Friday Night Inc.

AMERICAN ROOTS. GLOBAL GROWTH.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended January 31, 2018

(Expressed in Canadian Dollars)

Notice to Readers:

These unaudited consolidated interim financial statements of FRIDAY NIGHT INC. (the "Company") have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 - *Continuous Disclosure Obligations.*

FRIDAY NIGHT INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

	Note		**January 31, 2018 (Unaudited)**		**July 31, 2017**
ASSETS					
Current Assets					
Cash		$	15,753,139	$	598,641
Receivables			566,135		77,612
Inventory	*7*		1,009,765		627,244
Biological assets	*8*		26,510		56,578
Prepaid expenses and deposits			200,211		217,653
Assets held for sale	*11*		388,914		394,145
			17,944,674		1,971,873
Non-Current Assets					
Property and equipment	*9*		2,080,546		1,378,531
Goodwill	*4,10*		15,316,457		15,546,958
		$	35,341,677	$	18,897,362
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities		$	1,003,985	$	498,666
Income taxes payable			61,465		65,003
Notes payable	*13*		794,334		1,784,161
Due to related parties	*16*		7,716		428,463
Convertible debentures - current	*5*		1,179,906		-
Liabilities associated with assets held for sale	*11*		-		114,190
			3,047,406		2,890,483
Non-Current Liabilities					
Convertible debentures	*5*		688,279		-
			3,735,685		2,890,483
Equity					
Share capital	*12*		37,531,564		21,431,946
Reserves	*12*		3,249,066		1,985,195
Non-controlling interest			196,619		85,659
Accumulated other comprehensive income			(1,460,354)		(1,045,817)
Deficit			(7,910,903)		(6,450,104)
			31,605,992		16,006,879
Total Liabilities and Equity		$	35,341,677	$	18,897,362

Nature of operations (Note 1)
Commitments (Note 17)
Subsequent events (Note 18)

Approved on Behalf of the Board of Directors and authorized for issuance on March 28, 2018:

“Signed”	“Signed”
Cam Watt, Director	Rick Skeith, Director

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

FRIDAY NIGHT INC.

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Note	Six Months Ended January 31, 2018 (Unaudited)	Six Months Ended January 31, 2017 (Unaudited)	Three Months Ended January 31, 2018 (Unaudited)	Three Months Ended January 31, 2017 (Unaudited)
REVENUE		$ 5,427,186	$ -	$ 2,962,699	$ -
Cost of sales:					
Inventory expensed to cost of sales		2,700,577	-	1,379,698	-
Unrealized loss from changes in fair value of biological assets	*8*	13,503	-	3,874	-
		2,714,080	-	1,383,572	-
Gross profit		2,713,106	-	1,579,127	-
EXPENSES					
Depreciation	*9*	121,040	-	57,951	-
Accretion	*5*	92,931	-	46,426	-
Filing fees and shareholder communication		98,990	2,306	98,990	1,094
General and administrative expenses		962,832	4,127	657,489	3,871
Listing expense		-	5,001	-	3,987
Professional fees	*16*	1,145,335	160,943	526,927	131,386
Management and consulting fees	*16*	620,645	180,002	236,192	98,751
Share-based payments	*16*	348,220	-	227,332	-
Interest expense		304,044	-	161,334	-
Foreign exchange		(168,869)	-	(32,822)	-
Wages and benefits		474,902	-	349,205	-
		4,000,070	352,379	2,329,024	239,089
Loss before income taxes		(1,286,964)	(352,379)	(749,897)	
Income tax expense		62,875	-	360	-
Net loss		(1,349,839)	(352,379)	(750,257)	(239,089)
Net income (loss) attributable to:					
Shareholders of the Company		(1,460,799)	(352,379)	(832,342)	(239,089)
Non-controlling interest		110,960	-	82,085	-
		$ (1,349,839)	$ (352,379)	$ (750,257)	$ (239,089)
Other comprehensive loss:					
Translation of foreign operations		(414,537)	-	120,871	-
Comprehensive loss for the year		$ (1,764,376)	$ (352,379)	$ (629,386)	$ (239,089)
Comprehensive income (loss) attributable to:					
Shareholders of the Company		$ (407,747)	$ (352,379)	$ 138,415	$ (239,089)
Non-controlling interest		(6,790)	-	(17,544)	-
		$ (414,537)	$ (352,379)	$ 120,871	$ (239,089)
Basic and diluted loss per share		$ (0.01)	$ (0.02)	$ (0.00)	$ (0.01)
Weighted average number of common shares		164,385,346	19,810,730	177,813,101	19,847,975

