DionyMed Holdings Inc.

AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended February 28, 2018 and February 28, 2017

(Expressed in U.S. Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DionyMed Holdings Inc.

We have audited the accompanying financial statements of DionyMed Holdings Inc. (the "Company"), which comprise the amended and restated statements of financial position at February 28, 2018 and 2017, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of DionyMed Holdings Inc. at February 28, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 3 of the amended and restated financial statements which describe matters and conditions that indicate the existent of material uncertainties that may cast significant doubt about DionyMed Holdings Inc.'s ability to continue as a going concern.

Amended and Restated Financial Statements

Without modifying our opinion, we draw your attention to Note 2 to the amended and restated financial statements, which explains that the financial statements for the years ended February 28, 2018 and 2017 have been restated from those on which we originally reported on October 13, 2018.

Macias Gini & O'Connell LLP

San Francisco, California
May 31, 2019

DionyMed Holdings Inc.

Management's Responsibility for Financial Reporting

To the Shareholders of DionyMed Holdings Inc.:

The accompanying amended and restated financial statements in this report were prepared by management of DionyMed Holdings Inc. ("the Company"), and were reviewed and approved by the Board of Directors of DionyMed Holdings Inc.

Management is responsible for the amended and restated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with International Financial Reporting Standards. Management has included in the Company's amended and restated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of the amended and restated financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These amended and restated financial statements have been audited by the Company's auditor, Macias Gini & O'Connell LLP, and their report is presented herein.

"Edward Fields"	**"Peter Kampian"**
Chief Executive Officer and Chairman	Chief Financial Officer

DionyMed Holdings Inc.
Amended and Restated Consolidated Statement of Financial Position
As of February 28, 2018 and 2017
(Expressed in U.S. Dollars)

	Note		February 28, 2018 *Restated (Note 2)*		February 28, 2017 *Restated (Note 2)*
Assets					
Current Assets					
Cash		$	133,117	$	101,218
Accounts Receivables			157,750		17,508
Inventories	6		1,209,811		5,034
Prepaid Expenses			45,313		18,187
Due from GreenRush Brands, Inc	15		-		204,158
Other Current Assets			7,563		-
Total Current Assets			1,553,554		346,105
Non-Current Assets					
Security Deposits			213,301		-
Property and Equipment	5, 7		124,671		-
Total Assets		$	1,891,526	$	346,105
Liabilities and Equity					
Current Liabilities					
Accounts Payable and Accrued Liabilities		$	2,115,128	$	91,971
Excise and Cultivation Taxes Payable			59,086		-
Due to Shareholders	5, 8		874,372		-
Total Current Liabilities			3,048,586		91,971
Non-Current Liabilities					
Convertible Promissory Note	9		3,206,348		-
Total Liabilities		$	6,254,934	$	91,971
Equity					
Share Capital	10	$	57,975	$	1,000,000
Foreign Currency Translation Reserve			10,498		-
Other Reserves	5		(3,979,079)		-
Accumulated Deficit			(452,802)		(745,866)
Total Equity			(4,363,408)		254,134
Total Liabilities and Shareholders' Equity		$	1,891,526	$	346,105

Nature of Operations (Note 1)

Going Concern (Note 3)

Commitments and Contingencies (Note 12)

Subsequent Events (Note 16)

Approved and authorized on behalf of the Board on May 27, 2019:

"Edward Fields"
Chief Executive Officer and Chairman

"Peter Kampian"
Chief Financial Officer

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

DionyMed Holdings Inc.
Amended and Restated Consolidated Statement of Loss and Comprehensive Loss
For the Years Ended February 28, 2018 and 2017
(Expressed in U.S. Dollars)

	Note	For the year ended February 28, 2018 *Restated (Note 2)*	For the year ended February 28, 2017 *Restated (Note 2)*
Revenue		$ 53,050	$ -
Direct Costs		42,257	-
Gross Profit		10,793	-
Other Operating Expenses			
Administrative and Other Expenses	14	2,128,073	27,834
Wages and Salaries		1,844,107	-
Legal and Professional Fees		1,173,333	198,947
Sales and Marketing Expenses		568,693	519,084
Business Plan and Development Expenses	10	521,846	-
Share-Based Compensation	10	83,369	-
Foreign Exchange (Gain)		(41,699)	-
Total Operating Expenses		6,277,722	745,865
Net Loss		$ (6,266,929)	$ (745,865)
Other Comprehensive Income			
Foreign Exchange Gain on Translation		10,498	-
Comprehensive Loss		$ (6,256,431)	$ (745,865)

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

DionyMed Holdings Inc.
Amended and Restated Consolidated Statement of Changes in Shareholders' Equity
For the Years Ended February 28, 2018 and 2017
(Expressed in U.S. Dollars)

	Note	Number of Shares (Common)	Number of Shares (Series F Convertible Preferred)	Share Capital	Option Reserves	Accumulated Other Comprehensive Income	Other Reserve	Accumulated Deficit	Shareholders' Equity
Balance - March 1, 2016		-	-	-	-	-	-	-	-
Herban, Inc Share Issuance - Common Shares	10	3,000,000	-	30,000	-	-	-	-	30,000
Herban, Inc Additional Capital Contribution	10	-	-	970,000	-	-	-	-	970,000
Net Loss		-	-	-	-	-	-	(745,865)	(745,865)
Balance - March 1, 2017 (as restated – Note 2)		3,000,000	-	$ 1,000,000	$ -	$ -	$ -	$ (745,865)	$ 254,135
DionyMed, Inc Share Issuance - Common Shares	10	116,666	-	27,325	-	-	-	-	27,325
DionyMed, Inc Share Issuance - Series F Convertible Preferred Shares	10	-	6,598	521,846	-	-	-	-	521,846
Herban, Inc Share Split	10	27,000,000	-	-	-	-	-	-	-
Herban, Inc Additional Capital Contribution	10	-	-	1,000,000	-	-	-	-	1,000,000
Share-Based Compensation	10	-	-	-	83,369	-	-	-	83,369
Other Comprehensive Gain		-	-	-	-	16,846	-	-	16,846
Share Exchange and Contribution with DionyMed, Inc	5	116,666	2	(549,171)	(1,938)	(6,348)	(457,875)	1,015,332	-
Share Exchange and Contribution with Herban, Inc	5	-	6,596	(2,000,000)	(23,456)	-	(3,521,204)	5,544,660	-
Cancellation of DionyMed, Inc Shares	5	(116,666)	(2)	-	-	-	-	-	-
Cancellation of Herban, Inc Shares	5	(30,000,000)	(6,596)	-	-	-	-	-	-
Net Loss		-	-	-	-	-	-	(6,266,929)	(6,266,929)
Balance - February 28, 2018 (as restated – Note 2)		116,666	6,598	$ -	$ 57,975	$ 10,498	$ (3,979,079)	$ (452,802)	$ (4,363,408)

