CanaQuest Medical Corporation
(Formerly Algae Dynamics Corp.)

Annual Financial Statements
March 31, 2019

CanaQuest Medical Corporation (Formerly Algae Dynamics Corp.)
Balance Sheets
Stated in Canadian Dollars
(Unaudited)

		March 31, 2019		March 31, 2018
Assets				
Current assets:				
Cash and cash equivalents	$	4,151	$	8
Accounts receivable, net		15,505		1,380
Prepaid expenses		28,941		25,311
Prepaid management fees - related parties		-		51,499
Total current assets		48,597		78,198
Equipment and leasehold improvements, net		25,186		32,121
Total assets	$	73,783	$	110,319
Liabilities and Stockholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities	$	320,074	$	584,522
Term loan - related party		52,000		52,000
Advances from shareholders		21,740		
Convertible notes - net of unamortized discount of $NIL and $27,361 at March 31, 2019 and March 31, 2018, respectively		100,000		101,579
Convertible note derivative liabilities		-		118,676
Warrant derivative liabilities		314,753		91,474
Total current liabilities		808,567		948,251
Going Concern				
Commitments and Contingencies		-		-
Stockholders' Deficiency:				
Common stock; no par value; unlimited shares authorized; 20,136,377 and 16,600,435 shares issued and outstanding at March 31, 2019 and March 31, 2018, respectively		5,768,909		4,585,877
Additional paid-in capital		1,777,206		1,631,025
Equity to be issued		27,185		165,074
Accumulated deficiency		(8,308,084)		(7,219,908)
Total stockholders' deficiency		(734,784)		(837,932)
Total liabilities and stockholders' deficiency	$	73,783	$	110,319

See accompanying notes

CanaQuest Medical Corporation (Formerly Algae Dynamics Corp.)
Annual Statements of Operations
Stated in Canadian Dollars
(Unaudited)

	For the Year Ended March 31,	
	2019	**2018**
Revenue	$ -	$ -
Operating costs:		
Application and membership fees	3,307	10,220
Bad debt recovery	(9,357)	(8,300)
Business development	14,500	3,810
Deferred share units issued for compensation	31,319	
Depreciation	6,935	15,707
Foreign exchange (gain) loss	2,331	3,301
Management fee (recovery)	251,929	(8,125)
Occupancy	37,253	34,369
Office (recovery)	13,576	6,425
Professional fees	146,751	141,992
Research and development	295,911	262,007
Stock-based compensation	114,862	546,812
Telephone and internet	11,697	11,933
Travel	24,806	11,482
Total operating expenses	945,820	1,031,633
Loss from operations	(945,820)	(1,031,633)
Other income (expense):		
Amortization of debt discount	(27,404)	(247,612)
Change in fair value of convertible note derivative liability	118,676	264,072
Change in fair value of warrant derivative liability	(221,867)	-
Interest expense	(11,761)	(85,904)
Total other income (expense)	(142,356)	(69,444)
Net loss	$ (1,088,176)	$ (1,101,077)
Net loss per share - basic and diluted	$ (0.05)	$ (0.08)
Weighted average number of common shares outstanding - basic and diluted	20,140,592	14,277,143

See accompanying notes

CanaQuest Medical Corporation (Formerly Algae Dynamics Corp.)
Statement of Stockholders' Deficiency
Stated in Canadian Dollars
(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Equity to be Issued	Accumulated Deficit	Total Stockholders' Deficiency
Balance, March 31, 2017	13,337,521	$4,313,931	$1,016,324	$ -	$ (6,134,941)	$ (804,686)
Warrants expired			(16,110)		16,110	-
Shares cancelled	(600,000)	(84,000)	-	-	-	(84,000)
Stock options	-	-	134,960	-	-	134,960
Stock based compensation transferred to Deferred Share Units, with the cancellation completed after the year end	1,050,000	-	147,000	-	-	147,000
Deferred Share Units issued	-	-	348,851	-	-	348,851
Commitment shares issued on convertible note	200,000	25,245	-	-	-	25,245
Shares issued for conversion of convertible notes	2,541,781	322,701	-	-	-	322,701
Shares issued to and to be issued to consultants as compensation for services	71,133	8,000	-	27,185	-	35,185
Conversion of convertible notes	-	-	-	137,889	-	137,889
Net loss for the year	-	-	-	-	(1,101,077)	(1,101,077)
March 31, 2018	16,600,435	4,585,877	1,631,025	165,074	(7,219,908)	(837,932)
						-
Stock-based compensation	**-**	**-**	**114,861**	**-**	**-**	**114,861**
Deferred share units issued for compensation	**-**	**-**	**31,320**	**-**	**-**	**31,320**
Common stock issued to settle equity to be issued	**1,098,150**	**137,889**	**-**	**(137,889)**	**-**	**-**
Common stock issued for settlement of convertible notes and interest	**1,120,000**	**145,382**	**-**	**-**	**-**	**145,382**
Issue of common stock and warrants, net of finance costs	**2,367,792**	**899,761**	**-**	**-**	**-**	**899,761**
Common shares cancelled	**(1,050,000)**	**-**	**-**	**-**	**-**	**-**
Net loss for the year	**-**	**-**	**-**	**-**	**(1,088,176)**	**(1,088,176)**
Balance, March 31, 2019	**20,136,377**	**$5,768,909**	**$1,777,206**	**$ 27,185**	**$ (8,308,084)**	**$ (734,784)**

