rates and consistency of credit spread.

Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is not subject to any interest rate volatility as its mortgage payable, promissory note, term loan, convertible notes and credit facility are carried at a fixed interest rate throughout their term.

Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's accounts receivable and promissory note receivable. As at March 31, 2018, and March 31, 2017 the Corporation is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash and restricted cash of $8,503,724 (2017 - $21,519,289) and accounts receivable of $1,286,725 (2017 - $764,672) represent the maximum exposure to credit risk. The cash balances are held by Canadian and US banks.

The Corporation's credit risk is primarily attributable to its accounts receivables. The amounts disclosed in the consolidated statement of financial position are net of allowance for doubtful accounts, estimated by the management of the Corporation based on its assessment of the current economic environment.

The Corporation does not have significant exposure to any individual customer and has estimated bad debts of $Nil at March 31, 2018 (2017 - $Nil).

(in Canadian dollars)

26. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The Corporation manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At March 31, 2018, the Corporation had $8,503,724 (2017 - $21,519,289) of cash, $Nil (2016 - $133,220) of restricted cash and a working capital of $ 2,211,726 (2017 – $24,295,192).

In addition to the commitments disclosed in Note 24, the Corporation is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	2019	2020	2021	2022	2023 and thereafter
Accounts payable and accrued liabilities	$ 5,018,520	$ 5,018,520	$ 5,018,520	$ -	$ -	$ -	$ -
Term loans	25,143,300	26,948,460	13,280,820	13,667,640	-	-	-
Mortgage payable	430,811	711,001	25,854	25,854	25,854	25,854	607,585
Promissory note	1,261,648	2,298,987	168,219	168,219	168,219	168,219	1,626,111
Contingent consideration	2,695,782	2,695,782	1,228,018	1,133,905	333,859	-	-
Convertible debentures	8,581,166	16,037,301	-	131,343	15,905,958	-	-
Derivative liability	12,962,330	12,962,330	-	218,651	12,743,679	-	-
	$ 56,093,557	$ 66,672,381	$ 19,721,431	$ 15,345,612	$ 29,177,569	$ 194,073	$ 2,233,696

Foreign currency risk

The Corporation has operations in Canada and the US and is exposed to foreign exchange risk due to fluctuations in the US dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the US dollar. The sensitivity of the Corporation's net loss to a 10% change in the Canadian dollar exchange rate relative to the US dollar would not have a material impact on the Corporation's net loss.

(in Canadian dollars)

27. Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and

- To maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity. The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2018. The Corporation is not subject to any external capital requirements.

28. Supplemental cash flow information

Non-cash transactions:

	2018	2017
Equity instruments issued for acquisition of FRD and IMT	**$ 473,622**	$ -
Equity instruments issued for acquisition of GreenMart NLV	**7,722,653**	-
Term loan issued for acquisition of GreenMart NLV	**12,243,600**	-
Equity instruments issued for acquisition of Arizona Companies	**6,670,722**	-
Term loan issued for acquisition of Arizona Companies	**7,734,600**	-
Shares to be issued for acquisition of Rosebud	**1,236,791**	-
Shares to be issued for acquisition of Budding Rose	**1,030,667**	-
Consulting fees settled via equity instruments	**901,579**	-
Share based compensation	**2,691,193**	1,495,353
Share issuance costs settled via equity instruments	**1,125,884**	4,035,549
Term loan issued for acquisition of Arizona Medical Cannabis Management Group	**-**	13,438,000
Shares issued for acquisition of assets from PerkAZ Property LLC	**-**	1,333,260

29. Segmented information

The Corporation currently operates substantially entirely in one segment, the production and sale of medical and adult use cannabis.

Non-current assets located outside of Canada total $129,482,224 and are made up of property, plant and equipment, deposits, intangible assets, and goodwill.

All revenues generated during the year ended March 31, 2018 were done so outside of Canada.

30. Subsequent events

(a) On May 25, 2018, the Corporation through its wholly owned subsidiary MPX Luxembourg SARL completed a US$40 million secured convertible original issue discount loan maturing on May 25, 2021. The proceeds of the offering will be used primarily for accretive activities including capacity expansion and acquisitions, and to support activities involved with securing new cannabis extraction, production and dispensary licenses in various jurisdictions in both the United States and Canada. In addition, US$9,500,000 will be reserved for payment of the seller notes due on June 30, 2018 in respect of the acquisition of 99% of the membership units of GreenMart of Nevada NLV, LLC in December 2017.

While non-interest bearing, the convertible loan has been issued at a discount price of US$812.06 per US$1,000 and interest will accrue value at a rate of 7% per annum compounding on a quarterly basis until the maturity date. In connection with the offering MPX paid cash fees and commission of US$800,000 and issued 1,704,178 commission warrants. Each commission warrant entitles the holder to acquire one (1) units at an exercise price of CAD$0.74. per unit until the maturity date. Each unit consists of one (1) common MPX share and one-half (1/2) common share purchase warrant with the exercise price of the underlying warrants that form part of such units being CAD$1.01 per MPX share.

The convertible loan is convertible into units at the option of the holder at any time prior to the maturity date at a conversion price of CAD$0.74 per unit. Each unit is comprised of one (1) common share in the capital of MPX and one-half (1/2) common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one MPX common share at a price of CAD$1.01 on or prior to the maturity date.

(b) On May 31, 2017, the Corporation granted a total of 4,992,500 stock options to purchase Common Shares to a director of MPX as well as employees and consultants of MPX's subsidiaries at an exercise price of $0.81 per Common Share and expiring on May 31, 2023.

(c) On June 7, 2018, the Corporation completed the acquisition of 100% of the issued and outstanding shares of 8423695 Canada Inc. operating as Canveda for a total consideration of $18,120,000 payable as follows:

- $3,120,000 in cash;
- $15,000,000 through the issuance of 21,428,571 common shares in the capital of MPX issued at a price of $0.70 per MPX share; and
- the issuance of 6,000,000 common share purchase warrants each exercisable into one (1) MPX share at an exercise price of $0.84 for a period of five (5) years from the date of issuance.

MPX also paid a finder's fee equal to 1% of the purchase price in MPX shares at the deemed price of $0.70 per MPX share to Stoic Advisory Inc.

(d) On June 26, 2018, the Corporation secured final licencing approval from the Maryland Medical Cannabis Commission to open the first dispensary in the state of Maryland to be managed by S8 Management, LLC. The dispensary, which is owned by Budding Rose Inc, will operate under the Corporation's "Health for Life" brand. The Health for Life dispensary is located at 4909 Fairmount Avenue, Bethesda, Maryland and will be operational from August 4, 2018.

(e) On July 19, 2018, the Corporation announced an agreement with Case Farms Collective ("Case Farms"), the largest cannabis processing facility in Southern California. The agreement with Case Farms represents the Corporation's initial entry into the California market.

Under the terms of the agreement, Case Farms will provide full scale cannabis processing services to the Corporation, with all concentrate products manufactured to the Corporation's proprietary specifications and guidelines to ensure continued consistency in the Corporation's concentrate products nationally. Case Farms will distribute the MPX-branded cannabis concentrates to its network of licensed dispensaries throughout California.

30. Subsequent events (continued)

(f) On August 1, 2018, the Corporation announced through its indirect wholly-owned subsidiary, S8 Management, LLC that it has received final licensing approval by the Maryland Medical Cannabis Commission for the opening of two managed dispensaries, LMS Wellness, Benefit LLC, operating as Health for Life White Marsh, and GreenMart of Maryland, LLC, operating as Health for Life Baltimore.