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

DionyMed Holdings Inc.
Amended and Restated Consolidated Statement of Cash Flow
For the Years Ended February 28, 2018 and 2017
(Expressed in U.S. Dollars)

		For the year ended February 28, 2018 *Restated (Note 2)*	For the year ended February 28, 2017 *Restated (Note 2)*
Operating Activities			
Net Loss for the Period		$ (6,266,929)	$ (745,865)
Adjustment for Non-Cash Items:			
	Depreciation and Amortization	2,503	-
	Share-Based Compensation	83,369	-
	Non-cash Expense on Initial Share Issuance	521,846	-
	Write-down of Inventories	646,421	-
	Write-off of Uncollectable Receivables	239,639	-
	R&D Prototyping Expense	263,875	-
	Foreign Exchange (Gain)	(5,680)	-
Change in Non-Cash Working Capital Items:			
	Accounts Receivables	(29,817)	(17,508)
	Other Current Assets	(125,324)	(18,187)
	Inventories	(832,355)	(5,035)
	Prepaid Expenses	(27,126)	-
	Security Deposits	(213,301)	-
	Accounts Payable and Accrued Liabilities	1,927,829	91,970
	Other Current Liabilities	68,544	-
Net Cash Used in Operating Activities		(3,746,506)	(694,625)
Investing Activities			
	Purchase of Property and Equipment	(97,031)	-
	Advances to GreenRush	(1,211,266)	(204,157)
	Cash Acquired from GreenRush	8,326	-
Net Cash Used in Investing Activities		(1,299,971)	(204,157)
Financing Activities			
	Proceeds from Issuance of Share Capital	27,325	30,000
	Working Capital Note from Shareholders	874,373	-
	Proceeds of Issuance of Convertible Promissory Note	3,206,348	-
	Proceeds from Additional Capital Contributions	1,000,000	970,000
Net Cash Provided by Financing Activities		5,108,046	1,000,000
Net Increase in Cash		61,569	101,218
Cash, Beginning of Period		101,218	-
Effect of movements in exchange rates on cash held		(29,670)	-
Cash, End of Period		$ 133,117	$ 101,218

Other Non-Cash Investing and Financing Activities

Assets Acquired to Settle Due from GreenRush Receivable, Net of Cash Acquired

Inventories	$ 1,018,845
Other Current Assets	1,350
Fixed Assets	30,143
Liabilities Assumed	(146,755)
	$ 903,583

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

1. Nature of Operations

DionyMed Holdings Inc. ("DionyMed Holdings" or the "Company") was incorporated in Ontario, Canada, on January 11, 2018. Herban Industries, Inc ("Herban") was incorporated in Delaware, USA, on March 1, 2016. DionyMed Inc ("DionyMed") was incorporated in Ontario, Canada, on October 19, 2017.

On February 28, 2018, the Company completed the acquisition of all issued and outstanding equity interests of entities under common control (see note 4 for significant judgement on business combinations), DionyMed and Herban and its subsidiaries through a share exchange and contribution arrangement (the "transaction"), under which Herban was determined to be acquirer (Note 5).

The Company's principal activity is to brand, manufacture and distribute cannabis products within the State of California. The Company is currently licensed under the laws of the State of California to produce and sell medicinal and adult-use cannabis products within such state.

In addition to the State of California listed above the Company also conducts pre-licensing activities in other markets including Oregon, Massachusetts, New Jersey, Nevada, and Illinois. In these markets, the Company has either applied for licenses, or plans on applying for licenses, but does not currently own any cultivation, production or retail licenses.

The Company's registered office is located at 40 King St W #2100, Toronto, ON M5H 3C2.

2. Restatement of Previously Reported Consolidated Financial Statements

The Company has restated its previously reported consolidated financial statements as at February 28, 2018 and 2017 and for the years then ended, and all related disclosures. The restatement of the Company's consolidated financial statements followed a review of the Company's consolidated financial statements and accounting records that was undertaken as part of the audit of the consolidated financial statements for the period ended December 31, 2018. That review identified that rather than applying IFRS 3 business acquisition accounting, continuity of interest accounting has been deemed more appropriate under the circumstances. The review further identified that the inclusion of the financial results of DionyMed, Inc. and Herban Industries, Inc. was necessary, and that the comparative period was also required to be presented. The effects of the restatement are reflected in the company's consolidated financial statements and accompanying notes herein. The corrections relate to removing the previously-recognised fair value adjustments, consisting of the associated intangible assets and goodwill recognised upon acquisition.

The total cumulative impact of the restatement decreases shareholders' equity as at February 28, 2018 by $29,825,489. This total cumulative impact on shareholders' equity as at February 28, 2018 comprises a decrease in share capital in the amount of $25,846,410 and a decrease in other reserves against equity in the amount of $3,979,079.

The following tables summarise the effects of the adjustments described above.

Line items on the amended and restated consolidated statement of financial position:

(Expressed in U.S. Dollars, unless stated otherwise)

	February 28, 2018 *Previously stated*	*Adjustments*	February 28, 2018 *Restated*
Assets			
Current Assets			
Cash	$ 133,117	$ -	$ 133,117
Accounts Receivables	157,750	-	157,750
Inventories	1,209,811	-	1,209,811
Prepaid Expenses	45,313	-	45,313
Other Current Assets	7,563	-	7,563
Total Current Assets	1,553,554	-	1,553,554
Non-Current Assets			
Security Deposits	213,301	-	213,301
Property and Equipment	124,671	-	124,671
Intangible Assets	5,249,000	(5,249,000)	-
Goodwill	24,576,489	(24,576,489)	-
Total Assets	$ 31,717,015	$ (29,825,489)	$ 1,891,526
Liabilities and Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	$ 2,115,128	$ -	$ 2,115,128
Excise and Cultivation Taxes Payable	59,086	-	59,086
Due to Shareholders	874,372	-	874,372
Total Current Liabilities	3,048,586	-	3,048,586
Non-Current Liabilities			
Convertible Promissory Note	3,206,348	-	3,206,348
Total Liabilities	$ 6,254,934	$ -	$ 6,254,934
Equity			
Share Capital	$ 25,904,385	$ (25,846,410)	$ 57,975
Foreign Currency Translation Reserve	10,498	-	10,498
Other Reserves	-	(3,979,079)	(3,979,079)
Accumulated Deficit	(452,802)	-	(452,802)
Total Equity	$ 25,462,081	$ (29,825,489)	$ (4,363,408)
Total Liabilities and Shareholders' Equity	$ 31,717,015	$ (29,825,489)	$ 1,891,526

Line items on the amended and restated consolidated statement of loss and comprehensive loss:

	For the year ended February 28, 2018 *Previously stated*	*Adjustments*	For the year ended February 28, 2018 *Restated*	For the year ended February 28, 2017 *Previously stated*	*Adjustments*	For the year ended February 28, 2017 *Restated*
Revenue	$ -	$ 53,050	$ 53,050	$ -	$ -	$ -
Direct Costs	-	42,257	42,257	-	-	-
Gross Profit	-	10,793	10,793	-	-	-
Other Operating Expenses						
Administrative and Other Expenses	408,784	1,719,289	2,128,073	-	27,834	27,834
Wages and Salaries	-	1,844,107	1,844,107	-	-	-
Legal and Professional Fees	27,742	1,145,591	1,173,333	-	198,947	198,947
Sales and Marketing Expenses	-	568,693	568,693	-	519,084	519,084
Business Plan and Development Expenses	-	521,846	521,846	-	-	-
Share-Based Compensation	57,975	25,394	83,369	-	-	-
Foreign Exchange (Gain)	(41,699)	-	(41,699)	-	-	-
Total Operating Expenses	452,802	5,824,920	6,277,722	-	745,865	745,865
Net Loss	$ (452,802)	$ (5,814,127)	$ (6,266,929)	$ -	$ (745,865)	$ (745,865)
Other Comprehensive Income						
Foreign Exchange Gain on Translation	10,498	6,348	10,498	-	-	-
Comprehensive Loss	$ (442,304)	$ (5,807,779)	$ (6,256,431)	$ -	$ (745,865)	$ (745,865)

Line items on the amended and restated consolidated statement of changes in shareholders' equity:

(Expressed in U.S. Dollars, unless stated otherwise)

	Shareholders' Equity *Previously stated*	*Adjustments*	Shareholders' Equity *Restated*
Balance - March 1, 2016	-	-	-
Herban, Inc Share Issuance - Common Shares	-	30,000	30,000
Herban, Inc Additional Capital Contribution	-	970,000	970,000
Net Loss	-	(745,865)	(745,865)
Balance - March 1, 2017 (as restated)	$ -	$ 254,135	$ 254,135
DionyMed, Inc Share Issuance - Common Shares	-	27,325	27,325
DionyMed, Inc Share Issuance - Series F Convertible Preferred Shares	-	521,846	521,846
Herban, Inc Additional Capital Contribution	-	1,000,000	1,000,000
Share-Based Compensation	57,975	25,394	83,369
Other Comprehensive Gain	10,498	6,348	16,846
Share Exchange and Contribution with DionyMed, Inc	98,888	(98,888)	-
Share Exchange and Contribution with Herban, Inc	25,747,522	(25,747,522)	-
Net Loss	(452,802)	(5,814,127)	(6,266,929)
Balance - February 28, 2018 (as restated)	$ 25,462,081	$ (29,825,489)	$ (4,363,408)

Line items on the amended and restated consolidated statement:

	For the year ended February 28, 2018 *Previously stated*	*Adjustments*	For the year ended February 28, 2018 *Restated*	For the year ended February 28, 2017 *Previously stated*	*Adjustments*	For the year ended February 28, 2017 *Restated*
Operating Activities						
Net Loss for the Period	$ (452,802)	$ (5,814,127)	$ (6,266,929)	$ -	$ (745,865)	$ (745,865)
Adjustment for Non-Cash Items:						
Depreciation and Amortization	-	2,503	2,503	-	-	-
Share-Based Compensation	57,975	25,394	83,369	-	-	-
Non-cash Expense on Initial Share Issuance	-	521,846	521,846	-	-	-
Write-down of Inventories	-	646,421	646,421	-	-	-
Write-off of Uncollectable Receivables	-	239,639	239,639	-	-	-
R&D Prototyping Expense	-	263,875	263,875	-	-	-
Foreign Exchange (Gain)	(41,698)	36,018	(5,680)	-	-	-
Change in Non-Cash Working Capital Items:						
Accounts Receivables	-	(29,817)	(29,817)	-	(17,508)	(17,508)
Other Current Assets	-	(125,324)	(125,324)	-	(18,187)	(18,187)
Inventories	-	(832,355)	(832,355)	-	(5,035)	(5,035)
Prepaid Expenses	-	(27,126)	(27,126)	-	-	-
Security Deposits	-	(213,301)	(213,301)	-	-	-
Accounts Payable and Accrued Liabilities	-	1,927,829	1,927,829	-	91,970	91,970
Other Current Liabilities	31,997	36,547	68,544	-	-	-
Net Cash Used in Operating Activities	-	(3,746,506)	(3,746,506)	-	(694,625)	(694,625)
Investing Activities						
Purchase of Property and Equipment	-	(97,031)	(97,031)	-	-	-
Advances to GreenRush	-	(1,211,266)	(1,211,266)	-	(204,157)	(204,157)
Cash Acquired from GreenRush	-	8,326	8,326	-	-	-
Net Cash Provided by (Used in) Investing Activities	133,117	(1,433,088)	(1,299,971)	-	(204,157)	(204,157)
Financing Activities						
Proceeds from Issuance of Share Capital	-	27,325	27,325	-	30,000	30,000
Working Capital Note from Shareholders	-	874,373	874,373	-	-	-
Proceeds of Issuance of Convertible Promissory Note	-	3,206,348	3,206,348	-	-	-
Proceeds from Additional Capital Contributions	-	1,000,000	1,000,000	-	970,000	970,000
Net Cash Provided by Financing Activities	-	5,108,046	5,108,046	-	1,000,000	1,000,000
Net Increase in Cash	133,117	(71,548)	61,569	-	101,218	101,218
Cash, Beginning of Period	-	101,218	101,218	-	-	-
Effect of movements in exchange rates on cash held	-	(29,670)	(29,670)	-	-	-
Cash, End of Period	$ 133,117	$ -	$ 133,117	$ -	$ 101,218	$ 101,218

3. 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") and interpretations of the International Financial Reporting Interpretations Committee, effective for the Company's reporting for the period ended February 28, 2018.

These consolidated financial statements were approved by the Board of Directors on May 27, 2019.

Going Concern

These consolidated financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue in the normal course of operations is dependent on its ability to raise financing sufficient to maintain operations and there are no assurances that the Company will be successful in achieving this goal. For the period ended February 28, 2018, the Company reported a net loss of $6,266,929 (2017 – $745,865), operating cash outflows of $3,746,506 (2017 – $694,625) and, as of that date, an accumulated deficit of $452,802 (2017 – $745,865). These material circumstances cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. The Company continues to have access to equity and debt financing from private markets, but there are no guarantees that such financing would be available.

Basis of Measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost basis except for certain financial instruments, which are 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 statements of operations are presented by function.