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

FRIDAY NIGHT INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Note	**Six Months Ended January 31, 2018 (Unaudited)**	**Six Months Ended January 31, 2017 (Unaudited)**
Operating activities:			
Net loss		$ (1,349,839)	$ (352,379)
Item not affecting cash:			
Depreciation		121,040	-
Accretion		92,931	-
Share-based payment		348,220	-
Unrealized foreign exchange gain		(42,420)	
Accrued interest		122,129	-
Unrealized gain from changes in fair value biological assets		13,503	-
Changes in non-cash working capital:			
Inventory & biological assets		(283,881)	-
Receivables		(398,599)	(7,429)
Prepaid expenses		17,442	2,661
Assets and liabilities held for sale		(108,959)	-
Accounts payable and accrued liabilities		372,490	265,962
Due to related parties		(420,747)	-
Income taxes payable		(3,538)	-
Cash used in operating activities		(1,520,228)	(91,185)
Investing activities:			
Purchase of property and equipment	*9*	(852,298)	-
Cash flows used in investing activities		(852,298)	-
Financing activities:			
Issuance of common shares – exercise of stock options	*12*	295,000	-
Issuance of common shares – exercise of warrants	*12*	12,312,618	-
Issuance of common shares, net		-	23,460
Convertible notes		6,060,776	-
Proceeds from (repayment of) notes payable		(947,407)	76,000
Cash flows from financing activities		17,720,987	99,460
Net change in cash		15,348,461	8,275
Cash, beginning of the period		598,641	1,208
Effect of exchange rate fluctuations on cash		(193,963)	-
Cash, end of the period		$ 15,753,139	$ 9,483

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

FRIDAY NIGHT INC.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

		Share capital						
	Note	Number of Common Shares	Amount	Reserves	Non-controlling interest	Accumulated other comprehensive income	Deficit	Total
			($)	($)	($)	($)	($)	($)
Balance, July 31, 2016		19,688,617	2,496,255	925,493	-	-	(3,715,623)	(293,875)
Shares issued for cash – private placements	*12*	159,375	25,500	-	-	-	-	25,500
Share issue costs – cash	*12*	-	(2,040)	-	-	-	-	(2,040)
Net loss for the year		-	-	-	-	-	(352,379)	(352,379)
Balance, January 31, 2017		19,847,992	2,519,715	925,493	-	-	(4,061,022)	(622,794)
Balance, July 31, 2017		149,641,349	21,431,946	1,985,195	85,659	(1,045,817)	(6,450,104)	16,006,879
Shares issued - exercise of warrants	*12*	41,748,330	12,312,618	-	-	-	-	12,312,618
Shares issued – exercise of stock options	*12*	1,966,668	295,000	-	-	-	-	295,000
Conversion of convertible debentures		13,968,000	3,492,000	-	-	-	-	3,492,000
Share-based payments		-	-	348,220	-	-	-	348,220
Warrants issued as finders fees	*5*	-	-	283,661	-	-	-	283,661
Equity portion of convertible debenture	*5*	-	-	631,990	-	-	-	631,990
Foreign exchange on translation of foreign operations		-	-	-	-	(414,537)	-	(414,537)
Non-controlling interest		-	-	-	110,960	-	-	110,960
Net loss for the year		-	-	-	-	-	(1,460,799)	(1,460,799)
Balance, January 31, 2018		207,324,347	37,531,564	3,249,066	196,619	(1,460,354)	(7,910,903)	31,605,992

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Friday Night Inc. (formerly QuikFlo Health Inc.) (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Alberta). The Company is a publicly traded corporation with its registered office is located at 105 – 45655 Tamihi Way, Chilliwack, British Columbia, Canada. On June 12, 2017, the Company changed its name to Friday Night Inc., and its common shares were delisted from the TSX Venture Exchange at the request of the Company, and commenced trading on the Canadian Securities Exchange ("CSE"), under the symbol "TGIF".

On June 12, 2017, the Company completed a consolidation of its common shares ("share consolidation") on the basis of one post-consolidation common share for every two pre-consolidation common shares held (2-to-1). All references contained in these consolidated financial statements to issued and outstanding common shares, warrants, options, per share amounts, and exercise prices, have been retroactively restated to reflect the effect of the share consolidation.

The Company operates in the medical and recreational cannabis sectors in Nevada, USA. Alternative Medicine Association ("AMA"), a 91% owned subsidiary of the Company is licensed in the State of Nevada as a (i) cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused Mfg ("Infused"), a 91% owned subsidiary of the Company, is focused on developing, acquiring and designing hemp and CBD-infused products and brands for retail sale and use in jurisdictions where permitted.

While cannabis and CBD-infused products are legal under the laws of several U.S. States (with vastly differing restrictions), the United states Federal Controlled Substances Act classifies all "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. Recently some federal officials have attempted to distinguish between medical cannabis use as necessary, but recreational use as "still a violation of federal law." At the present time, the distinction between "medical marijuana" and "recreational marijuana" does not exist under U.S. federal law.

The Company has been granted a license by the State of Nevada as well as local jurisdictions to operate in the cannabis industry within the State of Nevada. Despite the cannabis laws in the State of Nevada, cannabis is illegal under federal law. The federal government is not prosecuting businesses that are operating in compliance with their state and local laws and regulations, however, if the federal government did change their position, it would be financially detrimental to the Company.

Subsequent to January 31, 2018 the Company acquired a 100% interest in Spire Secure Logistics Inc., a leading provider of customized security programs, compliance, information technology, buildout design, and due diligence services for the legal cannabis, mining and investment sectors (Note18).

2. BASIS OF PRESENTATION

Statement of compliance

The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 - Interim Financial Reporting. In addition, the interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2017.