See accompanying notes

CanaQuest Medical Corporation (Formerly Algae Dynamics Corp.)
Statements of Cash Flows
Stated in Canadian Dollars
(Unaudited)

	Year ended March 31, 2019	Year ended March 31, 2018
Cash Flows from Operating Activities:		
Net loss	$ (1,088,176)	$ (1,101,077)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of debt discount	27,404	247,612
Non-cash interest	11,192	-
Bad debt recovery	(9,357)	-
Depreciation	6,935	15,707
Stock-based compensation	114,862	929,943
Deferred share units issued for compensation	31,319	-
Change in fair value of convertible note derivative liability	(118,676)	(264,072)
Change in fair value of warrant derivative liability	221,867	-
Shares issued and to be issued	-	-
Foreign exchange	2,331	-
Change in operating assets and liabilities:		
Prepaid expenses	9,806	7,567
Accounts receivable	(18,204)	(40,916)
Accounts payable and accrued expenses	(260,160)	232,775
Net cash used in operating activities	(1,068,857)	27,539
Cash Flows from Financing Activities:		
Advances from related parties	453,510	(22,347)
Promissory notes repaid	-	(63,775)
Convertibles notes repaid		(70,482)
Convertibles notes issued	-	128,986
Repayment to related parties	(380,271)	-
Issue of common stock and warrants	947,117	-
Issue costs for common stock and warrants	(47,356)	-
Proceeds from the issuance of convertible note	100,000	-
Net cash provided (used in) by financing activities	1,073,000	(27,618)
Net change in cash and cash equivalents	4,143	(79)
Cash and cash equivalents, beginning of period	8	87
Cash and cash equivalents, end of period	$ 4,151	$ 8
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during period for:		
Interest paid	$ 569	$ -
Income taxes paid	$ -	$ -
NON-CASH FINANCING ACTIVITIES		
Common stock cancelled	$ -	$ (1,050,000)
Common stock issued to settle equity to be issued	$ 137,889	$ -
Common stock issued for settlement of convertible notes and interest	$ 145,382	$ 3,639,931

See accompanying notes

1) Nature of the Business and Going Concern

CanaQuest Medical Corporation (formerly Algae Dynamics Corp.) (the "Company") was incorporated under the Canada Business Corporations Act on October 7, 2008. On January 30, 2019, the Company amended its Articles of Incorporation to change its name to CanaQuest Medical Corporation.

The Company is conducting research through sponsored research agreements with two universities to support development of health products utilizing cannabis and algae oil. The Company's planned principal operations are the development and sale of health products, design and development of a facility to extract botanical oils, and design, engineering and manufacturing of a proprietary algae cultivation system for the high-volume production of pure contaminant-free algae biomass.

The Company's activities are subject to significant risks and uncertainties, including failing to obtain patents and failing to secure additional funding to operationalize the Company's current technology before another company develops similar technology.

These unaudited financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources to fund operations. The Company has suffered recurring losses and additional future losses are anticipated as the Company has not yet been able to generate revenue. In addition, as of March 31, 2019, the Company has a working capital deficiency of $758,970 and an accumulated deficit of $8,308,084. The Company's ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurances that it will be successful in doing so. These circumstances raise substantial doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2) Presentation of Financial Statements

Basis of Presentation

The unaudited financial statements of the Company for the year ended March 31, 2019 and 2018 have been prepared in accordance with accounting principles generally accepted in the United States of America for financial information. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. The balance sheet information as of March 31, 2018 was derived from the audited financial statements included in the Company's financial statements as of and for the fiscal year ended March 31, 2018 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on January 30, 2019. These financial statements should be read in conjunction with that report.

Estimates

The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could materially differ from these estimates. The significant areas requiring the use of management estimates are related to accrued liabilities, contingencies, stock based compensation, warrants, convertible debt and valuation of derivative liabilities. Although these estimates are based on management's knowledge of current events and actions management may undertake in the future, actual results may ultimately differ materially from those estimates.

3.) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, and all highly liquid debt instruments purchased with an original maturity of three months or less. As at March 31, 2019 and 2018, there were no cash equivalents.

Prepaid Expenses

Prepaid expenses consist of services paid, for which the Company has not yet received the benefit.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of an asset is derecognized when replaced.

Repairs and maintenance costs are charged to the statements of operations, during the year in which they are incurred.

Depreciation is provided for over the estimated useful life of the asset as follows:

Computer equipment	30% on a declining balance
Production equipment	20% on a declining balance

Leasehold improvements are amortized over the term of the lease or useful life of the improvements, whichever is shorter, which is currently 5 years.

Useful lives and residual values are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and any gain or loss is recognized in operations.

Intangible Assets

Intangible assets are comprised of patents. Patents represent capitalized legal costs incurred in connection with applications for patents which have a probable future economic benefit. In-process patents are not amortized. All patents subject to depreciation are amortized on a straight line basis over their estimated useful life. The Company regularly evaluates patents and patent applications for impairment or abandonment, at which point the Company charges the remaining net book value to expenses.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset might not be recoverable. An impairment loss, measured as the amount by which the carrying amount exceeds the fair value, is recognized if the carrying amount exceeds estimated undiscounted future cash flows.