Functional and Presentation Currency

The functional currency of DionyMed Holdings and DionyMed is the Canadian dollar and the functional currency of Herban is the United States (U.S.) dollar. These consolidated financial statements are presented in U.S. dollars.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The Company's subsidiaries and its interests in each are presented below:

Subsidiaries (1)	Jurisdictions	Interest
DionyMed, Inc ("DionyMed")	Ontario, Canada	100%
Herban Industries, Inc ("Herban")	Delaware, USA	100%
Herban Industries CA LLC ("Herban CA")	California, USA	100%
Herban Industries OR LLC ("Herban OR")	Oregon, USA	100%

(1) Refer to Note 5 for discussion of acquisitions and analysis of the Company's interest in DionyMed and Herban.

Business Combinations – Common Control

IFRS provides no specific guidance on common control transactions. Because the application of fair value methodology would not be appropriate in circumstances where the parties involved were commonly controlled, the "pooling of interests" or "predecessor value" method of accounting must be used, whereby the acquired assets and liabilities are recorded at their existing carrying values rather than at fair value and no goodwill is recorded in connection with the common control transactions discussed in Note 5.

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.

4. Significant Accounting Policies

Critical Accounting Estimate and Judgement

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are 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.

Share-based compensation

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk free interest rate are used.

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent it is available. In certain cases where Level 1 inputs are not available, the Company will engage third party qualified valuers to perform the valuation.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

Information about the valuation techniques and inputs used in determining the fair value of financial assets and liabilities are disclosed in Note 13.

Business Combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Judgement is also required to assess whether the amounts paid on achievement of milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

Business combinations are accounted in accordance with IFRS 3. IFRS provides no guidance on common control transactions and, as such, the Company has to apply judgment in determining the appropriate accounting of business combinations of common control entities.

Accounting Policies

Cash

Cash includes cash deposits in financial institutions and cash held at distribution locations.

Inventories

Inventories purchased from third parties, which include work in process, finished goods, and packaging and supplies, are valued at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventories for obsolete, redundant and slow-moving goods and any such inventories identified are written down to net realizable value. At February 28, 2018, there were no reserves for inventories required.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Expenditures that materially increase the life of the assets are capitalized. Ordinary repairs and maintenance are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Vehicles	5 Years
Furniture and Fixtures	5 – 7 Years
Computer Equipment and Software	5 Years
Leasehold Improvements	Shorter of Estimated Useful Life or Length of Lease
Assets Under Construction	Not Depreciated

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

Leased assets

A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Impairment of long-lived assets

Long-lived assets, including property, plant and equipment 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 groups of assets (the cash-generating unit, or "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 equal to the amount by which the carrying amount 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.

Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable net of discounts, rebates, and allowances.

Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are delivered to and accepted by customers:

- The Company has transferred the significant risks and rewards of ownership of the goods 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 measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the customer; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share capital. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

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

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment reserve transactions.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Financial Instruments

Financial Assets

All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company 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.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial Liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss 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 the consolidated statement of loss.

Classification of Financial Instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent.

Impairment of Financial Assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period or whenever circumstances dictate. 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 investment have been affected.

Recent Accounting Developments

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, Financial instruments: Disclosure

IFRS 7, Financial instruments: Disclosure, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. No significant impact on its consolidated financial statements resulted from the adoption of this new standard.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. No significant impact on its consolidated financial statements resulted from the adoption of this new standard.

IFRS 15, Revenue from Contracts with Customers

The IASB replaced IAS 18, Revenue, in its entirety with IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. No significant impact on its consolidated financial statements resulted from the adoption of this new standard.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined. However, upon adoption of IFRS 16, the leases described in note 12 will likely constitute right of use assets with a corresponding lease obligation.

IFRIC 23, Uncertainty over Income Tax Treatments

This standard clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The extent of the impact of adoption of the standard has not yet been determined.

5. Acquisitions and Business Combinations of Companies under Common Control

Acquisition of DionyMed

(Expressed in U.S. Dollars, unless stated otherwise)

Effective February 28, 2018, the Company acquired a 100% controlling interest in DionyMed. This acquisition was completed in exchange for the Company's shares. 116,666 common shares and 2 series F convertible preferred shares were issued by DionyMed Holdings to DionyMed's shareholders in exchange for DionyMed's 116,666 common shares and 6,598 series F convertible preferred shares. These common shares and series F convertible preferred shares were valued at $nil in applying the predecessor value method in recognising this acquisition.

Acquisition of Herban

Effective February 28, 2018, the Company acquired a 100% controlling interest in Herban. This acquisition was completed in exchange for the Company's shares. 6,596 series F convertible preferred shares were issued by DionyMed Holdings to Herban's shareholders in exchange for Herban's 30,000,000 common shares. These common shares and series F convertible preferred shares were valued at $nil in applying the predecessor value method in recognising this acquisition.

The following table summarizes the acquisition of DionyMed and Herban:

		Herban		DionyMed		Total
Cash	$	128,111	$	5,006	$	133,117
Accounts Receivable		47,326		119,111		166,437
Inventory		1,209,813		-		1,209,813
Prepaid Expenses		258,614		-		258,614
Property and Equipment		124,671		-		124,671
Other Assets		7,563		-		7,563
Total Assets Acquired		1,776,098		124,117		1,900,215
Less: Accounts Payable and Accrued Liabilities		(1,953,836)		(197,838)		(2,151,674)
Due from (to) DionyMed Holdings Inc.		(2,488,611)		2,841,712		353,101
Convertible Promissory Notes assumed by DionyMed Holdings Inc.		-		(3,206,348)		(3,206,348)
Other Liabilities		(854,855)		(19,518)		(874,373)
Shareholders' Equity – Other Reserve		3,521,204		457,875		3,979,079
Predecessor value of net assets acquired	**$**	**-**	**$**	**-**	**$**	**-**
Number of Common Shares Issued		-		116,666		116,666
Carrying Value of Common Shares Issued	$	-	$	-	$	-
Number of Series F Convertible Preferred Shares Issued		6,596		2		6,598
Carrying Value of Series F Convertible Preferred Shares Issued	$	-	$	-	$	-
Value of consideration	**$**	**-**	**$**	**-**	**$**	**-**

6. Inventories

Inventories consisted of the following at February 28, 2018 and 2017:

		2018		2017
Finished goods	$	609,440	$	-
Inventory in process		522,023		-
Inventory in transit		4,725		-
Other inventory		73,623		5,034
	$	1,209,811	$	5,034

7. Property, Plant and Equipment

(Expressed in U.S. Dollars, unless stated otherwise)

A continuity of property and equipment for the period ended February 28, 2018 is as follows:

	Buildings and improvements	Furniture and equipment	Vehicles	Total
Cost				
As at March 1, 2017	$ -	$ -	$ -	$ -
Additions from acquisition (note 5)	16,952	22,527	87,695	127,174
As at February 28, 2018	$ 16,952	$ 22,527	$ 87,695	$ 127,174
Accumulated depreciation				
As at March 1, 2017	$ -	$ -	$ -	$ -
Additions from acquisition (note 5)	596	447	1,460	2,503
As at February 28, 2018	$ 596	$ 447	$ 1,460	$ 2,503
Net book value				
As at March 1, 2017	$ -	$ -	$ -	$ -
As at February 28, 2018	$ 16,356	$ 22,080	$ 86,235	$ 124,671

8. Due to Related Parties

On February 28, 2018, as part of the acquisition of Herban, the Company assumed a loan due to two shareholders with a balance of $854,855 to fund working capital needs. The loan is not interest-bearing and is repayable on demand.

