ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

OF

EMBLEM CORP.

(FORMERLY SABER CAPITAL CORP.)

FOR THE YEAR ENDED DECEMBER 31, 2017

Responsibility for Financial Statements

The Company's management is responsible for the integrity and fairness of presentation of these consolidated financial statements. The consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for review by the Audit Committee and approval by the Board of Directors.

Where necessary, management has made judgements and estimates in preparing the consolidated financial statements and such statements have been prepared within acceptable limits of materiality. Management maintains a system of internal accounting controls to ensure, on a reasonable and cost-effective basis, that the financial information is timely reported and is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

A firm of independent Chartered Professional Accountants, appointed by the shareholders, audits the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provides an independent professional opinion on the consolidated financial statements.

"Signed"

Nick Dean
President & Chief Executive Officer

"Signed"

Alex Stojanovic
Chief Financial Officer

April 26, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Emblem Corp. (formerly Saber Capital Corp.)

We have audited the accompanying consolidated financial statements of Emblem Corp. (Formerly Saber Capital Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Emblem Corp. (formerly Saber Capital Corp.) as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

April 26, 2018

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)	Note	At December 31, 2017	At December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		**$ 37,746**	$ 26,203
Trade and other receivables	*7*	**1,121**	417
Prepaid expenses and other		**236**	257
Inventories	*8*	**2,897**	748
Biological Assets	*9*	**651**	124
		42,651	27,749
Non-current			
Property, plant and equipment deposits		**388**	664
Property, plant and equipment	*10*	**29,911**	9,484
Intangible asset		**200**	-
Total Assets		**$ 73,150**	$ 37,897
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	*11*	**$ 4,160**	$ 2,355
Provisions	*21*	**700**	600
		4,860	2,955
Non-current			
Long-term debt	*12*	**5,386**	5,335
Convertible debt	*12*	**10,848**	-
Total Liabilities		**21,094**	8,290
Shareholders' equity			
Share capital	*13*	**70,428**	47,684
Contributed surplus		**17,033**	5,227
Deficit		**(35,405)**	(23,304)
Total shareholders' equity		**52,056**	29,607
Total Liabilities and Shareholders' Equity		**$ 73,150**	$ 37,897
Commitments and contingencies	*21*		
Subsequent events	*22*		

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

Approved on behalf of the Board of Directors:

"Signed"

Nick Dean
Director

"Signed"

Jeffrey Fineberg
Director

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in thousands of Canadian dollars, except per share amounts)	Note	Year Ended December 31, 2017	Year Ended December 31, 2016
REVENUES		**$ 2,694**	$ 277
Cost of sales	*8*	**(5,173)**	(1,343)
Unrealized gain on changes in fair value of biological assets	*9*	**2,969**	806
Gross profit (loss)		**490**	(260)
EXPENSES			
General and administrative		**4,899**	2,212
Research and development		**472**	713
Selling and marketing		**3,218**	957
Amortization of property, plant and equipment	*10*	**1,082**	713
Share-based payments	*15*	**2,102**	430
Advances to investment in associate	*6*	**-**	528
Operating loss		**(11,283)**	(5,813)
Net finance costs		**505**	901
Loss on revaluation of financial instruments	*17*	**-**	4,425
Reverse take-over transaction costs	*5*	**-**	6,136
Other expenses		**313**	114
Net loss and comprehensive loss		**$ (12,101)**	$ (17,389)
Weighted Average Basic and diluted loss per share	*16*	**$ (0.14)**	$ (0.44)

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

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars)	Note	Share Capital Common Shares	Share Capital Special Shares	Contributed Surplus	Deficit	Total Equity
Balances as at January 1, 2016		$ 1,580	$ -	$ 1,058	$ (5,915)	$ (3,277)
Prior to Reverse Take-Over ("RTO")						
Issue of common shares and warrants under private placements, net of issuance costs	*13*	6,984	-	672	-	7,656
Common shares and warrants issued as transaction costs incurred on private placements	*13*	88	-	8	-	96
Conversion of Class A Preferred Shares	*17*	11,749	-	-	-	11,749
Reclassification of Broker Warrants	*17*	-	-	338	-	338
Concurrent with RTO						
Shares of Saber Capital Corp. on RTO	*13*	4,505	-	-	-	4,505
Issue of Special Shares	*13*	(535)	535	-	-	-
Issue of common shares and warrants under private placements, net of issuance costs	*13*	19,296	-	2,457	-	21,753
Common shares and warrants issued as transaction costs incurred on private placements	*13*	2,753	-	156	-	2,909
Replacement options granted and vested	*15*	-	-	37	-	37
Transactions as Emblem Corp. after RTO						
Issue of common shares and warrants under private placements	*13*	698	-	89	-	787
Options exercised	*15*	31	-	(19)	-	12
Options granted and vesting, forfeited and unvested	*15*	-	-	431	-	431
Net loss and comprehensive loss		-	-	-	(17,389)	(17,389)
Balances as at December 31, 2016		$ 47,149	$ 535	$ 5,227	$ (23,304)	$ 29,607
Common shares and warrants issued as transaction costs incurred on 2016 private placements	*13*	213	-	27	-	240
Issuance of common shares to settle obligations	*13*	164	-	-	-	164
Issue of common shares and warrants under private placements, net of issuance costs	*13*	19,834	-	6,879	-	26,713
Compensation warrants and options issued as transaction costs incurred on private placements	*13*	-	-	664	-	664
Conversion option on Convertible Debt, net of issuance costs	*13*	-	-	2,629	-	2,629
Warrants exercised	*14*	2,262	-	(407)	-	1,855
Options exercised	*15*	271	-	(88)	-	183
Vesting of synthetic options issued as restricted shares	*15*	-	-	632	-	632
Options granted and vesting, forfeited and unvested	*15*	-	-	1,470	-	1,470
Net loss and comprehensive loss		-	-	-	(12,101)	(12,101)
Balances as at December 31, 2017		**$ 69,893**	**$ 535**	**$ 17,033**	**$ (35,405)**	**$ 52,056**

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

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)	Note	Year Ended December 31, 2017	Year Ended December 31, 2016
Cash flows from operating activities			
Net loss and comprehensive loss		**$ (12,101)**	$ (17,389)
Adjustments for:			
Unrealized gain on changes in fair value of biological assets	*9*	**(2,969)**	(806)
Amortization of property, plant and equipment	*10*	**1,082**	713
Share-based payments	*15*	**2,102**	430
Advances to investment in associate	*6*	**-**	528
Loss on revaluation of financial instruments	*17*	**-**	4,425
Reverse take-over transaction costs	*5*	**-**	5,423
Inventory write-off		**-**	16
Finance costs		**188**	681
Other expenses		**100**	-
Net changes in working capital:			
Trade and other receivables		**(674)**	(155)
Prepaid expenses and other		**21**	(100)
Inventories and biological assets		**293**	(4)
Trade and other payables		**1,221**	694
Net cash used by operating activities		**(10,737)**	(5,544)
Cash flows from investing activities			
Purchase of property, plant and equipment	*10*	**(19,163)**	(1,132)
Purchase of intangible asset		**(200)**	-
Property, plant and equipment deposits		**(1,111)**	(663)
Cash acquired from acquisition of Emblem Corp. on RTO	*5*	**-**	678
Cash acquired from acquisition of GrowWise Health Limited		**-**	8
Investment in and advances to associate	*6*	**-**	(653)
Net cash used by investing activities		**(20,474)**	(1,762)
Cash flows from financing activities			
Proceeds from private placements and other financings, net of issuance costs	*13*	**27,030**	31,810
Proceeds from issuance of Convertible Debt, net of issuance costs	*12*	**13,686**	-
Proceeds from issuance of promissory note	*12*	**-**	5,500
Repayment of mortgages		**-**	(5,050)
Proceeds on options and warrants exercised	*13*	**2,038**	12
Net cash generated from financing activities		**42,754**	32,272
Net increase in cash and cash equivalents		**11,543**	24,966
Cash and cash equivalents, beginning of the year		**26,203**	1,237
Cash and cash equivalents, end of the year		**$ 37,746**	$ 26,203

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

Notes to the Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016

(All tabular amounts expressed in thousands of Canadian dollars, except share or per share amounts)

1. NATURE OF OPERATIONS

Emblem Corp. and its subsidiary companies (collectively, “Emblem” or the “Company”), through its wholly-owned subsidiary Emblem Cannabis Corporation (“ECC”), are licensed to produce and sell cannabis as a Licensed Producer, as such term is defined under the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”).

On August 26, 2015, ECC received its initial licence that permitted ECC to produce cannabis (the "Licence"). The Licence was amended on July 27, 2016 to allow for the sale of cannabis to the public and to permit increased production. The Licence was further amended on April 28, 2017 to authorize ECC to produce cannabis oils and was amended again on October 6, 2017 to remove restrictions on the amount of cannabis (in all forms) to be produced and sold by ECC. On November 3, 2017, ECC received a subsequent amendment to permit the Company to complete the sale of bottled cannabis oil. The Licence has a current term ending on July 26, 2019. Emblem's production operations are located in Paris, Ontario.