Research and Development

Research and development costs include costs directly attributable to the conduct of research and development programs, including the cost of consulting fees, materials, supplies, and the maintenance of research equipment. All costs associated with research and development are expensed as incurred. The approved refundable portion of tax credits are netted against the related expenses. Non-refundable investment tax credits are recorded in the period when reasonable assurance exists that the Company has complied with the terms and conditions required for approval of the tax credit and it is more likely than not that the Company will realize the benefits of these tax credits against the deferred taxes. Refundable investment tax credits are recorded in the period when reasonable assurance exists that the Company has complied with the terms and conditions required for approval of the tax credit and it is more likely than not that the Company will collect it.

Stock-based Compensation

The Company uses the fair value based method of accounting for all its stock-based compensation in accordance with FASB Accounting Standards Codification ("ASC") ASC 718 "Compensation – Stock Compensation". The estimated fair value of the options and warrants that are ultimately expected to vest based on performance related conditions, as well as the options and warrants that are expected to vest based on future service, is recorded over the instrument's requisite service period and charged to stock-based compensation. In determining the amount of options and warrants that are expected to vest, the Company takes into account, voluntary termination behavior as well as trends of actual option and warrant forfeitures. Stock options and warrants which are indexed to a factor which is not a market, performance or service condition, in addition to the Company's share price, are classified as liabilities and re-measured at each reporting date based on the Black-Scholes option pricing model with a charge to operations, until the date of settlement.

Income Taxes

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in income in the period in which the change occurs. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

FASB issued ASC 740-10 "Accounting for Uncertainty in Income Taxes". ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

Fair Value of Financial Instruments

ASC 820 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability or indirectly; and
Level 3 – inputs that are not based on observable market data.

The carrying amounts of the Company's financial instruments including cash, amounts receivable, accounts payable and accrued liabilities, promissory note, term loan, convertible notes and advances from shareholders and related parties approximate their fair values due to their short-term nature. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks from these financial instruments.

The Company's equity-linked financial instruments reflected as warrant liability on the balance sheet represent financial liabilities classified as Level 3 as per ASU 2009-05. As required by the guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair values of the warrant liability and derivative liability which are not traded in an active market have been determined using an option pricing model based on assumptions that are not supported by observable market conditions.

Derivative Financial Instruments

The Company evaluates all of its agreements to determine if the financial instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company uses an option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

(Stated in Canadian Dollars)

Foreign Currency Transactions and Translation

Monetary assets and liabilities are translated into Canadian dollars, which is the functional currency of the Company, at the year-end exchange rate, while foreign currency expenses are translated at the exchange rate in effect on the date of the transaction. The resultant gains or losses are included in the statement of operations. Non-monetary items are translated at historical rates.

Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method and reflects the potential dilution of securities by including warrants and contingently issuable shares, if any, in the weighted average number of common shares outstanding for a year, if dilutive. In a loss year, dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Accordingly, for the year ended March 31, 2019 and 2018, the basic loss per share was equal to diluted loss per share as there were no dilutive securities.

At March 31, 2019 and March 31, 2018, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock as their effect would have been anti-dilutive:

	March 31, 2019	March 31, 2018
Common stock issuable upon conversion of convertible notes and settlement of warrants	3,162,753	2,903,500
Common stock issuable to satisfy equity to be issued obligations	100,000	1,198,150
Common stock issuable to satisfy exercisable stock option obligations	1,813,333	1,044,584
Common stock issuable to settle deferred stock units	4,762,285	4,507,740
Total	9,838,371	9,653,974

Comprehensive Income (Loss)

ASC 220 “Comprehensive Income” establishes standards for reporting and display of comprehensive income, its components and accumulated balances. The net loss is equivalent to the comprehensive loss for the periods presented.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which was subsequently amended by ASU 2018-10, ASU 2018-11 and ASU 2018-20 (collectively, Topic 842). Topic 842 will require the recognition of a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments, for all leases with terms longer than 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the statement of comprehensive income and the repayment of the principal portion of the lease liability will be classified as a financing activity while the interest component will be included in the operating section of the statement of cash flows. Topic 842 is effective for annual and interim reporting periods beginning after December 15, 2018. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. Topic 842 allows for a cumulative-effect adjustment in the period the new lease standard is adopted and will not require restatement of prior periods. The Company is in the process of evaluating the impact of Topic 842 on the Company's financial statements and disclosures, though the adoption is expected to result in an increase in the assets and liabilities reflected on the Company's balance sheets.

In July 2017, the FASB issued ASU No. 2017-11, "Earnings *Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*". ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. ASU 2017-11 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach.

The Company has elected to early adopt ASU 2017-11 effective July 1, 2018 using the full retrospective approach. Prior to July 1, 2018, the Company had convertible instruments with embedded conversion features and warrants that were subject to foreign exchange rate fluctuations since conversion prices are stated in US Dollars. These instrument will continue to be classified as liabilities in accordance with ASC 815-15-7I after the adoption of ASU 2017-11. On July 19, 2018, the Company issued a Senior Convertible Note. This Note is a convertible instrument which has an embedded conversion feature containing a down round provision. Adoption of ASU 2017-11 resulted in the exclusion of the down round feature in determining if the embedded conversion feature was indexed to the Company's own stock. Refer to Note 5 for additional information.