On February 28, 2018, as part of the acquisition of DionyMed, the Company assumed a loan due to one shareholder with a balance of CAD$25,000 (USD$19,517) to fund working capital needs. The loan is not interest-bearing and is repayable on demand.

Management determined that the imputation of interest on these below market-interest rate loans payable to related parties is not required due to the due on demand nature of the loans and the fact that the Company has not received any outside financing to allow for a reasonable interest rate to be estimated.

9. Convertible Promissory Notes

In January and February 2018, DionyMed issued Series A Convertible Promissory Notes (the "Notes") for a total principal amount of CAD$4,107,011 (USD$3,206,348). The Notes, which are convertible at the conversion price to be determined by the next financing, bear interest at 1.75% per annum and have maturity date of December 31, 2020. On February 28, 2018, the Company assumed the notes in connection with the share exchange transaction. See note 16.

The Company elected to measure debt and equity components at FVTPL as a combined instrument. Both the debt host liability and derivative liability are revalued at each reporting date.

Management also determined that the imputation of interest on these below market-interest rate notes is not required due to the fact that the Company has not received any outside debt financing to allow for a reasonable interest rate to be estimated.

10. Share Capital

Share Capital – Herban

Herban is authorized to issue 30,000,000 common shares following a share split in August 2017.

Herban's common shares are voting and dividend-paying.

During the years ended February 28, 2018 and 2017, Herban raised additional capital yielding proceeds of $1,000,000 and $970,000, respectively.

Share Capital – DionyMed

DionyMed has authorized unlimited common shares, Series F Convertible Preferred Shares, and Series A Convertible Preferred Shares.

DionyMed's common shares are voting and dividend-paying. DionyMed's Series F Convertible Preferred Shares and Series A Convertible Preferred Shares are also voting and dividend-paying. The holders of Series F Convertible Preferred Shares (each convertible to 5,000 common shares) and Series A Convertible Preferred Shares (each convertible to 100 common shares) have the right to convert into common shares of DionyMed.

During the year, DionyMed raised additional capital through the issuance of 116,666 common shares yielding proceeds amounting to CAD$35,000 (USD$27,325).

During the year, DionyMed issued 6,598 Series F Convertible Preferred Shares to Edward Fields and Daniel Fields at value of CAD$100 per share for services related to creating DionyMed's business plan. The value of the shares was determined by board resolution. The CAD$659,800 (USD$521,846) is expensed in the consolidated statement of loss and comprehensive loss.

Share Capital – DionyMed Holdings

The Company has authorized unlimited common shares, Series F Convertible Preferred Shares, and Series A Convertible Preferred Shares.

The Company's common shares are voting and dividend-paying. The Company's Series F Convertible Preferred Shares and Series A Convertible Preferred Shares are also voting and dividend-paying. The holders of Series F Convertible Preferred Shares (each convertible to 5,000 common shares) and Series A Convertible Preferred Shares (each convertible to 100 common shares) have the right to convert into common share of the Company.

Stock Options – Herban

In August 2017, Herban established the Herban 2017 Stock Plan (the "Plan"). The Plan authorized the issuance of up to 22% of common shares outstanding. Options granted generally vest over 1 to 5 years, and typically have a life of 10 years.

The option price under the Plan is determined at the sole discretion of management, but in no case, will it be less than 100% of the fair market value of a share on the date prior to the grant date.

On August 3, 2017, Herban granted stock options to employees and consultants of Herban, exercisable at $0.08 on the grant date, to purchase up to an aggregate of 5,017,500 shares of Herban. The option exercise price can in no circumstances be greater than the fair value of the shares.

Stock Options – DionyMed

In November 2017, DionyMed established 2017 Stock Plan (the "Plan"). The Plan authorized the issuance of up to 660,000 common shares. Options granted generally vest over 2 to 5 years, and typically have a life of 10 years.

The option price under the Plan is determined at the sole discretion of management, but in no case, will it be less than 100% of the fair market value of a share on the date prior to the grant date.

(Expressed in U.S. Dollars, unless stated otherwise)

On November 16, 2017, DionyMed granted stock options to employees and consultants of DionyMed, exercisable at CAD$0.15 on the grant date, to purchase up to an aggregate of 600,000 shares of DionyMed.

No stock options have been vested and are exercisable as at February 28, 2018. No stock options have been forfeited as at February 28, 2018.

Stock Options – DionyMed Holdings

Upon the share exchange transaction on February 28, 2018, the Company has approved the establishment of the 2018 Stock Plan (the "New Plan") to assume the awards granted by each of DionyMed and Herban as of the date of the share exchange and contribution. The New Plan authorized the issuance of up to 20% common shares or Series A Convertible Preferred Shares on a fully diluted basis.

5,017,500 options issued by Herban under the Herban Plan were assumed by the New Plan. The assumed options were cancelled and new options were issued.

600,000 options issued by DionyMed under the DionyMed Old Plan were assumed by the New Plan. The assumed options were cancelled and new options were issued.

On August 3, 2017, Herban granted stock options to employees and consultants of the Company, exercisable at CAD$0.10 on the grant date, to purchase up to an aggregate of 5,017,500 shares of the Company.

On November 16, 2017, DionyMed granted stock options to employees of the Company, exercisable at CAD$0.15 on the grant date, to purchase up to an aggregate of 600,000 shares of the Company.

On February 28, 2018, the Company granted stock options to employees and consultants of the Company, exercisable at CAD$1.00 on the grant date, to purchase up to an aggregate of 1,537,000 shares of the Company.

No stock options have been vested and are exercisable as at February 28, 2018. No stock options have been forfeited as at February 28, 2018.

	Number of Options		Weighted Average Exercise Price (CAD)
Balance as at February 28, 2017	-	$	-
Options issued on acquisition of Herban (unvested)	5,017,500	$	0.10
Options issued on acquisition of DionyMed Inc. (unvested)	600,000	$	0.15
Options issued to Holding employees	1,537,000	$	1.00
Balance as at February 28, 2018	**7,154,500**	**$**	**0.30**

Below summary lists the number of years that various options granted are vesting over. All options are subject to 1 year cliff condition.