The Company also owns an indirect 50% interest in GrowWise Health Limited (“GrowWise”), a corporation incorporated under the *Business Corporations Act* (Ontario). Subsequent to December 31, 2017, the Company exercised its option to acquire all of the remaining shares of GrowWise.

The Company was previously known as Saber Capital Corp. (“Saber”). On December 6, 2016, Saber, Saber Acquisition Co. (a wholly owned subsidiary of Saber) (“Newco”) and 9045538 Canada Inc. (“KindCann”) completed a plan of arrangement (the “Plan of Arrangement”) under the *Canada Business Corporations Act* (the “CBCA”) pursuant to which KindCann completed a reverse take-over transaction of Saber (the “RTO”). On December 5, 2016, in connection with the RTO, Saber changed its name to Emblem Corp. KindCann initially incorporated under the name KindCann Holdings Limited, changed its name to Emblem Corp. on September 1, 2016 and again changed its name on November 30, 2016 to 9045538 Canada Inc.

Saber was incorporated on February 25, 2008 as Kristina Capital Corp., under the *Business Corporations Act* (British Columbia), before changing its name to Saber Capital Corp. on January 19, 2011. On July 4, 2011, Saber completed its initial public offering and its common shares commenced trading on the TSX Venture Exchange (“TSXV”) on July 6, 2011 as a Capital Pool Company (as defined under the policies of the TSXV). On December 5, 2016, Saber:

- Changed its name from Saber Capital Corp. to Emblem Corp.;
- Consolidated its common shares on the basis of one post-consolidation common share for each four pre-consolidation common shares; and
- Continued from a company governed by the laws of British Columbia to a corporation governed under the CBCA.

Concurrent with the RTO, KindCann amalgamated with Newco, to form 9526820 Canada Inc. (“9526820”). Immediately thereafter, 9526820 amalgamated with its wholly owned subsidiaries, Emblem Cannabis Corporation (formerly KindCann Limited), KindCann Realty Limited and 9845992 Canada Limited (formerly Oakbank Holdings Limited). The amalgamated entity was renamed Emblem Cannabis Corporation.

Effective upon the closing of the RTO and to align the financial years of the Company to that of KindCann, the financial year end of the Company was changed to December 31, from January 31. Upon issuance of the final exchange bulletin of the TSXV providing final acceptance of the RTO, the Company ceased to be a Capital Pool Company and recommenced trading on the TSXV on December 12, 2016 under the symbol “EMC”.

The address of the Company’s registered head office is 36 York Mills Road, Suite 500, Toronto, Ontario, M2P 2E9.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

These consolidated financial statements were approved by the board of directors of the Company for issue on April 27, 2018

(b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis, except for biological assets and Class A preferred shares financial liability, which are measured at fair value less cost to sell and fair value, respectively. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

(d) Use of Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i) Impairment of inventory

Inventory is reviewed for obsolete, redundant and slow-moving goods. Inventory is reviewed to ensure the carrying value does not exceed net realizable value. A write-down is recognized when carrying cost exceeds net realizable value. The write-down may be reversed if the circumstances which caused it, no longer exist.

ii) Measurement and valuation of biological assets

Biological assets, consisting of medical cannabis plants and agricultural produce, are measured at fair value less cost to sell up to the point of harvest. The determination of the fair value of the biological assets requires the Company to make assumptions with respect to how market participants would estimate fair value. These assumptions primarily relate to the costs required to bring the biological assets up to the point of harvest, cost to convert the harvested medical cannabis to finished goods, sales price, risk of loss and expected yield from the medical cannabis plants.

iii) Estimated useful lives, residual values and depreciation of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values, 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.

iv) Measurement and classification of Investment in GrowWise

At each reporting date, the Company assessed its investment in GrowWise for potential indicators of impairment prior to obtaining control in October 2016, taking into consideration business climate, economic factor and operational environment the investee operated in, combined with the early stage nature of the investee. If any impairment indicator existed, the Company estimated the asset's recoverable amount. The recoverable amount was determined for the investment on a standalone basis. Key assumptions used in determining the recoverable amount were the operating results and associated expected cash flows of the investment.

v) Measurement of share-based payments, warrants and stock options

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

vi) Going concern assessment

At each reporting period, management assesses the basis of preparation of the consolidated financial statements. These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

3. ACCOUNTING POLICIES

Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

(a) Consolidation

The consolidated financial statements of the Company include the accounts of Emblem and its subsidiaries. Subsidiaries are all entities over which the Company has control. At each reporting date, the Company performs its control assessment of subsidiaries. The Company controls an entity where it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

(b) Investment in Equity Accounted Associate

Investments over which the Company has joint control ("joint arrangements") or the ability to exercise significant influence, where significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies, are accounted for using the equity method of accounting.

A joint venture is a joint arrangement whereby the parties of the arrangement have rights to the net assets of the arrangement. Joint control is the contractual sharing of control in an arrangement, which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. To determine whether significant influence or joint control is present, considerations similar to those necessary to determine control over subsidiaries are reviewed.

The equity method of accounting requires the Company to record its initial investment at cost. At the time of initial recognition, if the cost of the associate or joint venture is lower than the Company's proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment to the consolidated statement of operations and comprehensive loss. If the cost of the associate or joint venture is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate or joint venture is included in the carrying amount of the investment.

The carrying value of the Company's initial investment is adjusted to include its pro rata share of the investee's post-acquisition earnings, which is included in the Company's determination of net income or loss. Investments are reviewed at each reporting period to determine whether there is any objective evidence of impairment. If evidence of impairment exists, the Company compares the carrying amount of the investment to its recoverable amount.

Should the Company lose joint control of a joint venture, the Company remeasures its remaining investment at fair value. Any resulting difference between the carrying amount of its investment in the joint venture and its fair value of the retained investment and any proceeds from disposal is recognized in the consolidated statement of operations and comprehensive loss.

The financial statements of equity accounted investees are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring their accounting policies in line with those of the Company.

(c) Business Combination

Business combinations are accounted for using the acquisition method of accounting, where the fair value of consideration is allocated to the fair values of the assets acquired and the liabilities assumed at the date of acquisition. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses if it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts recognized at the date of acquisition. If following its reassessment, the Company concludes that the fair value of net assets acquired exceeds the aggregate consideration transferred, the Company will record a gain to the consolidated statement of operations and comprehensive loss.

The excess of consideration over the fair value of the identifiable net assets acquired is recorded as goodwill and allocated to the cash-generating unit ("CGU"). For each business combination that includes a non-controlling interest, the Company, at its election, measures the non-controlling interest's investment in the acquiree at fair value or at the proportionate share of the acquiree's net identifiable assets acquired.

Any contingent consideration is recognized at fair value on the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with changes in fair value recorded to the consolidated statement of operations and comprehensive loss. Contingent consideration classified to equity is not re-measured and settlement is accounted for within equity.

Transaction costs that are incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed as incurred.

(d) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign exchange rate applicable at that period-end date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Revenue and expenses are translated at the exchange rates that approximate those in effect on the date of the transaction. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of operations and comprehensive loss.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions, and other short-term highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

(f) Inventories

Inventories for finished goods, work-in progress, seeds, packaging and other supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. The cost of the finished goods and work-in progress of dry cannabis includes the value of the agricultural produce at the date of its conversion. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost to sell. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory identified is written down to net realizable value.

(g) Biological Assets

Biological assets consist of cannabis plants and are measured at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventory after harvest. Gains or losses arising from changes in fair value less cost to sell during the year are included in the consolidated statements of operations and comprehensive loss.

(h) Property, Plant and Equipment

The Company's property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment includes expenditures that are directly attributable to the acquisition or construction of the asset. The cost includes the cost of materials and direct labour, site preparation costs, installation and assembly costs, and any other costs directly attributable to bringing the assets to the location and conditions necessary for the assets to be capable of operating in the manner intended by management. The cost of property, plant and equipment also includes any applicable borrowing costs. Borrowing costs are capitalized to property, plant and equipment until such time that the constructed asset is substantially complete and ready for its intended use.

Depreciation is calculated on a straight-line basis and is recorded over the estimated useful lives as outlined below:

Building	25 years
Security equipment	5 years
Production equipment	5 years
Computer equipment	2 years
Furniture and fixtures	5 years

Significant components of property, plant and equipment that are identified as having different useful lives are depreciated separately over their respective useful lives. Depreciation methods, useful lives and residual values, if applicable, are reviewed and adjusted, if appropriate, on a prospective basis at the end of each fiscal year.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized in the consolidated statement of operations and comprehensive loss.

(i) Intangible Assets

Intangible assets consist of acquired intellectual property with a finite life. Intangible assets are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. At each reporting period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Costs for intangible assets acquired in a business combination represents the fair value of the asset at the time of the acquisition. Intellectual property intangibles are amortized over a 7-year period.