In June 2018, the FASB issued ASU 2018-07, "*Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.*" The ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The ASU also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Revenue from Contracts with Customers (Topic 606). The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. The Company is currently assessing the effect that the ASU will have on our financial position, results of operations, and disclosures.

(Stated in Canadian Dollars)

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future condensed interim financial statements.

4) Equipment and Leasehold Improvements

	March 31, 2019		March 31, 2018	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer equipment	$ 3,558	$ 3,054	$ 3,558	$ 2,838
Production equipment	67,367	47,077	67,367	42,004
Leasehold improvements	42,290	37,898	42,290	36,252
Total	$ 113,215	$ 88.029	$ 113,215	$ 81,094
Net carrying amount		$ 25,186		$ 32,121

During the years ended March 31, 2019, the Company recorded total amortization of $6,935 (2018 - $15,707) which was recorded to depreciation expense on the statements of operations.

5) Term Loan – Related Party

Term loan issued May 4, 2016

The Company issued a term loan ("Loan") for bridge financing to a sibling of one of the officers ("Holder") of the Company. The issue price of the Loan is $40,000 with a face value of $52,000. The Loan is unsecured, non-interest bearing and has a maturity date of August 28, 2016. The $12,000 Loan premium was recorded in accordance with the interest rate method from the issue date to the original maturity date. After issue of the loan, the Holder agreed to extend the maturity date of the Loan to November 30, 2016, followed by a second extension to February 28, 2017, followed by a further extension to November 30, 2017, and followed by a further indefinite extension until the Company has the appropriate liquidity to repay the face value of the Loan. Otherwise the terms of the loan are unchanged. During the year ended March 31, 2019, the Company recorded amortization of debt discount of $NIL (2018 $3,106) on the statements of operations.

6) Convertible Notes

	March 31, 2019	March 31, 2018
CAD$100,000 face value convertible note due July 19, 2021 (a)	$ 100,000	
USD$50,000 face value convertible note due June 21, 2018 (b) (i)	-	$ 64,470
USD$50,000 face value convertible note due July 25, 2018 (b) (ii)	-	64,470
Unamortized debt discount	-	(27,361)
	$ 100,000	$ 101,579

The carrying values of the Company's secured convertible notes consist of the following as of March 31, 2019 and March 31, 2018, respectively:

(a) Convertibles Note – issued July 19, 2018

On July 19, 2018, the Company issued a Senior Convertible Note ("Note") for total cash proceeds and a principal amount of $100,000. The Note bears interest of 10% per annum compounded monthly and matures on July 19, 2021. At the option of the Company, all outstanding principal and interest may be exchanged for shares of common stock of the Company at a conversion price of $0.25 per share. The conversion price is subject to anti-dilution adjustment in the event the Company at any time while the Note is outstanding issues equity securities including common stock or any security convertible or exchangeable for shares of common stock for no consideration or for consideration less than $0.25 per share ("Down Round") and standard anti-dilution protection for stock splits and stock dividends or other similar adjustments. The anti-dilution protection excludes shares of common stock issuable upon the exercise of options or other securities granted to directors, officers, bona fide consultants and employees of the Company issued pursuant to an Approved Stock Plan. On July 1, 2018, the Company early adopted ASU 2017-11 applied using the full retrospective approach which resulted in the exclusion of the Down Round feature in determining the embedded conversion feature as indexed to the Company's own stock. The Company has concluded that the embedded conversion option is indexed to its own stock and classified as shareholders' equity and, as such, should be classified as an equity instrument. Furthermore, in accordance with ASC 470-20, the embedded conversion feature does not contain a beneficial conversion feature since the conversion price is greater than the closing price of Company stock on July 19, 2018. Therefore, the conversion option is not recognized on the issuance date of the Note. During the years ended March 31, 2019, the Company recorded interest expense of $6,987 (2018 – Nil), on the statements of operations.

(b) Planned Financing of up to USD$500,000

On June 21, 2017, the Company commenced a planned financing of up to USD$500,000 of one-year 12% convertible notes. The notes are convertible at the option of the holder into common shares of the Company at a price of USD$0.25 per share, and are subject to mandatory conversion if the volume-weighted trading price of the common shares is greater than USD$1.00 per share for twenty consecutive trading days so long as the underlying shares may be resold in compliance with the registration requirements of the Securities Act of 1933, as amended. In addition, the Company shall issue pro rata to the purchasers of the first USD$100,000 of notes an aggregate of 200,000 common shares as a commitment fee. The Company received total cash proceeds of $128,986 (USD $100,000) from convertible notes issued on June 21, 2017 and July 25, 2017 as a result of this planned financing.

The Company has evaluated the terms and conditions of the secured convertible notes under the guidance of ASC 815. Because the economic characteristics and risks of the equity-linked conversion options are not clearly and closely related to a debt-type host, the conversion features require classification and measurement as derivative financial instruments.