Option Vesting Years	Number of Options
1	72,500
3	900,000
4	4,395,000
5	1,787,000

(Expressed in U.S. Dollars, unless stated otherwise)

Total	7,154,500

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

Risk free interest rate	2.23%
Expected dividend yield	0%
Underlying share price	CAD$1.00 per share
Expected volatility based on comparable companies	110%
Expected term	7 years
Black-Scholes value of each option	$0.43 - $0.79

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history. The expected term in years represents the time period that options granted are expected to be outstanding. The risk-free rate was based on the zero-coupon Canada government bonds with a remaining term equal to the expected life of the options.

The Company recorded CAD$72,475 (USD$83,369) in share-based compensation expense related to options issued to employees for the year ended February 28, 2018 (2017 – $nil).

11. Income Taxes

A reconciliation of income tax expense for the period and the expected income taxes based on the statutory tax rate follows:

		2018	2017
Loss before income taxes		$ (6,266,929)	$ (745,865)
Statutory Rate Reconciliation			
All at DionyMed Holdings Canadian statutory rate	26.50%	(1,660,736)	(156,632)
Foreign rate differential	-4.21%	263,934	-
US state income taxes	5.32%	(333,516)	(51,838)
Stock compensation expense	-0.22%	13,712	-
Section 280E adjustments	-3.34%	209,206	-
Other permanent differences	-0.03%	2,165	(116)
Valuation allowance of deferred tax assets	-24.02%	1,505,235	208,586
Total income tax expense (benefit)	**0.00%**	**$ -**	**$ -**

The effective Canadian Federal and Ontario Provincial corporate tax rate is 15.00% and 11.50%, respectively. Therefore, the combined future tax rate is 26.50%.

The deferred tax assets related to the temporary differences were not recognizable, as their recoverability is not considered probable. The Company has accumulated U.S. net operating losses of $4,130,000 at a Federal and State through February 28, 2018 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between 2036 and 2038. The Company also has accumulated non-capital losses of CAD$1,820,000 in Canada up to

(Expressed in U.S. Dollars, unless stated otherwise)

February 28, 2018 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between 2037 and 2038.

At February 28, 2018, Deferred income tax assets consisted of:

	2018	2017
Canadian non-capital loss carry-forwards	$ 376,507	$ -
U.S. net operating loss carry-forwards	1,155,926	208,586
Depreciable and amortizable assets	700	-
Other items	180,688	-
	$ 1,713,821	$ 208,586
Valuation allowance	(1,713,821)	(208,586)
Deferred tax assets, net of valuation allowance	**$ -**	**$ -**

As the Company operates in the cannabis industry, it is subject to the limits of U.S. IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under U.S. IRC Section 280E.

Federal and California tax laws impose significant restrictions on the utilization of NOL carryforwards in the event of a change in ownership of the Company, as defined by U.S. IRC Section 382. The Company does not believe a change in ownership, as defined by U.S. IRC Section 382, has occurred but a formal study has not been completed.

12. Commitments and Contingencies

Commitments

The Company has contractual obligations to make the following payments.

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating leases	$ 704,224	$ 706,036	$ 705,896	$ 676,784	$ 634,584	$ 1,903,752
Consultants and advisors	120,000	120,000	120,000	-	-	-
Total	$ 824,224	$ 826,036	$ 825,896	$ 676,784	$ 634,584	$ 1,903,752

The Company, through its subsidiaries, leases certain business facilities from third parties under operating lease agreements that specify minimum rentals. The leases expire through 2028 and contain renewal provisions.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is compliant with applicable local and state regulation at February 28, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Claims and Litigation

(Expressed in U.S. Dollars, unless stated otherwise)

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. At February 28, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's combined operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

13. Financial Instruments and Financial Risk Management

Financial Instruments

The Company's consolidated financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities, short-term note payable, and long-term debt. The carrying values of these financial instruments approximate their fair values at February 28, 2018.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

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 or indirectly; and

Level 3 —Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the period ended February 28, 2018.

The following table summarizes the Company's financial instruments at February 28, 2018:

As at February 28, 2018

	Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities	Total
Financial Assets:				
Cash and Cash Equivalents		$ 133,117		$ 133,117
Receivables and Prepaids		$ 203,061		$ 203,061
Financial Liabilities				
Accounts Payable and Accrued Liabilities			$ 2,115,128	$ 2,115,128
Due to Shareholders			$ 874,372	$ 874,372
Convertible Promissory Notes (Level 3)	$ 3,206,348			$ 3,206,348

As at February 28, 2017

	Fair Value through Profit and Loss	Loans and Receivables	Financial Liabilities	Total
Financial Assets:				
Cash and Cash Equivalents		$ 101,218		$ 101,218
Receivables and Prepaids		$ 35,695		$ 35,695
Financial Liabilities				

Accounts Payable and Accrued Liabilities	$ 91,971	$ 91,971

Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at February 28, 2018 and 2017 is the carrying amount of cash and cash equivalents.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as the majority of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 12, the Company has the following contractual obligations:

As at February 28, 2018	<1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts Payable and Accrued Liabilities	$ 2,115,128			$ 2,115,128
Convertible Promissory Notes		$ 3,206,348		$ 3,206,348

As at February 28, 2017	<1 Year	1 to 3 Years	3 to 5 Years	Total
Accounts Payable and Accrued Liabilities	$ 91,971			$ 91,971

Market Risk

- Interest Rate 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. Cash and cash equivalents bear interest at market rates. The Company's financial debts have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

- Currency Risk

As the Company’s operations are located in Canada and the United States, the Company is subject to currency transaction and translation risks.

The Company holds cash in Canadian dollars and U.S dollars. The Company raises capital in Canadian capital markets and thus is exposed to fluctuations in the Canadian dollar relative to the U.S dollar, specifically in relation to USD denominated liabilities.

(Expressed in U.S. Dollars, unless stated otherwise)

As at February 28, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. Dollar, with all variables held constant, the Net Assets of the Company could possibly have increased or decreased by approximately $1,200,000 (2017 – $nil).

As at February 28, 2018, the Company had no hedging agreements in place with respect to foreign exchange rates, however management monitors the Canadian and U.S currency markets closely and continuously assesses the need to enter into currency hedging arrangements. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

14. Administrative and Other Expenses

	2018	2017
Travel expenses	$ 764,230	$ -
Write-down of inventory	646,421	-
Write-off of Uncollectable Receivables	239,639	-
Recruiting Expenses	178,391	-
Software license fees	142,228	-
Rent expenses	133,189	7,260
Other operating expenses	23,975	20,574
	$ 2,128,073	$ 27,834

15. Related Party Transactions

Related party transaction not described elsewhere in the financial statements are included herein.