(j) Financial Instruments

The Company initially recognizes financial assets at fair value on the date that they are originated. 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. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

At initial recognition, the Company classifies its financial instruments in the following categories:

i) Financial assets and liabilities at fair value through profit or loss (“FVTPL”)

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations and comprehensive loss. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations and comprehensive loss in the period in which they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less a discount (when material) to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method less a provision for impairment.

iii) Financial liabilities at amortized cost

Financial liabilities are initially recognized at the amount required to be paid, less a discount (when material) to reduce the financial liabilities to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

iv) Classification of equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. When the carrying value exceeds the purchase price, the excess of the average carrying value over the purchase price is recorded as contributed surplus. When the purchase price is higher than the average carrying value, the excess of the purchase price over the carrying value first reduces any previously recognized contributed surplus, with any remaining excess recorded as a reduction to retained earnings. No gain or loss is recognized in profit or loss. Subsequent to initial measurement, the Company does not remeasure certain equity instruments upon modification of the terms of such instruments.

v) 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 as outlined below:

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Trade and other payables	Other financial liabilities
Due to related parties	Other financial liabilities
Convertible debt	Financial liabilities at amortized cost
Other long-term debt	Other financial liabilities

Effective Interest Rate Method
The effective interest rate method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of Financial Assets
Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of the reporting periods. 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.

(k) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed for impairment at each consolidated 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 or CGUs. The recoverable amount of an asset or a CGU is the higher of its fair value, less cost 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 the recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Leases for which the risks and rewards are retained by the lessor are considered operating leases. Lease payments, including lease incentives, under an operating lease are recognized as an expense on a straight-line basis over the lease term.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

(m) Revenue Recognition

Revenue from the sale of products is recognized when all of the following criteria have been satisfied: significant risks and rewards of ownership have been transferred to the buyer, there is no continuing managerial involvement with respect to the goods sold, revenue can be reliably measured at the fair value of consideration received or expected to be received, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is recognized at the fair value of consideration received or receivable.

(n) Provisions

Provisions are recognized when it is probable that the Company is required to settle an obligation (legal or constructive), as a result of a past event, and the obligation can be reliably estimated. The provision represents the Company's best estimate of the amounts required to settle the obligation at the end of the reporting period. When a provision is determined using the expected cash flow method, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the amounts required to settle a provision are expected to be recoverable from a third party, a receivable is recognized when it is virtually certain reimbursement is receivable and the expected reimbursement can be reliably measured.

(o) Employee Benefits

i) Share-based payment transactions

The Company measures equity-settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period) with a corresponding increase in equity (contributed surplus). Fair value is measured using the Black-Scholes option pricing model. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the consolidated statement of operations and comprehensive loss.

ii) Termination benefits

The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing benefits as a result of an offer made to encourage voluntary termination.

(p) Current Income Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of operations and comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive loss or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(q) Earnings (Loss) Per Share

The Company presents basic and diluted loss per share data for its shares, which include common shares and special non-voting shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares and special shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options.

(r) Segment Reporting

An operating segment is a component of the Company that engages in business activities. An operating segment may earn revenue and incur expenses, including revenue and expenses incurred by virtue of activities with any of the Company’s other operations. An operating segment has discrete financial information available that is regularly reviewed by the Company’s Chief Operating Decision Maker (“CODM”) to assess performance or make resource allocation decisions. The CODM has been identified as the Chief Executive Officer. The Company has a single operating and reportable segment.

New Accounting Pronouncements

The Company will adopt the following new accounting pronouncements, which are effective for the fiscal periods of the Company beginning on January 1, 2018:

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB and the Financial Accounting Standards Board (“FASB”) jointly issued IFRS 15, a converged standard on the recognition of revenue from contracts with customers. It supersedes the IASB’s current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 provides a single principle-based five-step model to use when accounting for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January

1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue.

The Company does not expect the implementation of IFRS 15 to have a significant impact on its consolidated statements of operations and comprehensive loss and will incorporate the new disclosure requirements of IFRS 15 in its consolidated financial statements upon adoption on January 1, 2018.

IFRS 9 - Financial Instruments ("IFRS 9")

IFRS 9, as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity's own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

IFRS 2- Amendments to IFRS 2 Share-Based Payment ("IFRS 2")

Amendments to IFRS 2 were issued in June 2016 and are effective for annual periods beginning on or after January 1, 2018, to be applied prospectively. The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; provide guidance on the classification of share-based payment transactions with net settlement features for withholding tax obligations; and clarify accounting for modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

IFRS Interpretation Committee ("IFRIC") Interpretation 22 - Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 was issued in December 2016 and is effective for annual periods beginning on or after January 1, 2018 and may be applied retrospectively or prospectively. IFRIC 22 addresses which foreign exchange rate to use to measure a foreign currency transaction when advance payments are made or received, and non-monetary assets or liabilities are recognized prior to recognition of the underlying transaction. IFRIC 22 does not relate to goods or services accounted for at fair value or at the fair value of consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability, or to income taxes, insurance contracts or reinsurance contracts. The foreign exchange rate on the day of the advance payment is used to measure the foreign currency transaction. If multiple advance payments are made or received, each payment is measured separately.

The Company does not expect the adoption of this standard to have a material impact on the consolidated financial statements.

The Company has not adopted the following new accounting pronouncements issued, but are effective for fiscal periods of the Company beginning on or after January 1, 2019:

IFRS 16 - Leases ("IFRS 16")

On January 13, 2016, the IASB published a new standard, IFRS 16. The new standard will eliminate the distinction between operating and finance leases and will bring most leases to the balance sheet for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019 and is to be applied retrospectively.

The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatment ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23, to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019.

The Company has not yet determined the impact on its consolidated financial statements.

4. CAPITAL MANAGEMENT, FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Emblem is an early-stage company and is dependent on raising further capital, primarily equity, to fund its capital expenditures and its operating expenses in excess of revenue until such time as it reaches a cash break-even point. Emblem may raise additional equity by way of private placements, although there can be no assurance that the Company will be successful in doing so. Emblem completed certain additional financings subsequent to year-end (Note 22).

In addition to utilizing equity to finance its expansion and operations, Emblem has a total of $16,234,000 of long-term debt as at December 31, 2017. The use of this capital is currently planned for financing the construction of its production facilities in Paris, Ontario. Emblem, when appropriate, will continue to use debt to finance its real assets.

Financial Risk

(a) Interest rate risk

The Company's exposure to interest rate risk relates to surplus cash and cash equivalents and long-term debt. The Company generally invests surplus cash in a savings account or in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. Interest rate risk on the long-term debt is fixed for the term of the debt.

(b) Credit risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company, causing a financial loss. The Company's principal financial assets are cash and cash equivalents and trade and other receivables. The carrying amounts of financial assets on the consolidated statement of financial position represent the Company's maximum credit exposure at that date. The cash and cash equivalents balance of $37,746,000 is held by Canadian financial institutions and credit unions.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing, on an ongoing basis, its financial requirements for operations and capital expenditures. As at December 31, 2017, the Company had $37,746,000 in cash and cash equivalents and working capital of $37,791,000. For a listing of contractual commitments at the reporting date, refer to Note 21 *Commitments and Contingencies*.

(d) Fair values

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables, and due to related parties approximate their fair values due to their short-term nature. The carrying value of the promissory note (see Note 12) approximates its fair value due to interest charged at the market rate.

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

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

5. REVERSE TAKE-OVER ON DECEMBER 6, 2016

The RTO constitutes a reverse asset acquisition by KindCann of the Company. The Company did not meet the definition of a business, before acquisition, under *IFRS 3 - Business Combinations* ("IFRS 3"), and therefore the RTO was not a business combination as defined therein. The substance of the transaction was a reverse acquisition of a non-operating company. Although legally, the Company is regarded as the parent or continuing company, KindCann, whose shareholders held approximately 89% of the voting shares of the Company immediately after the Transaction, is treated as the acquirer for accounting purposes following the principles of IFRS 3. As a result, the Transaction is accounted for as an asset acquisition with KindCann being identified as the acquirer and the transaction being measured at the fair value of the equity consideration deemed issued to the Company's shareholders in accordance *with IFRS 2 - Share Based Payments* ("IFRS 2").

Consequently, the RTO is accounted for as a continuation of the financial statements of KindCann, together with a deemed issuance of shares equivalent to the shares held by the former shareholders of the Company, and a recapitalization of the equity of KindCann. These consolidated financial statements include the completion of the RTO recorded on December 6, 2016. KindCann, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Company in a capital transaction on December 6, 2016. The consolidated statements of operations and comprehensive loss include the full results of KindCann for the year ended December 31, 2016. As the acquirer for accounting purposes, KindCann's net assets are included in the consolidated statements of financial position at their carrying amounts.

The value of net identifiable assets of Saber (a legal parent) acquired by KindCann (a legal subsidiary) is as follows:

		At December 6, 2016
Cash and cash equivalents	$	678
Trade and other payables		(29)
	$	**649**

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. In accordance with IFRS 2, the amount assigned to the RTO costs in the consolidated statements of operations and comprehensive loss is $6,136,000, being the difference between the estimated fair value of Saber shares prior to the RTO, less the fair value of the net assets acquired of Saber, plus transaction costs. The fair value of 4,416,602 Saber shares outstanding prior to the RTO of $1.02 per share is determined based on the financings described in Note 13 that were completed concurrently with the RTO. Outstanding options of Saber prior to the RTO were cancelled and replaced with 60,000 options of the Company, exercisable at $0.40 per share.