Basis of measurement

These interim consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for cash and biological assets measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
QuikFlo Technologies Ltd.	Canada	100%	CAD	Intellectual property relating to stroke diagnostic software.
Alternative Medicine Association ("AMA")	USA	91%	USD	Cannabis cultivation and production.
Infused Mfg ("Infused")	USA	91%	USD	Hemp and CBD-infused products.
10800034 B.C. Ltd. ("0034 BC")	Canada	100%	CAD	Holding company.
FN Pharmaceuticals LLC ("FN Pharmaceuticals")	USA	100%	USD	Holding company for AMA.
FN Management Services LLC ("FN Management")	USA	100%	USD	Holding company for Infused.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

The purchase method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities, and contingent liabilities acquired is recorded as goodwill. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in profit or loss.

2. BASIS OF PRESENTATION (cont'd)

Recently adopted accounting standards and interpretations issued but not yet adopted

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards ("IAS") Board or International Financial Reporting Standards Interpretation Committee ("IFRIC") that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9 *Financial Instruments*: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers*: New standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 *Leases*: New standard to establish principles for recognition, measurement, presentation, and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

Critical accounting estimates and judgements

The preparation of interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the interim consolidated financial statements and related notes to the 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 judgements 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. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these consolidated financial statements is as follows:

Determination of functional currency

In accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the Company determined its functional currency, and the functional currency of its subsidiaries. The Company makes judgements in defining the functional currency based on the economic substance of the transactions relevant to each entity.

Estimated useful lives and depreciation of property and equipment

Depreciation of property and equipment 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 (cont'd)

Critical accounting estimates and judgements (cont'd)

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

Share-based payments

In calculating the share-based payments expense, key estimates such as the rate of forfeiture of options and warrants granted/issued, the expected life of the option and warrants, the volatility of the value of the Company's common shares and the risk-free interest rate are used.

Business combinations

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 assets and liabilities acquired. In certain circumstances, such as the valuation of property and equipment, intangible assets and goodwill acquired, the Company may rely on independent third-party valuators. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income, and discount rates.

The Company 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 the 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.

Convertible instruments

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible notes components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Critical accounting estimates and judgements (cont'd)

Impairment of long-lived assets

Long-lived assets, including property and equipment, and intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

In assessing the probability of realizing income tax assets, 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 Company considers whether relevant tax planning opportunities are within the Company'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 Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Assets held for sale and discontinued operations

Pursuant to the Agreement to Purchase Shares dated July 25, 2017, the Company reached an agreement with a group of purchasers (the "Purchasers"), to sell the Company's subsidiary, QuikFlo Technologies Ltd. ("QFT") which includes the Company's intangible asset (Note 11). The Company considered that QFT met the criteria to be classified as held for sale on July 31, 2017, for the following reasons:

- The understanding between the Purchasers and the Company transpired before July 31, 2017.
- The shares of QFT are ready for sale in their present condition.
- The Company received approval from the board of directors to proceed with the transaction

QFT also met the criteria for discontinued operations as QFT's activity represents a separate major reportable segment of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, *"The Effects of Changes in Foreign Exchange Rates"* ("IAS 21"). The functional currency of the Company and its subsidiaries is included within Note 2.

Translation of foreign transactions and balances into the functional currency

Foreign currency transactions are translated into the functional currency of the Company at rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, all monetary assets and liabilities that are denominated in foreign currencies are translated to the functional currency of the Company at the rates prevailing at the date of the statement of financial position. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss.

Translation of the functional currency into the presentation currency

The results of foreign operations which have a different functional currency than the Company are translated to Canadian dollars at appropriate average rates of exchange during the period. The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of the foreign operation to Canadian dollars at period end are recognized in accumulated other comprehensive income as a translation adjustment.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Financial assets (cont'd)

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in shareholders' equity (deficiency). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from shareholders' equity (deficiency) and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for selling or repurchasing it in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilitie*s - This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash at fair value through profit or loss. Receivables are classified as loans and receivables. The Company's promissory note, accounts payable and accrued liabilities, income taxes payable, and due to related parties are classified as other financial liabilities. Refer to Note 14 for additional disclosures.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

The intangible asset represents amounts paid for an entire right, title and interest and to the intellectual property rights and technology rights related to an automated imaging tool for quick and appropriate triage of stroke patients.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized. At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss. When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue

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

Revenue from the sale of inventory is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits of the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

Inventory

Inventories of harvested finished goods and packing materials are valued initially at cost and subsequently 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 Company reviews inventory for obsolete and slow moving goods and any such inventory is written-down to net realizable value.

Biological assets

The Company 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. Unrealized 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 profit or loss for the related period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Furniture and fixtures	Straight-line	7 years
Equipment	Straight-line	7 years
Computers	Straight-line	5 years
Leasehold improvements	Straight-line	Over lease term
Power equipment	Straight-line	20 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets of an acquired business. The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest acquired, less the 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 or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Income taxes

Income tax expense comprises deferred income tax expense and is recognized in profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share capital

Common shares are classified as shareholders' equity (deficiency). Incremental costs directly attributable to the issue of common shares and other equity instruments are recognized as a deduction from shareholders' equity (deficiency). Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payments

The fair value of stock options granted is recognized as a share-based payment expense with a corresponding increase in reserves. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the stock options granted is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of stock options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods and services received.

Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Diluted loss per share is equal to basic loss per share for the periods presented as the effect would be anti-dilutive.

Assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and their fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Equipment is not depreciated once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(Expressed in Canadian dollars)

4. BUSINESS COMBINATION

Effective June 15, 2017, the Company completed the acquisition of 10800034 B.C. Ltd. ("0034 BC), to which the Company acquired a 100% interest in 0034 BC, a private Canadian company that has two wholly-owned subsidiaries, FN Pharmaceuticals, and FN Management. Additionally, 0034 BC held at Letter of Intent to purchase 91% of AMA and a separate Letter of Intent to purchase 91% of Infused.

Concurrently, the Company acquired 91% ownership of AMA, and 91% ownership of Infused (all three collectively, the "Combination"). AMA operates in the medical and recreational cannabis sectors, and Infused is in the business of developing, acquiring and designing hemp and CBD-infused products. Both companies are located in Nevada, USA.

Pursuant to the Combination the Company issued:

- 45,425,001 common shares with a fair value of $0.15 per share to the former shareholders of 0034 BC;
- 32,750,000 common shares with a fair value of $0.15 per share to the former shareholders of AMA; and
- 1,000,000 common shares with a fair value of $0.15 per share to the former shareholders of Infused.

The purchase price allocation was as follows:

Net assets acquired:		
Cash	$	997,891
Accounts receivable		3,612
Prepaid expenses		95,338
Biological assets (Note 8)		39,820
Inventory		655,796
Property and equipment		1,450,285
Accounts payable and accrued liabilities		(339,183)
Notes payable		(1,463,772)
Net assets acquired		1,439,787
Goodwill (Note 10)		16,521,291
Non-controlling interest		(98,390)
Total	$	17,862,688

Consideration paid:

Fair value of common shares issued	$	11,876,250
Fair value of replacement warrants and options issued – 0034 BC		783,719
Cash		5,202,719
Total	$	17,862,688

4. BUSINESS COMBINATION (cont'd)

The Company incurred $179,135 in transaction costs payable to a director of the company related to the Combinations which was expensed to profit or loss. Share issue costs were $nil. Additionally, share-based payment expense of$187,500 was attributable to the fair value of the bonus shares issued as post-combination compensation to certain employees and consultants of AMA and Infused.

Goodwill arose from the Combination because the consideration paid for the Combination reflected the benefit of expected revenue, future market development, and the assembled work forces of AMA and Infused. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the Combination is expected to be deductible for tax purposes.

In connection with the acquisition of 0034 BC, 0034 BC holds an 8% equity interest in two LLC companies, BiVi LLC, and Bellissima LLC, that respectively own two liquor brands (Note 6). The Company considered various valuation techniques in determining the fair value of the investments in BiVi LLC and Bellissima LLC. The Company considered (i) the market approach; (ii) the cost approach; and (iii) the income approach and determined that the income approach was the most appropriate method as there is insufficient information available to apply the alternative technique. The income approach converts future amounts to a single current discounted amount.

The fair value measurement using the income approach reflects current market expectations about those future amounts. On June 15, 2017, the fair value of the investments in BiVi LLC and Bellissima LLC was determined to be $nil due to one or more of the following reasons for each respective investment:

- Cash flows generated by the Company from these investments is $nil to date;
- Distribution of the brand is minimal at this time;
- Sales levels are uncertain and below expectations; and
- Business and marketing plans are stalled with minimal budgeted future plans.

5. CONVERTIBLE DEBENTURES

$5,500,000 convertible debenture:

On August 16, 2017 the Company closed a private placement of $5,500,000 aggregate principal amount of convertible debenture units (the "Convertible Debenture Units") at a price of $1,000 per Convertible Debenture Unit. Each Convertible Debenture Unit consists of a $1,000 principal amount 10% senior unsecured convertible debenture (each a "Convertible Debenture") and 4,000 common share purchase warrants of the Company (the "Offering"). Each Warrant is exercisable to acquire one common share of the Company (a "Warrant Share") at an exercise price of $0.35 per Warrant Share until August 16, 2019, provided that if, at any time after December 17, 2017 and prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the Company (the "Common Shares") equals or exceeds $0.70 for 10 consecutive trading days, the Company may, within 30 days of the occurrence of such event, deliver a notice to the holders of the Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice. Any unexercised Warrants shall automatically expire at the end of the accelerated exercise period.

The Convertible Debentures bear interest from the date of closing at 10.0% per annum, payable in common shares of the Company at a price of $0.25 semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (the "Maturity Date"). The Debentures are convertible into Common Shares ("Debenture Shares") at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per Common Share (the "Conversion Price"), subject to adjustment in certain events. Additionally, beginning on December 17, 2017, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than $0.45 for any 10 consecutive trading days.

5. CONVERTIBLE DEBENTURES (cont'd)

The Convertible Debentures will be subject to redemption, in whole or in part, by the Company at any time after August 16, 2018 upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date.