<u>Due to Shareholder</u>

As of February 28, 2018, the Company had a loan due to one shareholder with a balance of CAD$25,000 (USD$19,518) to fund the Company's working capital needs. The loan is not interest-bearing and is repayable on demand.

<u>Consulting Services from Daniel Fields</u>

Daniel Fields, a shareholder of the Company, provided consulting services for the Company. During the period ended February 28, 2018, the Company paid approximately $20,000 to Daniel Fields for expenses and consulting fees. As at February 28, 2018, $113,000 remained payable by the Company, which is included in Accounts Payable and Accrued Liabilities on the consolidated statement of financial position.

16. Subsequent Events

Convertible Promissory Note Conversion

On March 2, 2018, the Company issued 29,965 Series A Convertible Preferred Shares and 1,110,514 Common Shares for equity conversions relating to the Notes. In addition, the Company issued 99 Series A Convertible Preferred Shares and 3,932 Common Shares in satisfaction of CAD$13,835 (USD$10,801) of accrued interest on the convertible promissory notes. In total, the Notes are converted into 30,064 Series A Convertible Preferred Shares and 1,114,446 Common Shares.

In addition, in March 2018, the Company raised additional CAD$1,897,498 (USD$1,481,379) through the issuance of 1,768,598 common shares and 1,289 series A preferred shares as part of Series A round of financing.

Royalty Debt

In April and May, 2018, the Company received two installment of financing from Grenville Strategic Royalty Corp. ("Grenville") in the form of unsecured royalty agreement in the amount of CAD$1,900,000 (USD$1,474,396) before transaction fees of CAD$26,083 (USD$20,127) in exchange for a royalty on gross sales in perpetuity (the “Royalty Agreement”). In addition, the Company issued 190,000 warrants, exercisable at CAD$1.50 and expiring in 5 years from the date of issuance on May 25, 2018, as part of the consideration for the royalty agreement. The agreement requires the Company to pay the minimum monthly royalty payment of no less than CAD$39,583 per month or a monthly royalty payment equal to 3.8% of system wide sales. The Company has a buy-out option that can extinguish all amounts owing without any penalties. The buyout payment requires at least two times of the initial investment from Grenville, which will be in total of CAD$3,800,000.

Series B Convertible Debenture

On June 14, 2018, the Company closed the first tranche of a non-brokered private placement of 3,040 Common Share Convertible Debentures and 350 Series A Convertible Debentures at a price of CAD$1,000 per Convertible Debenture, for gross proceeds of CAD$3,390,000 (USD$2,604,287). On June 15, 2018, the Company closed the second tranche of the non-brokered private placement by issuing 5,600 Common Share Convertible Debentures at a price of CAD$1,000 per Common Share Convertible Debenture for gross proceeds of CAD$5,600,000 (USD$4,302,066). On July 10, 2018, the Company closed the third tranche of the non-brokered private placement by issuing 2,920 Common Share Convertible Debentures and 660 Series A Convertible Debentures at a price of CAD$1,000 per Convertible Debenture for gross proceeds of CAD$3,580,000 (USD$2,750,250).

On August 28, 2018, the Company closed the fourth tranche of the non-brokered private placement by issuing 1,680 Common Share Convertible Debentures and 3,930 Series A Convertible Debentures at a price of CAD$1,000 per Convertible Debenture for gross proceeds of CAD$5,610,000 (USD$4,309,749). The combined gross proceeds of the four tranches of the financing was approximately CAD$18,180,000 (USD$13,966,352).

Acquired Assets from Rise Brands, Inc

On June 14, 2018, the Company through its subsidiary, Herban CA, acquired certain assets from Rise Brands, Inc (“Rise”). Rise is a logistics management, co-packaging, and other service provider to cannabis cultivators, manufacturers, and retailers in California.

The transaction was completed for a total purchase price of $8,000,000, and a $4,000,000 earn out subject to certain performance obligations.

Acquired Assets from JDK Holdings, LLC, dba Winberry

On August 31, 2018, the Company through its subsidiary, Herban OR, acquired certain assets from JDK Holdings, LLC, dba Winberry (“Winberry”). Winberry is a concentrates and vape cartridge company and holds licenses in the State of Oregon for the cultivation, distribution and manufacturing of adult-use cannabis.

The transaction was completed for a total purchase price of $7,500,000, and a $4,000,000 earn out subject to certain performance obligations.

Investment in and Acquisition of Hometown Heart

On September 14, 2018, the Company invested $2,000,000 in Hometown Heart, a California corporation that engages in the business of direct-to-consumer cannabis sales and delivery, by issuing an unsecured convertible note that includes the right, but not the obligation, to purchase the outstanding shares of Hometown Heart for $6,000,0000 with a $10,000,000 earn out subject to certain performance obligations. The Company operates Hometown Heart under a Management Services Agreement.

On December 5, 2018, DionyMed Group exercised its options to purchase the outstanding shares of Hometown Heart for $6,000,0000 and a $12,000,000 earn-out, which will be paid subject to Hometown Heart achieving certain performance metrics. The Company obtained control of Hometown Heart on December 13, 2018 upon the closing of the transaction. The Company operates Hometown Heart under a Management Services Agreement.

Acquired Assets from Cascade Distribution, Inc.

On September 27, 2018, the Company through its subsidiary, Herban OR, acquired certain assets of Cascade Cannabis Distribution, Inc. ("Cascade"). Cascade holds a recreational wholesale license in the State of Oregon for the distribution of adult-use cannabis and provides product processing, packaging and distribution services in Oregon. The State of Oregon approved the transfer of the recreational wholesale license to Herban OR in February 2019.

The transaction closed on March 1, 2019, for a total purchase price of $150,000.

DionyMed Term Loan

On September 24, 2018, the Company entered into a term loan agreement with certain lenders in the aggregate principal amount of $4,000,000 (the "Term Loan"). The Term Loan matures on the first to occur of: (i) an event of default which has not been cured or waived, (ii) thirty (30) business days after the Company is publicly listed and tradable on a recognized securities exchange and (iii) September 24, 2019, when the principal amount of the Term Loan, the unpaid interest thereon, and all other obligations relating to the Term Loan and the loan documents shall be immediately due and payable.

The Term Loan includes a repayment premium equal to $2,000,000 payable in the Company's Common Shares (or the Resulting Issuer Subordinate Voting Shares after the Listing Event) with the number of Common Shares calculated as $2,000,000 divided by the price per share at the listing event. The principal amount outstanding under the Term Loan accrues interest at a fixed rate per annum equal to nine and a half percent (9.5%), which interest shall be payable semi-annually in arrears on the last day of March and September of each year, with the first payment commencing on March 31, 2019. Interest shall be computed on the basis of a 360-day year for the actual number of days elapsed. Notwithstanding the foregoing, if the Term Loan matures due to the listing event prior to March 31, 2019, then no interest will be payable and only the principal of the Term Loan and the repayment premium will be due and payable.