		At December 6, 2016
Shares of Saber Capital Corp. on RTO	$	4,505
Less: fair value of net assets acquired of Saber Capital Corp.		(649)
		3,856
RTO Transaction Costs:		
Stock exchange, professional and consulting fees		713
Finder's fee of 1,500,000 common shares issued at $1.02 per share		1,530
Replacement of 60,000 options granted to shareholders of Saber Capital Corp.		37
	$	**6,136**

6. INVESTMENT IN ASSOCIATE GROWWISE - PRIOR TO OCTOBER 31, 2016

As at December 31, 2017, the Company held a 50% interest in an entity, GrowWise, a company incorporated and operating primarily in the Province of Ontario, Canada. The remaining 50% was held by White Cedar Pharmacy Corporation (“White Cedar”). Key management of Emblem owns approximately 51% of the issued and outstanding shares of White Cedar. The business of GrowWise is to offer education services and other related services to prospective medical patients in Canada.

As part of the Company’s amended shareholder agreement (“Amended Shareholder Agreement”) dated October 31, 2016 with White Cedar, the Company committed to make available to GrowWise an unlimited revolving loan facility in order to fund all of GrowWise’s working capital requirements. The advances to GrowWise under the facility bore interest at a rate of 10%. Payments of interest on, and the principal of, the facility were without recourse to the assets of White Cedar. Until repayment in full of the facility, GrowWise could not make distributions to White Cedar or the Company. On October 31, 2016, the Company and White Cedar also executed an option agreement (the “Option Agreement”) whereby the Company had an option to purchase White Cedar’s 50% interest in GrowWise at any time on or after December 31, 2017, for 50% of the net book value of GrowWise’s net assets, excluding related party liabilities.

The initial funding commitment prior to the October 31, 2016 Amended Shareholder Agreement was $500,000 and was previously accounted for as an onerous contract and expensed in 2014. Such amount was fully funded in 2015 and 2016, and an additional $528,000 above the $500,000 commitment was funded in 2016, prior to October 31, 2016. The Company’s initial investment of $1,028,000 related to GrowWise was impaired in 2014. At October 31, 2016, the carrying amount of the investment in GrowWise was $nil.

Prior to October 31, 2016, the Company determined that White Cedar had control over GrowWise and the Company as the sole additional 50% shareholder had significant influence. The original shareholder agreement established that decision-making power related to GrowWise was with White Cedar. White Cedar also had exposure to variable returns through its 50% ownership interest and entitlement to future distributions and the ability to affect those returns through its decision-making power.

On October 31, 2016, with the execution of the Amended Shareholder Agreement and the Option Agreement, the Company assessed whether it had acquired control over GrowWise and determined that the definition of control as defined under IFRS 10 – *Consolidated Financial Statements* was met.

The determination of control was based on the following:

- Power over the investee

Effective October 31, 2016, as a consequence of the Amended Shareholder Agreement requiring the Company to provide 100% of GrowWise’s funding requirements without limit and the Option Agreement allowing the Company to acquire White Cedar’s interest in GrowWise based on the formula in the Option Agreement, indicates White Cedar’s exposure to variable returns is now much more limited. This, combined with the fact that certain members of the Company’s management are acting as management of GrowWise, leads the Company to conclude that despite White Cedar continuing to retain GrowWise decision making power under the Amended Shareholder Agreement, White Cedar is now exercising that decision-making power as the Company's de facto agent. Accordingly, White Cedar's decision-making power is now attributed to the Company.

- Exposure, or rights to variable returns of the investee

The Company is now exposed to substantially all of the variable returns of GrowWise as a result of its 50% equity interest, the potential operating synergies the Company will benefit from with GrowWise should GrowWise be successful, its expanded funding commitment in the Amended Shareholder Agreement and its right to acquire White Cedar's 50% interest in GrowWise after December 31, 2017 at the formula price in the Option Agreement.

- The ability to use power over the investee to affect the amount of the investor's returns

The Company, through its agent White Cedar, has the ability to use its power to affect its returns.

Accordingly, a business combination occurred in accordance with IFRS 3 and as a result, the acquisition of control of GrowWise was accounted for by applying the acquisition method. As a result, the Company's existing equity interest was remeasured to fair value at the date of change in control, October 31, 2016, and such amount assigned to the fair value of the identifiable assets and liabilities of GrowWise was consolidated by the Company with any residual recognized as goodwill.

The fair value of the Company's equity interest in GrowWise before the business combination was determined to be nominal based on the significant deficit that GrowWise has accumulated to date and the current uncertainties associated with the future economic benefits that GrowWise may generate.

The Company also determined that the Option Agreement, providing it with the right to acquire White Cedar's interest in GrowWise at a formula price, and the expectation is that there will be no equity distributions to the owners of GrowWise prior to the Option Agreement becoming exercisable, meant that in substance, White Cedar no longer had a present equity ownership in GrowWise and instead the substantial majority of the benefits associated with that equity interest accrued to the Company.

The business combination was accounted for using the purchase method and identified a net working capital deficiency of $17,000, capital assets of $46,000 and a liability to White Cedar of $29,000, representing application of the formula price in the Option Agreement based on circumstances as at October 31, 2016. The purchase price consideration was $nil and no intangible assets or goodwill were identified as part of the purchase price equation.

Effective October 31, 2016, the results of the operations of GrowWise, as well as its assets and liabilities, were included in the consolidated financial statements of the Company at 100%.

As at October 31, 2016, the balance owed by GrowWise to the Company under the facility of $1,028,000 was determined to be impaired in full, which resulted in an impairment charge of $528,000 for the 10 months ended October 31, 2016. Funding of $375,000 during 2015 and $125,000 during the 10 months ended October 31, 2016 was applied to the provision recorded in 2014.

An amended option agreement ("Amended Option Agreement") between the Company and White Cedar was executed during 2017, which set the purchase price under the Amended Option Agreement to $1, if the net book value of GrowWise is less than zero when the option is exercised. As such, the liability to White Cedar was remeasured to $1 as at December 31, 2017 (December 31, 2016 - $42,301). The change in the liability is included in other income in the consolidated statements of operations and comprehensive loss. In March 2018, the Company exercised its option to purchase the remaining 50% of GrowWise that it did not already own for $1.

Summarized Financial Information of GrowWise as an Investment in Associate

The summarized statement of financial position of GrowWise (prior to acquisition of control) as at October 31, 2016, was as follows:

		At October 31, 2016
Assets		
Current assets	$	62
Property, plant and equipment		54
	$	**116**
Liabilities		
Trade and other payables	$	58
Due to related parties		1,049
		1,107
Shareholders' deficiency		(991)
	$	**116**

The summarized statement of operations and comprehensive loss for deficiency in associate under the equity method of accounting, for the 10 months ended October 31, 2016, was as follows:

		For the 10 months ended October 31, 2016
Revenues	$	77
Cost of sales		(150)
Gross margin		(73)
Expenses		
General and administrative		169
Sales and marketing		337
Depreciation		14
Interest expense		14
		534
Net loss and comprehensive loss		(607)
Ownership interest in GrowWise		50%
Emblem's share of associate's loss	**$**	**(304)**

The Company's share of GrowWise's losses for the 10 months ended October 31, 2016 were not recognized due to the investment in GrowWise balance being $nil as a consequence of the previous impairment recorded and the expensing of the funding provided to GrowWise.

7. TRADE AND OTHER RECEIVABLES

As at December 31,		**2017**		2016
Trade receivables	**$**	**218**	$	221
Sales taxed receivable		**847**		190
Other receivables		**56**		6
	$	**1,121**	$	417

Sales tax returns for Emblem Corp. are due on an annual basis on January 31, resulting in an increase of accumulated net sales taxes receivable as at December 31, 2017.

As at December 31,		2017		2016
Trade receivables				
Current	**$**	**130**	$	153
Past due 1-30 days		**11**		35
Past due 31-60 days		**77**		23
Past due 61-90 days		**-**		10
	$	**218**	$	221

8. INVENTORIES

As at December 31,		2017		2016
Dry Cannabis				
Work-in-progress	**$**	**2,222**	$	78
Finished goods		**536**		577
		2,758		655
Seeds		**26**		27
Packaging and supplies		**113**		66
	$	**2,897**	$	748

Cost of sales for the years ended December 31, 2017 and 2016 are composed of:

Years ended December 31,		2017		2016
Production costs	**$**	**3,353**	$	1,272
Patient education costs		**392**		41
Cost of inventory sold during the period related to fair value accounting for biological assets		**1,428**		30
	$	**5,173**	$	1,343

The Company does not capitalize any production costs including overheads to biological assets. All production costs related to biological assets are expensed as incurred and are included in production costs in the table above. The Company capitalizes cost incurred after harvest to bring the products to their present location and condition in accordance with IAS 2 Inventories. The cost of inventories includes the fair value less cost to sell of the cannabis at harvest and costs incurred after harvest (such as quality assurance costs, fulfillment costs and packaging costs) to bring the products to their present location and condition.