The discount to the carrying value of the convertible notes is being amortized as amortization of debt discount over the term of the convertible notes using the effective interest rate method.

(i) Convertibles Note – issued July 25, 2017

On July 25, 2017, the Company issued a convertible note for total cash proceeds of $62,535 (USD$50,000). In conjunction with this convertible note the Company also granted 200,000 common share purchase warrants. Each warrant is exercisable into one common share at USD$0.50 for a period of five years. The Company has concluded that the embedded conversion option and warrants are not indexed to our stock due to foreign exchange rate fluctuations. Therefore, the embedded conversion option and warrants are subject to classification in the financial statements in liabilities at fair value both at inception and subsequently pursuant to ASC 815. During the year ended March 31, 2019, the Company recorded amortization of debt discount of $14,824 (2018 – $31,030), on the statements of operations.

On July 25, 2018, the Company fully settled the convertible note and accrued interest totalling $73,293 by agreeing to an obligation to issue 560,000 shares of common stock at a conversion price of USD$0.10 per share. The conversion price of USD$0.25 per share of these notes were reduced to USD$0.10 per share due to the down-round features of the note. During the period of August to November 2017, the Company issued other convertible notes with a conversion price of USD$0.10 per share.

(ii) Convertible Notes – issued June 21, 2017

On June 21, 2017, the Company issued two convertible notes for total cash proceeds of $66,451 (USD$50,000). In conjunction with these convertible notes the Company also granted 200,000 common share purchase warrants. Each warrant is exercisable into one common share at USD$0.50 for a period of five years. The Company has concluded that the embedded conversion option and warrants are not indexed to our stock due to the foreign exchange rate fluctuations. Therefore, the embedded conversion option and warrants are subject to classification in the financial statements in liabilities at fair value both at inception and subsequently pursuant to ASC 815. During the year ended March 31, 2019, the Company recorded amortization of debt discount of $12,580 (2018 - $42,914). on the statements of operations.

On June 21, 2018, the Company fully settled these convertible notes and accrued interest totalling $72,090 by agreeing to an obligation to issue 560,000 shares of common stock at a conversion price of USD$0.10 per share. The conversion price of USD$0.25 per share of these notes were reduced to USD$0.10 per share due to the down-round features of the note. During the period of August to November 2017, the Company issued other convertible notes with a conversion price of USD$0.10 per share.

(c) Convertible Note – issued February 14, 2017

On February 14, 2017, the Company issued a $65,350 (USD$50,000) face value convertible note, due August 15, 2017 to Salamon Partners LLC (“Salamon”) for net proceeds of USD$47,500, which consisted of the principal amount, net of transaction cost of USD$2,500. The Salamon Note accrues interest at 12% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of our common stock at a variable conversion price of 65% of market per share subject to adjustment for capital reorganization events and subsequent sales by the Company of shares of its common stock at a price per share below the conversion price of the Salamon note. The Salamon Note also embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company has concluded that the embedded conversion option is not indexed to our stock due to foreign exchange rate fluctuations. Therefore, the embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently pursuant to ASC 815. On August 15, 2017, the Company fully settled the note for $67,591 (USD$53,000) in cash which consisted of the principal amount due $63,775 (USD$50,000) plus accrued interest $3,816 (USD$3,000). During the year ended March 31, 2019, the Company recorded amortization of debt discount of $Nil (2018 - $ 48,499), on the statements of operations.

(d) Convertible Note – issued November 18, 2016

On November 18, 2016, the Company issued a $76,382 (USD$56,000) face value secured convertible note, due August 18, 2017 to GHS Investments, LLC ("GHS") for net proceeds of USD $50,000. The GHS Note is secured and accrues interest at 12% per annum, payable in cash at maturity. However, the principal amount, plus accrued interest, may be converted at the option of the holder at any time during the term to maturity into shares of our common stock at variable conversion price of 62% of market per share subject to adjustment for capital reorganization events and subsequent sales by the Company of shares of its common stock price per share below the conversion price of the GHS note. The GHS Note also embodies certain traditional default provisions that are linked to credit or interest risks, such as bankruptcy proceedings, liquidation events and corporate existence. The Company has concluded that the embedded conversion option is not indexed to our stock due to foreign exchange rate fluctuations. Therefore, the embedded conversion option is subject to classification in the financial statements in liabilities at fair value both at inception and subsequently pursuant to ASC 815. The Company paid in cash to GHS $31,832 in August 2017 and $84,411 in November 2017 to fully settled the convertible note. During the years ended March 31, 2019, the Company recorded amortization of debt discount of $Nil (2018 - $ 45,854), on the statements of operations.

Early Adoption of ASU 20107-11

Prior to July 1, 2018, embedded conversion features contained in convertible notes and warrants were classified as a liabilities since the embedded conversion options and warrants were not indexed to our stock due to the down round protection features afforded to the holder and foreign exchange rate fluctuations. On July 1, 2018, the Company early adopted ASU 2017-11 applied using the full retrospective approach which resulted in the exclusion of the down round feature in determining the embedded conversion features and warrants are indexed to the Company's own stock. As the conversion price of these instruments are stated in US Dollars, embedded conversion features contained in convertible notes and warrants issued prior to July 1, 2018 will continue to be classified as liabilities in accordance with ASC 815-15-7I after the adoption of ASU 2017-11.