The Company paid the Agent a cash fee of $395,800 and issued 200 Convertible Debenture Units (the "Agent's Units"), in payment of the Agent's commission, corporate finance fee and expenses. In addition, the Agent received an option (the "Agent's Option") to acquire 2,155,200 units of the Company ("Units") at an exercise price of $0.25 per unit. Each Unit is comprised of one Common Share (each a "Unit Share") and one common shares purchase warrant (each a "Unit Warrant"), exercisable for one Unit Share at a price of $0.35 per Unit Share (the "Unit Warrant Shares"), subject to the same terms and conditions as the Warrants. The securities issued pursuant to the Offering (including the Convertible Debentures, the Warrants, the Agent's Units and the underlying Convertible Debentures and Warrants, the Agent's Option and the underlying Unit Shares, Unit Warrants and Unit Warrant Shares) are all subject to a hold period under applicable Canadian securities laws of four months and a day, which will expire on December 17, 2017. The fair value of the Agent's Option was $283,661 and was recorded as a transaction cost. The fair value of the Agent Option was determined using the Black-Scholes Valuation Model using the following assumptions: risk free interest rate 1.25%, expected life of 2 months, volatility of 100%.

$1,000,000 convertible debenture

On October 4, 2017 the Company completed a private placement of $1,000,000 aggregate principal amount of convertible debenture units (the "Convertible Debenture Units") at a price of $1,000 per Convertible Debenture Unit. Each Convertible Debenture Unit consists of a $1,000 principal amount 10% senior unsecured convertible debenture (each a "Convertible Debenture") and 4,000 common share purchase warrants (the "Warrants") of the Company (the "Offering"). Each Warrant is exercisable to acquire one common share of the Company (a "Warrant Share") at an exercise price of $0.25 per Warrant Share until October 4, 2019, provided that if, at any time after February 5, 2018 and prior to the expiry date of the Warrants, the volume weighted average trading price of the common shares of the Company (the "Common Shares") equals or exceeds $0.50 for 10 consecutive trading days, the Company may, within 30 days of the occurrence of such event, deliver a notice to the holders of the Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice. Any unexercised Warrants shall automatically expire at the end of the accelerated exercise period.

The Convertible Debentures bear interest from the date of closing at 10.0% per annum (subject to withholdings for non-residents), semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (the "Maturity Date"). The Debentures are convertible into Common Shares ("Debenture Shares") at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption, at a conversion price of $0.25 per Common Share (the "Conversion Price"), subject to adjustment in certain events. Additionally, beginning on February 5, 2018, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than $0.45 for any 10 consecutive trading days. The Convertible Debentures will be subject to redemption, in whole or in part, by the Company at any time after October 4, 2018 upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date. The Company paid finder's fees of $42,534 and issued 24,000 warrants exercisable at a price of $0.25 to certain arm's-length parties in the connection with the Offering.

During the period ended January 31, 2018 the Company recorded $92,931 in accretion and accrued $216,864 in interest related to the convertible debentures. The equity component of the convertible debenture was determined to be $631,990 and was recorded to reserves.

(Expressed in Canadian dollars)

6. INVESTMENTS

On July 29, 2016, 0034 BC entered into an agreement that granted it the right to acquire an interest up to 15% in BiVi LLC, and up to a 15% interest in Bellissima LLC, for USD $500,000 cash. As at July 31, 2017, 0034 BC owns an 8% interest in each of BiVi LLC, and Bellissima LLC. As at July 31, 2017, the Company's investments in BiVi LLC and Bellissima LLC were valued at $nil (Note 4). The investments in BiVi LLC and Bellissima LLC, has been determined to be a Level 3 valuation of the fair value measurement hierarchy, as BiVi LLC and Bellissima LLC are privately held companies with no active public market for its equity and no observable inputs.

7. INVENTORY

Inventory is comprised of:

	January 31, 2018	July 31, 2017
Harvested cannabis	$ 135,108	$ 74,996
Harvested trim	59,691	177,552
Cannabis oil and equivalent	331,114	259,006
Finished goods	271,264	26,219
Raw materials	103,793	22,770
Supplies and consumables	108,795	66,701
	$ 1,009,765	$ 627,244

8. BIOLOGICAL ASSETS

	January 31, 2018	July 31, 2017
Opening balance	$ 56,578	$ -
Acquired biological assets (Note 4)	-	39,820
Change in fair value less costs to sell due to biological transformation	13,503	28,460
Transferred to inventory upon harvest	(42,731)	(8,473)
Foreign exchange	(840)	(3,229)
Ending balance	$ 26,510	$ 56,578

As at January 31, 2018, the carrying value of biological assets consisted entirely of live cannabis plants.

The Company values cannabis plants at cost from the date of initial clipping from mother plants until the end of the sixth week of its growing cycle. The Company does not have seeds included within biological assets. Measurement of the biological asset at fair value less costs to sell and costs to complete begins at the seventh week until harvest.

The significant assumptions used in determining the fair value of cannabis plants includes:

a) Expected yields by strain of plant;
b) Wastage of plants;
c) Duration of the production cycle;
d) Percentage of costs incurred as of the reporting date compared to the total costs expected to be incurred;
e) Percentage of costs incurred for each stage of plant growth; and
f) Market values.

On average, the grow cycle is approximately 15 weeks. All of the plants are to be harvested as agricultural produce (i.e., medical and/or recreational cannabis). The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in in the gain or loss on biological assets in future periods.