9. BIOLOGICAL ASSETS

The changes in the carrying value of biological assets, which consist of cannabis on plants, are as follows:

As at December 31,		2017		2016
Balance at beginning of the year	**$**	**124**	$	9
Net increase in fair value less cost to sell due to biological transformation		**2,969**		806
Transferred to inventory upon harvest		**(2,442)**		(691)
Balance at end of the year	**$**	**651**	$	124

Biological assets are measured at fair value less cost to sell until harvest. All production costs related to biological assets are expensed as incurred. The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. The fair value was determined using an expected cash flow model which assumes the biological assets at the year end date will grow to maturity, be harvested and converted into finished goods inventory and sold in the retail medical cannabis market. This model utilizes the following significant assumptions:

	As at December 31,	
Assumptions	**2017**	2016
Expected yields for cannabis plants (average grams per harvest)	54,100 grams	34,800 grams
Expected number of growing weeks	23 to 26 weeks	12 to 19 weeks
Weighted average number of growing weeks completed as a percentage of total growing weeks as at year end	84%	44%
Estimated selling price less after harvest cost to complete and sell, incorporating a reasonable margin (per gram by strain)	$2.79 to $4.47	$2.47 to $4.56

These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods. A 10% positive change in each of the significant assumptions would result in an aggregate increase of $224,000 in the biological assets balance as at December 31, 2017 (December 31, 2016 - $29,000). A 10% negative change in each of the significant assumptions would result in an aggregate decrease of $172,000 in the biological assets balance as at December 31, 2017 (December 31, 2016 - $23,000).

The Company estimates the harvest yields for medical cannabis at various stages of growth. As at December 31, 2017, it is expected that the Company's biological assets will yield approximately 216,000 grams (December 31, 2016 – 104,000 grams) of medical cannabis when harvested.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the unrealized gain or loss on changes in the fair value of biological assets in future periods.

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Production Equipment	Security Equipment	Computer Equipment	Furniture and Fixtures	Total
Balances as at January 1, 2016							
Cost	619	6,827	497	669	43	102	8,757
Accumulated Amortization	-	(89)	(55)	(129)	(14)	(8)	(295)
Carrying Amount	**$ 619**	**$ 6,738**	**$ 442**	**$ 540**	**$ 29**	**$ 94**	**$ 8,462**
Additions	-	556	733	31	405	69	1,794
Disposals - cost	-	-	-	-	(71)	-	(71)
Disposals - accumulated amortization	-	-	-	-	12	-	12
Amortization	-	(318)	(151)	(138)	(80)	(26)	(713)
Balances as at December 31, 2016							
Cost	619	7,383	1,230	700	377	171	10,480
Accumulated Amortization	-	(407)	(206)	(267)	(82)	(34)	(996)
Carrying Amount	**$ 619**	**$ 6,976**	**$ 1,024**	**$ 433**	**$ 295**	**$ 137**	**$ 9,484**
Additions	7,931	12,331	775	182	157	133	21,509
Amortization	-	(330)	(308)	(150)	(234)	(60)	(1,082)
Balances as at December 31, 2017							
Cost	8,550	19,714	2,005	882	534	304	31,989
Accumulated Amortization	-	(737)	(514)	(417)	(316)	(94)	(2,078)
Carrying Amount	**$ 8,550**	**$ 18,977**	**$ 1,491**	**$ 465**	**$ 218**	**$ 210**	**$ 29,911**

Assets under construction (included in buildings) amounted to $5,119,000 as at December 31, 2017 (December 31, 2016 - $180,000). Assets under construction are not ready for use and are not depreciated.

Additions made to property, plant and equipment during 2017 relate mainly to the purchase of land and construction costs associated with increasing the capacity of the Company's current facility.

The Company has entered into commitments for the purchase of property, plant and equipment related to the expansion of its existing production facility in Paris, Ontario (refer to Note 21 for more details).

ECC owns 100% of Emblem Realty Ltd., which has ownership title of the land at 557 Paris Road in Paris, Ontario.

11. TRADE AND OTHER PAYABLES

As at December 31,	2017	2016
Trade payables	**$ 3,059**	$ 1,801
Other payables	**129**	(49)
Accrued liabilities	**972**	472
Unearned Revenue	**-**	131
	$ 4,160	$ 2,355

12. LONG-TERM DEBT

Secured Promissory Note

During 2016, the Company entered into a promissory note in the amount of $5,500,000. The note is secured by first charge on the property and a general security agreement with a fixed charge over all assets of the Company and a share pledge of all ECC and GrowWise shares. Interest-only payments at a rate of 8% per annum are due monthly. The promissory note is repayable in full on December 12, 2019. The Company has an option to repay in full on December 12, 2018. Interest in the amount of $440,000 (2016 – $239,000) was paid during 2017 and included under *Net Finance Costs* in the consolidated statement of operations and comprehensive loss.

Long-term debt is presented net of transaction costs. Transaction costs are recognized in *Net Finance Costs* in the consolidated statements of operations and comprehensive loss over the term of the long-term debt using the effective interest rate method. A continuity of the promissory note is presented below:

As at December 31,		2017		2016
Balance at beginning of the year	$	**5,335**	$	-
Issuance of promissory note		**-**		5,500
Transaction costs deferred		**-**		(168)
Amortization of transaction costs		**51**		3
Balance at end of the year	**$**	**5,386**	$	5,335

Convertible Unsecured Debt

In November 2017, the Company announced that it issued convertible debentures (“Convertible Debt”) in connection with its brokered private placement for issuance of shares (refer to Note 13). The Convertible Debt was sold at a price of $1,000 for gross proceeds of $15,000,000, under the following terms:

- A maturity date of November 16, 2020;
- An interest rate of 8% per annum, payable semi-annually;
- Convertible at $1.95 per share, subject to adjustment in certain events, at the option of the holder; and
- The Company may require the conversion of the full principal amount of the then outstanding Convertible Debt at the conversion price on not less than 30 days’ notice, should the daily volume weighted average trading price of the outstanding common shares of the Company on the TSXV be greater than $2.93 for any 10 consecutive days.

A continuity of the Convertible Debt is presented below:

As at December 31,		2017
Issuance of Convertible Debt	**$**	**15,000**
Transaction costs deferred		**(1,333)**
Present value discount		**(2,956)**
Amortization of transaction costs		**69**
Amortization of present value discount		**68**
Balance at end of the year	**$**	**10,848**

During 2017, amortization of transaction costs and present value discount, as well as interest in the amount of $148,000 paid, were included under *Net Finance Costs* in the consolidated statement of operations and comprehensive loss. The option to convert the Convertible Debt to common shares of the Company was based on the residual amount remaining after discounting the Convertible Debt to present value, at an effective interest rate of 17.8%.

13. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with no par value, preferred shares and Special Shares. The issued and outstanding shares for the following periods are as follows:

	Number of Shares	Gross Proceeds	Non-Cash Items	Share Issue Cash Costs	Allocated to Warrants	Share Capital
Balances as at January 1, 2016	21,638,900					$ 1,580
Prior to Reverse Take-Over ("RTO")						
Issue of shares under private placements in June 2016	5,825,600	$ 2,913	$ -	$ (100)	$ (281)	$ 2,532
Conversion of Class A Preferred Shares	17,032,520	-	11,749	-	-	11,749
Issue of shares under private placements in Sept 2016	6,740,164	5,055	-	(212)	(391)	4,452
Shares issued as transaction costs incurred on Sept 2016 private placements	127,038	-	88	-	-	88
Concurrent with RTO						
Shares of Saber Capital Corp. on RTO	4,416,602	-	4,505	-	-	4,505
Issue of Special Shares	(14,065,285)	-	(535)	-	-	(535)
Issue of shares under private placements	20,521,115	23,599	-	(1,664)	(2,639)	19,296
Shares issued as transaction costs incurred on private placements	2,699,374	-	2,753	-	-	2,753
Transactions as Emblem Corp. after RTO						
Issue of shares and warrants under private placements in December 2016	684,789	787	-	-	(89)	698
Options exercised	30,000	12	19	-	-	31
	65,650,817	$ 32,366	$ 18,579	$ (1,976)	$ (3,400)	**$ 47,149**
Issue of Special Shares	14,065,285	-	535	-	-	$ 535
Balances as at December 31, 2016	**79,716,102**					**$ 47,684**
Shares issued as transaction costs incurred on 2016 private placements	209,037	$ -	$ 213	$ -	$ -	$ 213
Synthetic options issued as restricted shares	300,000	-	-	-	-	-
Issuance of shares to settle obligations	130,435	-	164	-	-	164
Issue of shares under private placements in Jan 2017	4,385,668	15,920	-	(1,481)	(2,466)	11,973
Issue of shares under private placements in Nov 2017	7,885,734	13,800	-	(1,209)	(4,730)	7,861
Warrants exercised	2,345,524	1,855	407	-	-	2,262
Options exercised	369,999	183	88	-	-	271
	81,277,214	$ 31,758	$ 872	$ (2,690)	$ (7,196)	**$ 69,893**
Special Shares	14,065,285	-	535	-	-	$ 535
Balances as at December 31, 2017	**95,342,499**					**$ 70,428**

Share capital activity during 2016

In June 2016, KindCann completed a private placement for 5,825,600 units at a price of $0.50 per unit for gross proceeds of $2,913,000. Each unit includes one common share and one-half warrant. Each whole warrant is detachable, transferable, and exercisable to acquire one common share of KindCann at an exercise price of $0.75

per share for a term of five years from issuance. In August 2016, KindCann reclassified its Class A preferred shares and related broker warrants as equity instruments (refer to Note 17 for a detailed description).