(Stated in Canadian Dollars)

7) Derivative Liabilities

The carrying value of the convertible note derivative liabilities and warrant derivative liabilities are recorded on the balance sheet, with changes in the carrying value being recorded as change in fair value of derivative liabilities on the statements of operations. The components of the convertible note derivative liabilities and warrant derivative liabilities as of March 31, 2019 and March 31, 2018 respectively are:

	March 31, 2019		March 31, 2018	
Financing giving rise to derivative financial instruments	Indexed Shares	Fair value	Indexed Shares	Fair Value
Convertible note derivative liabilities:				
June 21, 2017 convertible	-	$ -	780,743	$ 59,490
July 25, 2017 convertible	-	-	772,757	59,186
Warrant derivative liabilities:				
June 21, 2017	200,000	49.086	200,000	15,423
July 25, 2017	200,000	49,096	200,000	18,051
Midtown warrants	900,000	216,571	900,000	54,000
Connectus warrants	-	-	50,000	4,000
	1,300,000	$ 314,753	2,903,500	$ 210,150

Fair Value Considerations

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the tables below, this hierarchy consists of three broad levels:

Level 1 valuations: Quoted prices in active markets for identical assets and liabilities.

Level 2 valuations: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.

Level 3 valuations: Significant inputs to valuation model are unobservable.

The Company follows the provisions of ASC 820 with respect to our financial instruments. As required by ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The derivative financial instruments which are required to be measured at fair value on a recurring basis under of ASC 815 as of March 31, 2019 and March 31, 2018 respectively. Convertible note derivative liabilities and warrant derivative liabilities are classified as Level 3 within the fair value hierarchy. The Company's computation of expected volatility at March 31, 2019 and March 31, 2018 is based on the historical stock price of the Company over the period equal to the expected life of the conversion features and warrants. The Company's computation of expected life is calculated using the contractual life.

	Fair Value at March 31, 2019	Fair Value Measurement Using Level 1	Level 2	Level 3
Derivative liabilities	$ 314,753	$ -	$ -	$ 314,753

The convertible note derivative liabilities and warrant derivative liabilities are valued using a binomial-lattice-based valuation model. The lattice-based valuation technique was utilized because it embodies all the requisite assumptions (including the underlying price, exercise price, term, volatility, and risk-free interest-rate) that are necessary to fair value these instruments. For forward contracts that contingently require net-cash settlement as the principal means of settlement, the Company projects and discounts future cash flows applying probability-weighted to multiple possible outcomes. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of our common stock. Because derivative financial instruments are initially and subsequently carried at fair values, the income will reflect the volatility in these estimate and assumption changes.

(Stated in Canadian Dollars)

(a) Convertible Note Derivative Liabilities

The following table sets forth the range of inputs for each significant assumption:

	March 31, 2019	March 31, 2018
Stock Price	-	$ 0.09 USD
Risk free rate	-	2.09%
Expected volatility	-	304% -340%
Conversion/Exercise price	-	$ 0.07 USD
Expected dividend rate	-	0%
Expected life (in years)	-	0.22 – 0.32

The following table represents the Company's convertible note derivative liability activity for the nine month periods ended March 31, 2019 and 2017, respectively:

	March 31, 2019	March 31, 2018
Convertible note derivative liability balance, beginning of year	$ 118,676	$ 260,677
Issuance of derivatives liability, during the period	-	113,405
Change in fair value of derivative liability, during the period	(118,676)	(282,607)
Convertible note derivative liability balance, end of year	$ -	$ 91,474

(b) Warrant Derivative Liabilities

The following table sets forth the range of inputs for each significant assumption:

	March 31, 2019	March 31, 2018
Stock Price	$ 0.19 USD	$ 0.09 USD
Risk free rate	2.21%	1.44% - 2.56%
Expected volatility	254% - 260%	126% - 228%
Conversion/Exercise price	$ 0.50 USD -$0.65 USD	$ 0.04 USD -$0.65 USD
Expected dividend rate	0%	0%
Expected life (in years)	2.80 – 3.32	0.75 – 4.32

(Stated in Canadian Dollars)

The following table represents the Company's warrant derivative liability activity for the nine month periods ended March 31, 2019 and 2018, respectively:

		March 31, 2019		March 31, 2018
Warrant derivative liability balance, beginning of year	$	91,474	$	236,200
Issuance of derivatives, during the period		-		41,294
Change in fair value of derivative liability, during the year		223,279		(186,222)
Warrant derivative liability balance, end of year	$	314,753	$	$91,474

As at March 31, 2019, the following warrants were outstanding:

Expiration Date	Number of Warrants	Number of Warrants Exercisable		Weighted Average Exercise Price		Grant Date Fair Value - Equity
June 21, 2022	200,000	200,000	$	USD$0.50	$	-
			$	CAD$0.67		
July 25, 2022	200,000	200,000	$	USD$0.50		-
			$	CAD$0.67		
January 17, 2022	900,000	900,000	$	USD$0.65		-
			$	CAD$0.87		
January 2, 2020	159,024	159,024	$	CAD$0.75		
October 26, 2020	1,275,781	1,275,781	$	CAD$0.75		
	2,734,805	2,734,805	$	CAD$0.76	$	-