(Expressed in Canadian dollars)

9. PROPERTY AND EQUIPMENT

	Land	Power Equipment	Leasehold Improvements	Equipment	Computers	Furniture and Fixtures	Total
		$	$	$	$	$	$
Gross carrying amount							
Balance, July 31, 2016	-	-	-	-	-	-	-
Acquisitions through business combinations (Note 4)	-	647,214	394,717	306,816	87,961	13,577	1,450,285
Additions	-	-	37,330	6,826	2,182	-	46,338
Foreign exchange	-	(38,169)	(42,536)	(18,305)	(5,254)	(717)	(104,981)
Balance, July 31, 2017	-	609,045	389,511	295,337	84,889	12,860	1,391,642
Additions	523,520	-	63,719	229,763	21,975	13,321	852,298
Foreign exchange	-	(9,030)	(3,664)	(9,532)	(1,753)	(3,166)	(27,145)
Balance, January 31, 2018	523,520	600,015	449,556	515,568	105,111	23,015	2,216,796
Depreciation							
Balance, July 31, 2016	-	-	-	-	-	-	-
Depreciation	-	3,268	5,092	4,876	144	150	13,530
Foreign exchange	-	(101)	(158)	(151)	(4)	(5)	(419)
Balance, July 31, 2017		3,167	4,934	4,725	140	145	13,111
Depreciation	-	15,344	42,653	47,173	14,515	1,355	121,040
Foreign exchange	-	(391)	603	2,114	(97)	(131)	2,098
Balance, January 31, 2018	-	18,120	48,190	54,012	14,558	1,369	136,249
Carrying amount, July 31, 2017	-	605,878	384,577	290,612	84,749	12,715	1,378,531
Carrying amount, January 31, 2018	523,520	581,895	401,376	461,556	90,553	21,646	2,080,546

10. GOODWILL

	January 31, 2018	July 31, 2017
Opening balance	$ 15,546,958	$ -
Business combination (Note 4)	-	16,521,291
Foreign exchange differences	(230,501)	(974,333)
Ending balance	$ 15,316,457	$ 15,546,958

(Expressed in Canadian dollars)

11. INTANGIBLE ASSET AND ASSETS HELD FOR SALE

On July 27, 2015, the Company acquired all of the rights, title and interest in and to the intellectual property rights and technology rights ("IP Rights") related to an automated imaging tool for quick and appropriate triage of stroke patients by way of an intellectual property assignment agreement. The intellectual property rights include a United States provisional patent application that was filed on December 1, 2014. The technology rights comprise the right, title and interest in any technical information, know-how, processes, procedures, compositions, devices, methods, formulae, protocols, techniques, software, designs, drawings or data created.

On February 12, 2016, the Company reached agreement to enter into a worldwide non-exclusive license agreement with the University of Western Ontario (“Western”) to use certain CT perfusion intellectual property that has been developed by Dr. Ting Lee, the Company’s former Chief Technology Officer.

During the year ended July 31, 2016, in consideration for the license agreement, the Company issued 50,000 common shares to Western with a grant date fair value of $0.28 per share, for total consideration of $14,000.

On July 25, 2017, the Company entered into a letter of intent to Purchase Shares with the original inventors of the IP Rights, whereby the Company would dispose of its wholly-owned subsidiary QuikFlo Technologies Ltd. (“QFT”), to the original inventors for the return of 9,000,000 common shares of the Company. These common shares were originally issued to the original inventors when the Company acquired QFT. The operations of QFT are therefore classified as discontinued operations held for sale in the Company’s consolidated financial statements.

The major classes of assets and liabilities of QFT classified as held for sale are as follows:

	January 31, 2018	July 31, 2017
Cash	$ -	$ 3,950
Sales tax receivable	(86)	1,195
Intangible asset	389,000	389,000
Assets held for sale	388,914	394,145
Accounts payable and accrued liabilities	-	(114,190)
Liabilities associated with assets held for sale	$ -	$ (114,190)

The book value of the 9,000,000 common shares of the Company is determined to be $1,289,000 which exceeds the carrying value of the assets held for sale. Therefore, no impairment has been recognized.

12. SHARE CAPITAL AND RESERVES

Authorized

Unlimited number of common shares without par value. Unlimited number of preferred shares issuable in series.

Issued common shares

Fiscal 2018:

During the period ended January 31, 2018, the Company issued common shares as follows

a) 41,748,330 common shares were issued upon the exercise of warrants at a prices between of $0.10 to $0.35 per share for gross proceeds of $12,312,618.

b) 1,966,668 common shares were issued upon exercise of stock options at a price of $0.15 per share for gross proceeds of $295,000.

c) 13,968,000 common shares were issued upon the conversion of convertible debentures.

Fiscal 2017:

During the year ended July 31, 2017, the Company issued common shares as follows:

a) 159,375 units were issued at $0.16 per unit, by way of a non-brokered private placement, for gross proceeds of $25,500. Each unit comprises one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.40 per share for until March 15, 2018.

b) 45,718,356 units were issued at $0.15 per unit, by way of a non-brokered private placement, for gross proceeds of $6,847,754. Each unit comprises one common share and one-half of a common share purchase warrant. Each whole warrant is exercisable for one common share at a price of $0.30 per share until March 22, 2019, April 24, 2019, May 17, 2019, or June 14, 2019, depending on when the private placement tranche closed.. During the year ended July 31, 2017, 3,550,000 warrants were exercised.

c) 45,425,001 common shares were issued for the acquisition of 0034 BC, with a fair value of $0.15 per share, for a total value of $6,813,750, and 32,750,000 common shares, plus 1,000,000 common shares were issued with a fair value of $0.15 per share, for the acquisitions of AMA and Infused respectively, for a total value of $4,912,500 and $150,000 respectively. Additionally, the Company issued 1,250,000 common shares with a fair value of $0.15 per share for a total of $187,500 (Note 4). These common shares were issued as a signing bonus to certain employees of AMA and Infused. The issuance of these common shares does not carry any conditions. As such, the fair value is considered post-combination compensation, and recorded within share-based payments expense.

d) 100,000 common shares were issued for investor relations services with a fair value of $0.39 per share, for a total value of $39,000, expensed within investor relations.

e) 3,550,000 common shares were issued upon the exercise of warrants at an exercise price of $0.10 per share, for total proceeds of $355,000.