During September 2016, KindCann completed a private placement for 6,740,164 units at a price of $0.75 per unit for gross proceeds of $5,055,000. Each unit includes one common share and one-half common share purchase warrant. Each whole warrant is detachable, transferable, and exercisable to acquire one common share at an exercise price of price of $1.20 per common share for a period of two years from issuance. Share issuance costs comprise cash and an additional issuance of 127,038 units, with each unit consisting of one common share and one-half warrant. Each whole warrant is detachable, transferable, and exercisable to acquire one common share at a purchase price of $1.20 per common share for a term of two years from issuance.

Pursuant to the Plan of Arrangement, the shareholders of KindCann received one post-consolidated common share for each common share of KindCann registered in the names of such shareholders. Holders of KindCann's special non-voting shares also received one special non-voting share of the Company (each a "Special Share") for each special non-voting share of KindCann registered in the names of such shareholders. Holders of KindCann's options and warrants outstanding at the time of the closing of the RTO also received equivalent securities of the Company exercisable for, or convertible into, post-consolidated common shares.

Prior to completion of the RTO in December 2016, the Company completed a brokered private placement by issuing 18,781,985 subscription receipts at a price of $1.15 per receipt for gross proceeds of $21,599,000. On closing of the RTO, each subscription receipt was exchanged, without payment of any additional consideration, for one unit of the Company, comprising one post-consolidation common share and one-half of one warrant. Each warrant is exercisable to purchase one post-consolidation common share at an exercise price of $1.75 per share for a period of 36 months.

Concurrent with completion of the RTO in December 2016, the Company completed a brokered financing pursuant to a TSXV short form offering document by issuing 1,739,130 units for gross proceeds of $2,000,000, with each unit consisting of one common share and one-half warrant. Each whole warrant is exercisable to acquire one common share at a purchase price of $1.75 per share for a term of three years from issuance.

Transaction costs for the December 6, 2016 financings comprise cash and an additional issuance of 1,408,411 units, with each unit consisting of one common share and one-half warrant. As at December 31, 2016, only 1,199,374 units relating to transaction costs were issued and the remaining 209,037 units and corresponding one-half warrants were issued in January 2017. As at December 31, 2016, the Company recognized a liability for the obligation to issue 209,037 units. Each whole warrant is detachable, transferable, and exercisable to acquire one common share at a purchase price of $1.75 per common share for a term of three years from December 6, 2016.

On December 6, 2016, the Company also issued 1,500,000 shares at a value of $1,530,000, as compensation for a finder's fee with respect to the RTO.

On December 12 and 13, 2016, the Company completed private placements for 684,789 units at a price of $1.15 per unit for gross proceeds of $787,000. Each unit includes one common share and one-half common share purchase warrant. Each whole warrant is detachable, transferable, and exercisable to acquire one common share at a purchase price of $1.75 per common share for a period of three years from issuance.

During 2016, 30,000 stock options were exercised for gross proceeds of $12,000.

Share capital activity during 2017

During January 2017, the Company issued 300,000 restricted common shares to a non-employee in exchange for services to be provided to the Company over a three-year period. The common shares are held in escrow and are released ratably over a three-year period as services are received with share-based payment expense recognized over the same period. During the same month, the Company also issued 100,000 common shares to a non-employee to settle an obligation. In July 2017, the Company issued a total of 30,435 common shares in connection with the granting of an exclusive licence to Emblem pursuant to a white label agreement.

On January 31, 2017, the Company closed an underwritten private placement of 4,385,668 special warrants of the Company (the "Special Warrants") at a price of $3.63 per Special Warrant for gross proceeds of $15,920,000. On March 17, 2017, the Company obtained a receipt for a short form prospectus that qualified for distribution of the units (the “March Units”) underlying the Special Warrants and, as a result of which, each Special Warrant was automatically exercised for one March Unit. Each March Unit was composed of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $4.75 for a period of 36 months from January 31, 2017. The expiry date of the warrants may be accelerated upon notice from the Company if the volume weighted average trading price of the common shares is equal to or greater than $7.00 over a period of 10 consecutive trading days.

During November 2017, the Company completed a brokered private placement for issuance of 7,885,734 units at $1.75 per unit for gross proceeds of $13,800,000. Each unit includes one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.15 per common share for a period of three years from issuance. Share issuance costs comprise of cash and issuance of 236,572 compensation warrants (each a “Compensation Warrant”). Each Compensation Warrant is exercisable to acquire one common share and one secondary compensation warrant (“Secondary Compensation Warrant”) at an exercise price of $1.75 per common share for a period of three years from issuance. Each Secondary Compensation Warrant is exercisable to acquire one common share at an exercise price of $2.15 per common share for a period of three years from issuance.

Concurrent with the brokered private placement in November 2017, the Company issued Convertible Debt (as discussed in Note 12) that incurred costs of issuing 257,143 Compensation Warrants with the same terms as described above.

During 2017, 2,345,524 share purchase warrants and 369,999 stock options were exercised for gross proceeds of $1,855,000 and $183,000, respectively.

The values of warrants issued, including the Compensation Warrants and Secondary Compensation Warrants, were calculated using the Black-Scholes option-pricing model using the following parameters for the following periods:

Years ended December 31,	**2017**	2016
Fair value at grant date	**$0.63 to $1.24**	$0.10 and $0.26
Share price at grant date	**$1.59 and $3.02**	$0.45 to $1.02
Assumptions		
Exercise price	**$1.75 to $4.75**	$0.75 to $1.75
Expected volatilities	**72% and 80%**	60% and 67%
Life (years)	**3**	2 to 5
Expected dividends	**-**	-
Risk-free interest rate	**0.92% and 1.46%**	0.58% to 1.01%

Special Non-Voting Shares

Upon completion of the RTO, 14,065,285 KindCann common shares held by the three founding shareholders were exchanged for 14,065,285 Special Shares of the Company. The Special Shares are not entitled to receive dividends. The 14,065,285 Special Shares can be exchanged for 14,065,285 common shares (“Exchange Right”). The holders of the Special Shares can require Emblem to exchange each Special Share to one common share of the Company upon occurrence of the following events: One-third of the Special Shares registered to each holder if the Company achieves gross sales of $5,000,000; One-third of the Special Shares registered to each holder if the Company completes construction of additional grow rooms in its production facility comprising the four rooms with the result that after commissioning of such grow rooms the annualized production capacity of the entire building will be reasonably expected to allow for capacity of an aggregate of 1,500 kilograms of cannabis; and One-third of the Special Shares registered to each holder, if GrowWise opens a total of eight education centres, including those hosted within existing clinics or standalone education centres and including those open as of August 23, 2016. Irrespective of the events occurring, the Exchange Right will be exercisable on June 6, 2018.

14. WARRANTS

The number and weighted average exercise prices of warrants are as follows:

	Date Issued	Expiry Date	Number of warrants 2017	Number of warrants 2016	Weighted average exercise price 2017	Weighted average exercise price 2016
Warrants issued in connection with preferred share units						
Warrants	Dec 2014 / Jan 2015	Dec 6, 2021	**10,516,240**	10,516,240	**$ 0.75**	$ 0.75
Exercised			**(400,000)**			
Issuance of Broker Warrants with Class A Preferred Shares						
Broker Warrants	Aug 18, 2016	Dec 6, 2018	**787,300**	787,300	**$ 0.50**	$ 0.50
Exercised			**(760,100)**			
Broker Warrants	Aug 18, 2016	Dec 6, 2021	**393,650**	393,650	**$ 0.75**	$ 0.75
Issued pursuant to private placements						
Warrants	Jun 23, 2016	Jun 23, 2021	**2,912,800**	2,912,800	**$ 0.75**	$ 0.75
Exercised			**(573,000)**			
Warrants	Sep 9 to 19, 2016	Sep 9 to 19, 2018	**3,433,601**	3,433,601	**$ 1.20**	$ 1.20
Exercised			**(607,700)**			
Warrants	Dec 6, 2016	Dec 6, 2019	**10,860,245**	10,860,245	**$ 1.75**	$ 1.75
Exercised			**(4,724)**			
Warrants	Jan 2017	Dec 6, 2019	**104,518**		**$ 1.75**	
Warrants	Dec 12/13, 2016	Dec 12/13, 2019	**342,394**	342,394	**$ 1.75**	$ 1.75
Warrants	Jan 31, 2017	Jan 31, 2020	**2,192,834**		**$ 4.75**	
Warrants	Nov 16, 2017	Nov 16, 2020	**7,885,734**		**$ 2.15**	
Compensation Warrants	Nov 16, 2017	Nov 16, 2020	**493,715**		**$ 1.75**	
Secondary Compensation Warrants	Nov 16, 2017	Nov 16, 2020	**493,715**		**$ 2.15**	
Outstanding at end of the year			**38,071,222**	29,246,230	**$ 1.63**	$ 1.18

15. STOCK OPTIONS

The Company has a stock option plan to encourage ownership of its shares by key management personnel (directors and executive management), employees and consultants, and to provide compensation for certain services. The terms of the stock option plan provide that the board of directors have the right to grant options to acquire common shares of the Company. No compensation is recognized when options are exercised. The number of shares reserved for issuance is not to exceed 10% of the aggregate number of common shares issued and outstanding (calculated on a non-diluted basis), including Special Shares, from time to time.