Subsequent to December 31, 2018, the Company fully repaid the balance to the holders of these Term Loans.

Inventory Finance Facility

On November 12, 2018, the Company entered into a mandate letter (the "Mandate Letter") with a lender to arrange a hybrid asset-based loan facility (the "Inventory Finance Facility") of up to US$40,000,000 to provide working capital funding for the Company, including a US$3,000,000 early draw facility (the "Early Draw Facility"). On closing of the transaction, the Mandate Letter and the Early Draw Facility became binding on the Company.

The Early Draw Facility is secured by a general security agreement over the assets of DionyMed in favor of certain credit funds managed by the Arranger, bears interest at a rate of 10.4% per annum and matures on February 12, 2020. Under the Early Draw Facility, DionyMed made one drawdown under the Inventory Finance Facility on November 13, 2018 for gross proceeds of $3,000,000. The transaction fees of $852,650 are withheld from the gross proceeds for various fees including mandate fee, due diligence fee and legal fee resulting in net proceeds of $2,147,350. Neither the Company nor its subsidiaries may dispose of any asset, incur any indebtedness or create or permit any security over its assets other than as permitted by the Early Draw Facility.

On November 28, 2018, as part of the consideration to the lenders, the Company issued 27,795 common shares at CAD$4.25 and 744,000 warrants with an exercise price of CAD$5.31 expiring three years from the date of issue.

On January 17, 2019, the Company signed a definitive agreement (the "Agreement") for a two-year, up to $40 million senior secured credit facility from the Arranger. The credit facility consists of a $15 million term loan facility and a $25 million assetbacked loan facility. The Company drew $13 million of the credit facility following the completion of certain conditions to the satisfaction of the investors. $27 million of the credit facility remains undrawn.

Net proceeds in the amount of $9,614,795 were received by the Company, net of the repayment of the $3,000,000 early draw and $385,205 in capitalized transaction costs. This credit facility will be used for acquisitions, capital expenditures, refinancing existing debt, working capital and general corporate purposes.

Business Combination with Sixonine Ventures Corp

On November 28, 2018, DionyMed Brands was formed in a Reverse Take-Over transaction in which DionyMed Holdings, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the former Sixonine Ventures Corp., a public company formerly trading on the TSX Venture Exchange. The combined entity was renamed DionyMed Brands Inc. Consideration in the amount of $2,618,584 in the Company's Common Shares and $614,173 in the Company's Warrants were issued in respect of this transaction.

The Listing Event generated gross proceeds of CAD$34,490,000, the transaction fees for which were CAD$4,473,374, resulting in net proceeds of CAD$30,016,638.

Strategic Partnership with Nevada-Based Retailer Acres Cannabis

On January 10, 2019, the Company signed a strategic partnership agreement with Acres Cannabis ("Acres"), a vertically integrated cannabis retailer based in Las Vegas, Nevada. The partnership grants the Company's brands and services access to the Nevada market. The Company's infused products and edible brands will be manufactured in Acres' facilities and sold state-wide under a royalty fee arrangement with Acres.

Definitive Agreement to Acquire Pioneer Valley Extracts, LLC

On February 14, 2019, the Company signed a membership interest purchase agreement, subject to satisfaction of certain customary conditions to close, to acquire Pioneer Valley Extracts, LLC, a manufacturer and emerging cannabis brand in Massachusetts. At close, the total purchase price will be $550,000 consisting of $150,000 in cash and $400,000 in stock.

Binding Term Sheet to Acquire Certain Assets from MMAC

On March 20, 2019, the Company signed a binding term sheet, subject to satisfaction of due diligence performed by the Company, with MM Esperanza 2 LLC, doing business as "MMAC," to acquire select MMAC assets, including the 1.83 acre Los Angeles cannabis campus that includes a dispensary storefront, distribution facility, manufacturing hub and direct-to-consumer fulfillment center. The acquisition includes all property, land, leaseholds, equipment and licenses for a purchase price of $19,000,000 and enhances the Company's brands distribution and direct-to-consumer footprint in Southern California.

Termination of Relationship with Eaze

On March 29, 2019, Hometown Heart, which the Company operates through a Management Services Agreement, terminated its relationship with customer acquisition provider Eaze Technologies, Inc., formerly Eaze Solutions, Inc. ("Eaze"). Following a review of certain of Eaze's business practices, the Company was unable to confirm that Eaze's credit card payment processing methodology met regulatory compliance requirements.

Definitive Agreement with Premium Manufacturer and Indoor Craft Cultivator Waterside Warehousing

On April 2, 2019, the Company signed a definitive agreement with an irrevocable option to acquire Waterside Warehousing ("Waterside"), a premium manufacturer and indoor craft cultivator located in Oakland, California. The Company agreed to provide $1 million up front, which the Company can finance using its credit facility, with the option to acquire Waterside for an additional $5 million. If the Company exercises its option to acquire Waterside, the Company may draw upon its credit facility, issue stock or raise new equity to complete the acquisition.

Letter of Intent to Acquire Virginia's Kitchen, LLC dba Blue Kudu

On April 5, 2019, the Company signed a Letter of Intent with Virginia's Kitchen, LLC d/b/a Blue Kudu, an award-winning edibles brand and wholesale platform based in Denver, Colorado. The total consideration for the deal is expected to be $5,500,000, consisting of $5,000,000 at close comprised of $4,000,000 in cash and $1,000,000 in DionyMed subordinated voting shares and the remaining $500,000 subject to certain performance conditions.

Equity Bought Deal Financing

On April 15, 2019, the Company entered into an agreement with a syndicate of agents co-led by Canaccord Genuity Corp. and Cormark Securities Inc (collectively, the "Underwriters"), which have agreed to purchase on a bought deal private placement basis, 3,636,364 units of the Company at a price of CAD$2.75 per Unit for aggregate gross proceeds to DionyMed of CAD$10,000,001 with an option to purchase up to an additional 3,636,364 Units at the Issue Price for additional gross proceeds to DionyMed of up to CAD$10,000,001.

Each unit is comprised of one subordinate voting share and one subordinate voting share purchase warrant exercisable into one Subordinate Voting Share at price of CAD$3.80 per Warrant Share for a period of 36 months following the closing of the offering. The net proceeds from the Offering will be used primarily towards the Company's strategic growth initiatives and for general working capital purposes.

Net proceeds in the amount of CAD$9,633,746 were received by the Company, net of CAD$366,255 in capitalized transaction costs.