In connection with the private placements completed above, the Company incurred cash share issue costs of $540,044. Additionally, the Company issued 2,375,660 finders' warrants with a fair value of $128,034 recorded as share issue costs. The finders' warrants are exercisable at $0.30 per share for a period of 24 months from their respective issuance dates.

(Expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (cont'd)

Reserves

The following is a summary of changes in reserves:

		Stock options		Convertible debentures		Warrants		Total
Balance, July 31, 2016	$	519,593	$	-	$	405,900	$	925,493
Share-based payments		420,714		-		-		420,714
Finders' warrants		-		-		128,034		128,034
0034 BC warrants on acquisition (Note 4)		-		-		783,719		783,719
Reclassification on exercise of warrants		-		-		(272,765)		(272,765)
Balance, July 31, 2017	$	940,307	$	-	$	1,044,888	$	1,985,195
Share-based payments		348,220		-		-		348,220
Options issued as finders fee		-		283,661		-		283,661
Equity portion of convertible debenture		-		631,990		-		631,990
Balance, January 31, 2018	$	1,288,527	$	915,651	$	1,044,888	$	3,249,066

Warrants

A summary of share purchase warrant activity is as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance at July 31, 2016	-	$	-
Issued – attached to units	22,985,220		0.30
Issued – finders' warrants	2,375,660		0.30
0034 BC warrants on acquisition	10,200,000		0.10
Exercised	(3,550,000)		0.10
Balance at July 31, 2017	32,010,880	$	0.26
Issued – finders' warrants	2,179,200		0.25
Issued – attached to units	20,372,184		0.35
Expired	(355,650)		0.35
Exercised	(41,748,330)		0.29
Balance at January 31, 2018	12,458,284	$	0.29

(Expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (cont'd)

Warrants (cont'd)

The following table summarizes share purchase warrants outstanding as at January 31, 2018:

Expiry date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Years
March 15, 2018*	159,375	$ 0.40	0.12
June 15, 2018	1,625,000	$ 0.10	0.37
March 20, 2019	1,845,322	$ 0.30	1.14
April 24, 2019	1,177,331	$ 0.30	1.23
May 17, 2019	2,559,004	$ 0.30	1.29
June 14, 2019	2,358,002	$ 0.30	1.37
August 16, 2019	720,000	$ 0.50	1.54
August 16, 2019	1,990,250	$ 0.35	1.54
October 4, 2019	24,000	$ 0.25	1.67
	12,458,284	$ 0.29	1.20

* Exercised subsequent to January 31, 2018

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date immediately preceding the date on which the option is granted. The terms and conditions of the stock options are determined by the Board of Directors.

The aggregate number of stock options granted shall not exceed 10% of the issued and outstanding common shares of the Company at the time of shareholder approval of the plan, with no one individual being granted more than 5% of the issued and outstanding common shares. In addition, the exercise price of stock options granted under the plan shall not be lower than the exercise price permitted by the CSE, and all stock options granted under the plan will have a maximum term of five years.

A summary of stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance at July 31, 2016	2,287,500	$ 0.24
Forfeited	(1,737,500)	$ 0.25
Expired	(150,000)	$ 0.50
Granted	10,350,000	$ 0.15
Granted – 0034 BC on acquisition	3,410,000	$ 0.15
Balance at July 31, 2017	14,160,000	$ 0.16
Exercised	(1,966,668)	$ 0.15
Balance at January 31, 2018	12,193,332	$ 0.16
Exercisable at January 31, 2018	6,539,831	$ 0.28

(Expressed in Canadian dollars)

12. SHARE CAPITAL AND RESERVES (cont'd)

Stock options (cont'd)

The following table summarizes stock options outstanding and exercisable as at January 31, 2018:

Expiry date	Number of Options	Number of Exercisable Options	Weighted Average Exercise Price	Weighted Average Remaining Years
November 14, 2020	187,500	187,500	$ 0.50	2.76
December 23, 2020	50,000	50,000	$ 0.50	2.90
January 8, 2021	37,500	37,500	$ 0.64	2.94
May 26, 2021	125,000	125,000	$ 0.20	3.32
June 13, 2022	11,793,332	6,139,831	$ 0.15	4.37
	12,193,332	6,539,831	$ 0.16	4.32

The fair value of stock options was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions:

	January 31, 2018	January 31, 2017
Risk-free interest rate	1.00%	0.64% - 0.94%
Expected life of options	5 years	5 years
Annualized volatility	100%	140%
Dividend rate	0%	0%
Weighted average fair value per option	$ 0.11	$ 0.23