As at December 31, 2017, the Company had 3,019,250 common shares available for the granting of future options (2016 – 3,138,277 common shares). The Company does not have any cash-settled transactions.

The terms and conditions relating to the grants of the stock option plan are as follows:

- Options issued during the year and granted to executive management, consultants and employees have a maximum term of five years and are equity-settled.
- Options granted vest equally over a period of three years, except for 600,000 options granted prior to the RTO that vested immediately, 40,000 options granted after the RTO that vested immediately and 60,000 options granted that vested after one year.

The following is a summary of outstanding and exercisable options at each year end:

Issued to Employees	**Number of options**		**Weighted average exercise price**	
	2017	2016	**2017**	2016
Outstanding at beginning of the year	**4,403,333**	2,640,000	**$ 0.50**	$ 0.50
Granted	**1,855,000**	1,830,000	**$ 2.19**	$ 0.50
Forfeit	**(173,334)**	(66,667)	**$ 0.98**	$ 0.50
Exercised	**(349,999)**	-	**$ 0.50**	$ -
Outstanding at end of the year	**5,735,000**	4,403,333	**$ 1.03**	$ 0.50
Exercisable at end of the year	**2,360,000**	1,013,332	**$ 0.52**	$ 0.50

Issued to Non-Employees	**Number of options**		**Weighted average exercise price**	
	2017	2016	**2017**	2016
Outstanding at beginning of the year	**430,000**	400,000	**$ 0.50**	$ 0.50
Granted	**380,000**	60,000	**$ 2.59**	$ 0.40
Expired	**(10,000)**	-	**$ 0.40**	$ -
Exercised	**(20,000)**	(30,000)	**$ 0.40**	$ 0.40
Outstanding at end of the year	**780,000**	430,000	**$ 1.52**	$ 0.50
Exercisable at end of the year	**266,667**	196,666	**$ 0.50**	$ 0.50

Issued to Employees and Non-Employees	**Number of options**		**Weighted average exercise price**	
	2017	2016	**2017**	2016
Total outstanding at end of the year	**6,515,000**	4,833,333	**$ 1.09**	$ 0.50
Total exercisable at end of the year	**2,626,667**	1,209,998	**$ 0.52**	$ 0.50

Issued to Employees and Non-Employees	Number of options outstanding		Weighted average remaining life (years)	
As at December 31,	**2017**	2016	**2017**	2016
Range of exercise prices				
$0.40	**-**	30,000	**-**	0.18
$0.50	**4,320,000**	4,803,333	**3.13**	4.17
$1.63 to $1.69	**790,000**	-	**4.87**	-
$2.58 to $2.60	**1,405,000**	-	**4.21**	-
	6,515,000	4,833,333	**3.58**	4.15

During 2017, the Company recorded $1,816,000 (2016 - $399,000) in share-based payments upon the vesting of employee stock options. As at December 31, 2017, an additional $2,053,000 (2016 - $1,458,000) in share-based payments remains to be recognized up until December 2020. Options outstanding as at December 31, 2017 expire between September 2020 and December 2022.

The fair values of share-based payments to employees were measured based on the Black-Scholes option pricing model. For 2016 and certain grants during 2017, volatility was estimated by using other companies that the Company considers comparable over similar periods to the expected life of the options. The inputs used in the measurement of the fair values during the following periods were:

Year ended December 31,	2017	2016
Fair value at grant date	**$0.87 to $1.66**	$0.22
Share price at grant date	**$1.63 and $2.60**	$0.45
Assumptions		
Exercise price	**$1.69 to $2.60**	$0.50
Expected volatilities	**72% and 80%**	60%
Life (years)	**5**	5
Expected dividends	**-**	-
Risk-free interest rate	**1.05% to 1.64%**	0.85%

During 2017, the Company recorded $286,000 (2016 - $69,000) in share-based payments upon the vesting of non-employee stock options. As at December 31, 2017, an additional $359,000 (2016 - $29,000) in share-based payments remains to be recognized up until April 2020. Options outstanding as at December 31, 2017 expire between September 2020 and April 2022.

The fair values of share-based payments to non-employees were measured based on the Black-Scholes option pricing model. For 2016 and certain grants during 2017, volatility was estimated by using other companies that the Company considers comparable over similar periods to the expected life of the options.

The inputs used in the measurement of the fair values during the following periods were:

Year ended December 31,	2017	2016
Fair value at grant date	**$1.65 and $1.66**	$0.62
Share price at grant date	**$2.58 and $2.60**	$0.40
Assumptions		
Exercise price	**$2.58 and $2.60**	$0.40
Expected volatilities	**80%**	60%
Life (years)	**5**	0.25
Expected dividends	**-**	-
Risk-free interest rate	**1.05% and 1.26%**	0.49%

16. EARNINGS (LOSS) PER SHARE

The weighted average number of shares include common shares and Special Shares. The effect of adjustments to the weighted average number of common shares would be anti-dilutive when the Company incurs losses. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future, but that were not included in the computation of diluted net loss per share, are shown below.

Years ended December 31,	2017	2016
Weighted average number of ordinary shares - Basic and Diluted	**86,297,237**	39,534,366
Number of options excluded	6,515,000	4,833,333
Number of warrants excluded	38,071,222	29,246,230
Debentures convertible into number of common shares	7,692,308	-
Net loss attributable to shareholders - Basic and Diluted	**$ (12,101)**	$ (17,389)
Weighted Average Basic and Diluted Loss Per Share	**$ (0.14)**	$ (0.44)

17. CLASS A PREFERRED SHARES FINANCIAL INSTRUMENT

Loss on Revaluation of Class A Preferred Shares Financial Liability Reclassified as Equity

KindCann completed private placements in 2014 and 2015 for preferred share units. Each preferred share unit included 20 Class A Preferred Shares ("Class A Preferred Shares"), warrants to acquire 10 common shares and a royalty interest related to the Company's interest in GrowWise. The components of the preferred share units were initially recognized based on their fair values. Due to the nominal fair value ascribed to the royalty interests from GrowWise, the proceeds from the private placement were attributed to the Class A Preferred Shares and the common share purchase warrants. The Class A Preferred Shares were non-voting and ranked in priority to the common shares and to any other class of shares with respect to the payment of dividends.

At issuance, it was determined that the Class A Preferred Shares did not meet the IFRS definition of equity due to the variability of the conversion rate ratio from one Class A Preferred Share to one common share or one Class A Preferred Share to 1.25 common shares, if KindCann failed to become a public company by a specified date, mandatory dividends for two years, and certain redemption provisions in the event that KindCann did not pay dividends when due, a cultivation licence was not obtained by a specified date, KindCann's producer's licence application was rejected by Health Canada or withdrawn, and certain other events of default. Accordingly, the fair value of the Class A Preferred Shares was treated as a financial liability measured at fair value through profit or loss.

The holders of Class A Preferred Shares were entitled to cumulative dividends in the amount of $0.05 per share per annum, payable semi-annually. In 2015, KindCann passed a motion, which was approved by a majority of preferred shareholders, to allow the Board of Directors, at its discretion, to allow these dividends on the Class A Preferred Shares to be paid in cash or by issuing common shares, with the number of common shares to be determined based on the market price of such shares.

In 2015, a holder of 2,000,000 Class A Preferred Shares dissented to certain resolutions of KindCann and is seeking to have the Company to repurchase the shares for $1,000,000. The provision related to a dissenting shareholder of $700,000 is subject to an ongoing process, which will ultimately determine the settlement amount; the outcome may be materially different than the provision recorded.

In August 2016, all outstanding Class A Preferred Shares were converted into common shares of KindCann. In connection with this conversion, the holders of the Class A Preferred Shares also surrendered their rights for any dividend that was accrued and unpaid as at the date of conversion. During 2016, KindCann recognized a recovery of $425,000 related to the dividends on Class A Preferred Shares previously accrued.

In connection with the conversion of Class A Preferred Shares into common shares, the Company recognized a fair value adjustment of $4,088,000 due to an increase in fair value of the Class A Preferred Shares in excess of the carrying amount of the financial liability.

Loss on Revaluation of the Broker Warrants Financial Liability Reclassified as Equity

In connection with the private placements completed in 2014 and 2015 for preferred share units, KindCann also issued warrants to the broker as part of the broker fees (each a “Broker Warrant”).

At issuance, each Broker Warrant entitled the holder to purchase one preferred share unit at $10 per unit, with a term of two years following the date KindCann becomes a public company. The fair value of the Broker Warrants was determined to be nominal at the time of issuance, based on the terms associated with the underlying agreement that precludes the holders of the Broker Warrant from exercising them until such a time KindCann becomes a public company.