The continuity of warrants for the year ended March 31, 2019 as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, March 31, 2018	1,575,000	$	0.64
Issued	1,434,805	$	0.75
Expired, unexercised	(275,000)	$	0.05
Balance, March 31, 2019	2,734,805	$	0.76

8) Capital Stock

(a) Common Shares

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued and Outstanding

Under the terms of convertible notes issued on June 21, 2017, for USD$50,000 ($66,550), the Company agreed to issue 100,000 common shares valued using convertible debt issue date market share price at $13,989 as a commitment fee. The note matured on June 21, 2018 and a total of 560,000 common shares were issued on maturity plus 200,000 purchase warrants were also issued on June 21, 2017. One purchase warrant can be exchanged for one common share for USD$0.50 at any time until June 21, 2022.

Under the terms of a convertible note issued on July 25, 2017, for USD$50,000 ($62,535), the Company agreed to issue 100,000 common shares valued using convertible debt issue date market share price at $11,256 as a commitment fee. The note matured on July 25, 2018 and a total of 560,000 common shares were issued on maturity plus 200,000 purchase warrants were also issued on July 25, 2017. One purchase warrant can be exchanged for one common share for USD$0.50 at any time until July 25, 2022.

During the year, the Company issued 2,541,781 common shares for the various convertible notes issued and matured (Note 8e). The balance of the shares to be issued for the convertible notes 1,098,150 were issued subsequent to March 31, 2018 and booked as shares to be issued as at March 31, 2018. The Company agreed to issue an additional 159,023 warrants with an exercise price of $0.75 and an expiry of January 2, 2020, in connection with conversions.

On November 8, 2017, the Board approved the award of an aggregate of 1,050,000 common shares to three management personnel for services rendered, these shares were subsequently cancelled and awarded as deferred share units. In addition, the Board cancelled an aggregate of 600,000 common shares awarded in a prior period to three management personnel.

On December 1, 2017, the Company entered into an agreement with 908746 Ontario Inc., for the provision of advisory services for ongoing capital market activities including investor relations. Under the terms of this agreement a total of 71,133 were issued for professional services during 2018.

On May 9, 2018, the Company issued 996,424 shares of common stock to satisfy obligations under share subscription agreements of $124,827 for settlement of convertible notes included in equity to be issued.

On May 10, 2018, the Company issued 101,726 shares of common stock to satisfy obligations under share subscription agreements of $13,062 for settlement of convertible notes included in equity to be issued.

On September 4, 2018, the Company issued 560,000 shares of common stock to fully settle a convertible note and accrued interest totaling $73,292.

On September 4, 2018 and September 10, 2018, the Company issued 560,000 shares of common stock to fully settle a convertible note and accrued interest totaling $72,090.

On October 26, 2018, the Company issued 2,367,792 common shares and 1,183,896 common share purchase warrants for $899,761 in cash ($947,117 less $47,356 in financing fees). One common share purchase warrant can be exercised for one common share at $0.75 up until October 26, 2020.

On November 28, 2018, three officers and directors of the Company cancelled 1,050,000 shares of common stock of the Company.

(Stated in Canadian Dollars)

Equity to be issued

At March 31, 2019, The Company is obligated to issue 100,000 shares of common stock value at $27,185 for a twelve month consulting agreement which commenced on April 9, 2017.

(b) Stock-based compensation

The Company's stock-based compensation program (the "Plan") includes stock options in which some options vest based on continuous service. For those equity awards that vest based on continuous service, compensation expense is recorded over the service period from the date of grant. The maximum number of options that may be issued under the plan is floating at an amount equivalent to 15% of the issued and outstanding common shares, or 3,020,457 as at March 31, 2019 (March 31, 2018 – 2,490,065).

The activities in options outstanding are as noted below:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2018	2,020,000	$ 0.45
Granted	150,000	$ 0.50
Balance, March 31, 2019	2,170,000	$ 0.47

The following table presents information relating to stock options outstanding and exercisable at March 31, 2019.

	Options Outstanding		Options Exercisable		
Exercise Price	**Number of Options**	**Weighted Average Remaining Contractual Life (Years)**	**Number of Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (Years)**
$ 1.73	185,000	0.96	185,000	$ 1.73	.96
$ 2.43	85,000	2.02	85,000	$ 2.43	2.02
$ 0.38	425,000	2.82	425,000	$ 0.38	2.82
$ 0.15	850,000	3.83	623,333	$ 0.15	3.83
$ 0.19	475,000	4.04	345,000	$ 0.19	4.04
$ 0.75	150,000	4.81	150,000	$ 0.50	4.75
$ 0.45	2,170,000	3.11	1,813,333	$ 0.54	3.13

During the years ended March 31, 2019, the Company recorded $99,896 (2018 - $134,961), respectively,as additional paid-in capital for options issued to directors, officers and consultants based on continuous service. This expense was recorded as stock-based compensation on the statements of operations.

(Stated in Canadian Dollars)

	Number of Deferred Share Units
March 31, 2018	4,507,740
Granted, Deferred Share units	254,545
March 31, 2019	4,762,285

4,762,285 of the deferred share units granted by the Company have vested. One deferred share unit may be exchanged for one share of common stock at the option of the holder.