13. NOTES PAYABLE

a) Effective June 15, 2017, the Company issued a note in the amount of USD $400,000 in connection with the acquisition of the power equipment (Note 9). The note bears interest at 12% per annum, with the full principal amount due on June 15, 2021. The principal amount of the note is expected to be paid in full during the year ended July 31, 2018, and has been classified as a current liability accordingly. The note carries interest-only payments of $4,000 per month commencing June 15, 2017. During the period ended January 31, 2018 the note was repaid in full.

b) Effective June 15, 2017 the Company issued a note in the amount of $ USD $600,000. The note bears interest at 12% per annum, with the full principal amount due on June 15, 2018. The loan is secured by the Company's 91% membership interest in Infused.

c) Certain of shareholders of the Company's subsidiaries, AMA and Infused, advanced USD $240,000 to the Company by way of promissory notes. The amounts accrued interest at 6% per annum, are unsecured, and due on demand. As at January 31, 2018 the remaining balance is USD $30,200.

d) Effective January 24, 2017, AMA issued a promissory note in the amount of USD $100,000. The note bears interest at USD $500 per month, with the full principal amount due on July 8, 2017. The loan is secured by the certain assets of AMA. During the period ended January 31, 2018 the note was repaid in full.

(Expressed in Canadian dollars)

13. NOTES PAYABLE (cont'd)

The notes payable balance is summarized as follows:

		July 31, 2018		**July 31, 2017**
Loan principal	$	737,580	$	1,709,486
Accrued interest		56,754		74,675
	$	794,334	$	1,784,161

14. FINANCIAL RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Fair value of financial assets and liabilities

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities,
Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e.: As prices) or indirectly (i.e.: derived from prices); and
Level 3: Inputs that are not based on observable market data.

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, accounts payable and accrued liabilities, income taxes payable, notes payable, and due to related parties approximate their respective fair values due to the short-term nature of these instruments.

Financial instrument risk management

The Company's exposures and the impact on its financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. Cash is held with reputable Canadian and United States financial institutions, from which management believes the risk of loss is remote. Receivables include of amounts due from the Government of Canada in which management believes the credit risk to be minimal and trade receivables which the Company feels there is minimal risk of non-collection. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted a license pursuant to the laws of the State of Nevada with respect to cultivating cannabis. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

14. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2018, the Company's financial liabilities consist of accounts payable and accrued liabilities, and income taxes payable, which have contractual maturities within one year, notes payable, and due to related parties, which have no fixed terms of repayment. The Company manages liquidity risk by reviewing its capital requirements on an ongoing basis. The Company regards liquidity risk to be low as it has sufficient working capital to for at least the next twelve months.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. As at January 31, 2018, the Company had cash, receivables, accounts payable and accrued liabilities, income taxes payable, notes payable, and due to related parties denominated in United States dollars ("USD"). The Company does not undertake currency hedging activities to mitigate its foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its financial institutions. It is management's opinion that the Company is not exposed to significant interest rate risk.

15. CAPITAL RISK MANAGEMENT

The Company defines capital as equity (deficiency). The Company manages its capital structure and makes adjustments in order to have the funds available to support its operating activities.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its business. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new equity instruments, new debt, or acquire and/or dispose of assets. As discussed in Note 1, the Company's ability to continue as a going concern is uncertain and dependent upon the continued financial support of its shareholders, future profitable operations, the lack of adverse political developments in the United States with respect to cannabis legislation, and securing additional financing.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Company's approach to capital management during the years presented. The Company is not subject to externally imposed capital requirement.

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Key management personnel compensation during the periods ended January 31 2018 and 2017, were as follows:

	January 31, 2018		January 31, 2017	
Management and consulting fees	$	320,495	$	36,809
Interest expense – notes payable		64,141		-
Share-based payments		128,480		-
Total	$	513,116	$	36,809

Other related party transactions:

	January 31, 2018		January 31, 2017	
Legal fees - expenses	$	306,057	$	80,034

Due to related parties:

	January 31, 2017		July 31, 2017	
Legal fees – accounts payable and accrued liabilities	$	7,716	$	428,463

The acquisition of 0034 as part of the Combination (Note 4), involved a former director of the Company. All balances are unsecured, non-interest bearing, with no fixed terms of repayment.

17. COMMITMENTS

Lease commitment

In April 2014, the Company entered into a lease agreement for its operating facility for AMA in central Las Vegas, Nevada. The Company amended the lease agreement in June 2015. The amended lease agreement is for a term to March 2022, with an option to extend for an additional two years. Base rent ranges from USD $6,100 to USD $6,800 per month over the life of the lease agreement, plus changes and maintenance. The rent under the two year option period, if exercised will be USD $6,800 per month.

Future required minimum lease payments on the facility are as follows (approximate):

2018	$	92,000
2019	$	97,000
2020	$	100,000
2021	$	104,000
2022	$	105,000

18. SUBSEQUENT EVENTS

The following transactions were entered subsequent to January 31, 2018:

a) The Company closed the acquisition of Spire Secure Logistics Inc. for the issuance of 7,692,308 common shares at a price of $0.65. These shares are subject to trading restrictions until July 2, 2018 and are further subject to a voluntary escrow that will see 12.5% of the total amount released every three months, starting with a release on closing and then on May 1, 2018.