In August 2016, as a result of certain amendments to the KindCann’s articles of incorporation, the features of these warrants were amended such that the holders of the warrants were entitled to 20 common shares and one-half warrant to acquire 10 common shares. As a result of this amendment, the Broker Warrants no longer met the definition of a financial liability; effective August 18, 2016, the Broker Warrants were classified as equity. Immediately prior to the reclassification of these Broker Warrants from liability to equity, the Company was required to calculate the fair value of the Broker Warrants taking into consideration the Company obtaining its distribution licence and initiation of a go-public transaction. The fair value of Broker Warrants was determined to be $338,000. The amount was recognized as a loss from changes in fair value of financial instruments in the consolidated statements of operations and comprehensive loss immediately prior to reclassification of the warrants to equity.

On the date of the RTO, the Broker Warrants were converted on a twenty-for-one stock basis. These replacement Broker Warrants provide the holder of the warrant the right to acquire 787,300 common shares for $0.50 each and warrants to acquire 393,650 common shares for $0.75 each.

18. INCOME TAXES

The combined Canadian tax rate reflects the federal and provincial tax rates for each applicable year. A reconciliation of the combined Canadian tax rate to the Company's effective rate of income tax is as follows:

Years Ended December 31,		**2017**		2016
Loss before income taxes	**$**	**(12,101)**	$	(17,389)
Combined Canadian tax rate		**26.5%**		26.5%
Income tax recovery at combined rate	**$**	**(3,207)**	$	(4,608)
Non-deductible amounts		**583**		2,499
Change in deferred tax assets unrecognized		**2,624**		2,109
Income Tax Recovery	**$**	**-**	$	-

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

As at December 31, 2017, the Company's estimated non-capital losses, that can be applied against future taxable profit, to be $25,940,000. These non-capital losses expire between the years 2028 and 2037.

19. SEGMENTED INFORMATION

The Company operates in one segment, the production and sale of medical cannabis. All of the Company's assets are located in Canada.

20. RELATED PARTY TRANSACTIONS

Related Party Balances and Transactions

Short-term employee benefits provided by the Company to key management personnel include salaries, directors' fees, statutory benefit contributions, paid annual vacation and paid sick leave as well as non-monetary benefits such as medical care. In addition to short-term employee benefits, the Company may also issue options as part of the stock option plan. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly.

As at December 31, 2017, due to related parties includes $1 (December 31, 2016 - $42,000) representing a liability to White Cedar, related to its interest in GrowWise as discussed in Note 6. Balances and transactions with related parties as at and for the years ended December 31, 2017 and 2016 are shown in the following tables:

As at December 31,		**2017**		2016
Balances Outstanding				
Amounts due to key management personnel	**$**	**77**	$	-
Amounts due (from) to other related parties		**(14)**		59
	$	**63**	$	59

Key management personnel compensation comprises:

Years ended December 31,		2017		2016
Salaries and short-term employee benefits	$	1,656	$	878
Share-based payments		1,128		262
	$	2,784	$	1,140

21. COMMITMENTS & CONTINGENCIES

The following table shows the contractual commitments as at the reporting date:

	Carrying amount	Contractual cash flows: Less than 1 year	1 to 2 years	2 to 5 years	Total
Trade and other payables	4,160	4,160	-	-	**4,160**
Long-term liabilities	16,234	7,140	1,200	16,200	**24,540**
Plant construction contracts	-	9,479	-	-	**9,479**
Equipment purchase contracts	-	102	-	-	**102**
Cannabis purchase contract	-	428	-	-	**428**
Head office rent	-	88	93	237	**418**
Service contract	-	38	76	13	**127**
	20,394	21,435	1,369	16,450	**39,254**

Contingencies

Certain of the Company's executives have been named in a claim that also identifies the Company in relation to certain services provided by an individual. It is the Company's determination that the claim of $10 million is primarily against the founders of the Company and not the Company itself. The claim for damages against the Company, specifically, is not pleaded with sufficient particularity to allow an accurate assessment of the quantum of damages being sought against the Company. The likely measure of damages sought will either be the market value of the services the plaintiff provided to the Company or the degree to which the Company was enriched by those services. The Company is of the view that the amount of the claim bears no relationship to the value of the services provided. The outcome of this legal matter is subject to negotiations by the officers of the Company and the Company believes it is unlikely to be impacted and accordingly, no amount has been provided for.

On May 27, 2015, a preferred shareholder filed a dissent action after the board of directors of KindCann (the "KindCann Board") resolved to amend the share conditions of the Company's Class A preferred shares to provide the KindCann Board with the discretion to pay the annual dividend by the issuance of common shares in the capital of KindCann. The matter is subject to an ongoing process, which will ultimately determine the settlement amount; the outcome may be materially different than the $700,000 provision recorded as at December 31, 2017 (December 31, 2016 - $600,000).

In the ordinary course of business, from time to time, the Company may be involved in various claims related to its commercial and/or corporate activities. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these consolidated financial statements.

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company completed significant transactions and entered into long-term agreements, strengthening Emblem's current position as a leading medical cannabis company, while creating a brand-leading division launch within the adult-use recreation market slated to begin in the fall of 2018.

In January 2018, the Company announced that GrowWise signed a memorandum of understanding ("MOU") with Durham College ("DC") to begin integrating cannabis-related learning into many of DC's post-secondary programs. The MOU is the first-ever agreement in the Province of Ontario between a cannabis education service and a post-secondary institution. Building on the success of the college's highly successful Medical Cannabis Fundamentals for Business Professionals course, GrowWise and DC also announced in April 2018 its intention to develop and launch the Cannabis Industry Specialization Certificate in the fall of 2018. The course will focus on medical cannabis fundamentals, cannabis in the adult-use recreation market, cannabis regulatory affairs and ethics, importing and exporting cannabis, and cannabis business operations.

Also, during January 2018, the holders of the Convertible Debt exercised their option to convert their debentures into common shares of the Company, at a price of $1.95 per common share. In connection with the conversion, the Company issued 7,692,307 common shares to the holders of the Convertible Debt and interest was paid up to the dates of conversion.

On February 2, 2018, the Company completed a private placement for the issuance of 14,024,391 units at $2.05 per unit for gross proceeds of $28,750,000. Each unit includes one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $2.70 per common share for a period of two years from issuance. Share issuance costs comprise of a cash fee of 6% on brokered gross proceeds and 3% on non-brokered gross proceeds, and issuance of compensation warrants of 3% of total gross proceeds ("2018 Compensation Warrants"). Each 2018 Compensation Warrant is exercisable to acquire one common share and one secondary compensation warrant ("2018 Secondary Compensation Warrants") at an exercise price of $2.05 per common share for a period of two years from issuance. Each 2018 Secondary Compensation Warrant is exercisable to acquire one common share at an exercise price of $2.70 per common share for a period of three years from issuance.

Concurrent with the brokered private placement in February 2018, the Company issued convertible debentures. The convertible debentures was sold at a price of $1,000 for gross proceeds of $25,000,000, under the following terms: A maturity date of February 2, 2021; An interest rate of 8% per annum, payable semi-annually; Convertible at $2.30 per share, subject to adjustment in certain events, at the option of the holder; and the Company may require the conversion of the full principal amount of the then outstanding convertible debentures at the conversion price on not less than 30 days' notice, should the daily volume weighted average trading price of the outstanding common shares of the Company on the TSXV be greater than $3.45 for any 10 consecutive days. The convertible debentures issued also incurred costs of issuing 2018 Compensation Warrants with the same terms as described above.

In March 2018, the Company exercised its option to purchase the remaining 50% of GrowWise, that it did not already own from White Cedar, pursuant to the Amended Option Agreement. The net book value of GrowWise was less than zero and as such, the purchase price was $1.

To bring Emblem's adult-use cannabis brands to market, the Company engaged No Fixed Address as Emblem's Agency of Record in March 2018. The scope of services provided to Emblem will include the execution of a national public relations strategy, campaigns and awareness creation.

Also, during March 2018, the Company entered into an agreement to become a medical cannabis supplier to Shoppers Drug Mart ("SDM"). Subject to Health Canada's approval of SDM's application to be a Licensed Producer, Emblem will supply SDM with Emblem branded medical cannabis products expected to be sold online.

In April 2018, the Company announced that Emblem will become a preferred cannabis supplier to Fire & Flower Inc. ("Fire & Flower"). Subject to certain approvals and required licensing, Emblem will supply Fire & Flower with Emblem branded cannabis products for an initial period of three consecutive years and the products will be sold instore in all provinces in which Fire & Flower operates. The Company also announced that it has purchased $2.5 million of units of Fire & Flower at a price of $0.80 per unit. Each unit consists of one common share in the capital of Fire & Flower (each, a “Fire & Flower Share”) and one common share purchase warrant, entitling the Company to acquire one additional Fire & Flower Share at a price of $1.05 per share until April 18, 2020, subject to adjustments in certain events.

Also, subsequent to December 31 2017, the Company continued on its commitment to build a world-class leadership team. Alex Stojanovic was appointed as Chief Financial Officer. Maria Guest was appointed as Chief Marketing Officer to lead Emblem’s adult-use cannabis market strategy, including the development of unique brands that will speak to various segments of the adult-use cannabis market. To manage Emblem’s medical outreach program, Kim Horrill joined Emblem as Vice President of Medical Marketing. Finally, Tim Andrews was appointed as Vice President, Creative Director, to lead Emblem’s in-house creative team overseeing brand development and marketing collateral across adult-use and medical product portfolios.