During the years ended March 31, 2019, the Company recorded 254,545 (2018 – 4507,740), respectively, for deferred share units valued at $14,967 (2018 - $31,319), as additional paid-in capital for deferred share units issued.

9) Commitments and Contingencies

The operating lease for office and production facilities expires on November 30, 2021. The base monthly rental is currently $1,853 and will further increase to $1,946 in 2020, and $2,039 in 2021 plus the Company's estimated portion of property taxes and operating expenses of $899 per month. The future commitments pursuant to this lease, including property taxes and operating expenses for the fiscal periods ending March 31 are:

2020	$	32,763
2021	$	33,875
2022	$	23,500

During the years ended March 31, 2019, occupancy costs related to this lease were $28,973 (2018 - $27,000).

On February 23, 2017, the Company entered into a three year sponsored research contract with the University of Waterloo commencing on April 1, 2017. Under the terms of the agreement the Company will contribute $130,000 in Year 1, $130,000 in Year 2 and $130,000 in Year 3, plus the Company will make an in-kind contribution valued at $70,000 in each of the 3 years. Any patents initiated by the Company from the sponsored research will be assigned to the Company and in return the Company will pay the researcher $10,000 per patent filed, $40,000 per patent issued by the U.S. patent office, $50,000 per product after the first commercial sale and $50,000 per product once the gross sales exceed $1,000,000. As of February 15, 2019, the Company has made payments totalling $130,000 under the terms of the payment schedule agreed to with the University.

On March 13, 2017, the Company entered into a four year sponsored research contract with the University of Western Ontario commencing on April 1, 2017. Under the terms of the agreement the Company will contribute $210,000 in Year 1, $210,000 in Year 2, $210,000 in Year 3 and $210,000 in Year 4, plus the Company will make an in-kind contribution valued at $62,500 in each of the 4 years. Any patents initiated by the Company from the sponsored research will be assigned to the Company and in return the Company will pay the researcher $10,000 per patent filed, $40,000 per patent issued by the U.S. patent office, $50,000 per product after the first commercial sale and $50,000 per product once the gross sales exceed $1,000,000. As of February 15, 2019, the Company had made payments totalling $354,000 pursuant to the terms of the agreement as agreed to with the University.

The Company, as the industry partner, is the participant in a Project Grant of up to $400,000 from the Mitacs Accelerate program that will be delivered directly to Western University through eligible internships. The Company's share of the Project Grant is $180,000. On February 15, 2019, the Company has paid $84,000 to Mitacs, with the remaining installments being invoiced by Mitacs to the Company throughout the duration of the project. The project started on December 1, 2017 and is scheduled to operate for two (2) years. The remaining commitment by the Company for 2019 is $36,000 and in 2020 is $60,000.

10) Advances – Related Parties

The Company from time to time borrows from its principal shareholders, officers and directors, to pay general operating costs. These advances are non-interest bearing, unsecured, and generally due upon demand. At March 31, 2019 and March 31, 2018, advances due to related parties are $21,740 and $NIL, respectively.

11) Financial Instruments

(a) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities and advances from related parties. As at March 31, 2019, the Company had cash of $4,151 (March 31, 2018 - $8) to settle current liabilities of $808,567 (March 31, 2018 - $948,251). All of the Company's financial liabilities other than the warrant liability of $314,753 (March 31, 2018 - $91,474), the term loan of $52,000 (March 31, 2018 - $52,000), the convertible notes of $100,000 (March 31, 2018 - $101,579), and derivative liability of $NIL (March 31, 2018 - $118,676) have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

In the normal course of business, management considers various alternatives to ensure that the Company can meet some of its operating cash flow requirements through financing activities, such as private placements of common stock, preferred stock offerings and offerings of debt and convertible debt instruments as well as through merger or acquisition opportunities. Management may also consider strategic alternatives, including strategic investments and divestitures. As future operations may be financed out of funds generated from financing activities, the ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the cannabis industry and the Company's securities in particular. Should the Company elect to satisfy its cash commitments through the issuance of securities, by way of either private placement or public offering or otherwise, there can be no assurance that the efforts to obtain such additional funding will be successful, or achieved on terms favorable to the Company or its existing shareholders. If adequate funds are not available on favorable terms, the Company may have to reduce substantially or eliminate expenditures or obtain funds through other sources such as divestiture or monetization of certain assets or sublicensing (where permitted) of certain rights to certain of the Company's technologies or products.

(b) Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Cash deposits with a major Canadian chartered bank are insured by the Canadian Deposit Insurance Corporation up to $100,000. As at March 31, 2019, the Company held $4,151 (March 31, 2018 - $8) with a major Canadian chartered bank.

(c) Foreign exchange risk

The Company principally operates within Canada. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Certain of the Company's debt obligations are denominated in U.S. dollars. Management does not hedge its foreign exchange risk.

(d) Interest rate risk

As at March 31, 2019, the Company does not have any non-fixed interest-bearing debt. Management believes that the interest rate risk concentration with respect to financial instruments included in assets and liabilities has been reduced to the extent presently practicable.