Interim condensed consolidated financial statements

MPX Bioceutical Corporation

(formerly The Canadian Bioceutical Corporation)

Three and nine months ended December 31, 2017
(unaudited)

Notice of No Auditor Review of Interim Condensed Consolidated Financial Statements

In accordance with National Instrument 51-102, the Corporation discloses that its external auditors have not reviewed the accompanying interim condensed consolidated financial statements of MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation).

Contents

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Interim condensed consolidated statements of financial position (unaudited)

(in Canadian dollars)

As at	December 31, 2017	March 31, 2017
Assets		
Current		
Cash and cash equivalents	**$ 32,309,120**	$ 21,519,289
Restricted cash	-	133,220
Accounts receivable (Note 5)	**984,629**	764,672
Inventory (Note 6)	**3,009,863**	1,339,937
Biological assets (Note 7)	**917,106**	596,191
Prepaid expenses	**1,379,970**	181,190
Right of first refusal	-	199,830
Due from related parties (Note 21)	**4,222,067**	-
Asset held for sale	**1,768,845**	1,878,402
	44,591,600	26,612,731
Non-current		
Property, plant and equipment (Note 8)	**21,941,756**	4,546,022
Intangible assets (Note 9)	**39,280,528**	28,514,977
Goodwill (Note 10)	**26,007,038**	12,857,390
Deposits	**504,524**	398,992
Total assets	**$ 132,325,446**	$ 72,930,112
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 11)	**$ 3,126,284**	$ 1,624,425
Due to related parties (Note 21)	**250,900**	-
Income tax payable (Note 12)	**58,554**	545,661
Current portion of promissory note (Note 13)	**41,017**	147,453
Current portion of term loans (Note 14)	**11,917,750**	-
	15,394,505	2,317,539
Non-current		
Term loans (Note 14)	**12,545,000**	13,322,000
Promissory note (Note 13)	**1,196,266**	1,303,526
Lease inducement	**1,790,517**	1,764,162
Convertible debentures and credit facility (Notes 15 and 16)	**7,836,636**	77,851
Option component of convertible debentures and credit facility (Notes 15 and 16)	**13,998,765**	185,274
Deferred income taxes	**8,504,201**	11,821,296
	45,871,385	28,474,109
Total liabilities	**61,265,890**	30,791,648
Equity		
Share capital	**78,626,509**	49,147,583
Warrants	**10,301,981**	3,632,398
Contributed surplus	**4,193,838**	2,665,730
Accumulated other comprehensive (loss) income	**(2,918,673)**	595,434
Deficit	**(25,781,068)**	(13,600,869)
Equity attributable to shareholders of the Corporation	**64,422,587**	42,440,276
Non-controlling interest	**6,636,969**	(301,812)
	71,059,556	42,138,464
Total liabilities and equity	**$ 132,325,446**	$ 72,930,112

On Behalf of the Board:

Signed W. Scott Boyes Director Signed Randall Stafford Director

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Interim condensed consolidated statements of changes in equity (unaudited)
(in Canadian dollars)
Nine months ended December 31, 2017

	Share capital	Warrants	Contributed surplus	Accumulated OCI	Accumulated losses	Non-controlling interest	Total
Balance, March 31, 2016	$ 6,415,525	$ -	$ 1,310,654	$ 100,973	$ (8,368,835)	$ (301,812)	$ (843,495)
Exercise of warrants	32,500	-	-	-	-	-	32,500
Fair value of warrants exercised	2,461	-	(2,461)	-	-	-	-
Exercise of options	17,750	-	-	-	-	-	17,750
Fair value of options exercised	21,064	-	(21,064)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	-	(9,408)	(1,173,311)	-	(1,182,719)
Balance, December 31, 2016	$ 6,489,300	$ -	$ 1,287,129	$ 91,565	$ (9,542,146)	$ (301,812)	$ (1,975,964)
Balance, April 1, 2017	$ 49,147,583	$ 3,632,398	$ 2,665,730	$ 595,434	$ (13,600,869)	$ (301,812)	$ 42,138,464
Exercise of options	187,750	-	-	-	-	-	187,750
Fair value of options exercised	168,679	-	(168,679)	-	-	-	-
Exercise of warrants	1,313,700	-	-	-	-	-	1,313,700
Fair value of warrants exercised	142,870	(142,870)	-	-	-	-	-
Private placements	28,773,941	-	-	-	-	-	28,773,941
Private placements – warrants	(4,812,639)	4,812,639	-	-	-	-	-
Share issuance costs – cash	(2,846,316)	-	-	-	-	-	(2,846,316)
Share issuance costs – warrants	(905,925)	905,925	-	-	-	-	-
Acquisitions	7,051,866	670,787	473,622	-	-	7,028,811	15,225,086
Consulting fees	405,000	423,102	-	-	-	-	828,102
Share-based compensation	-	-	1,223,165	-	-	-	1,223,165
Net loss and comprehensive loss for the period	-	-	-	(3,514,107)	(12,180,199)	(90,030)	(15,784,336)
Balance, December 31, 2017	$ 78,626,509	$ 10,301,981	$ 4,193,838	$ (2,918,673)	$ (25,781,068)	$ 6,636,969	$ 71,059,556

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Interim condensed consolidated statements of net loss and comprehensive loss (unaudited)

(in Canadian dollars)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Sales	**$ 4,481,046**	$ -	**$ 13,352,575**	$ -
Cost of sales	**2,927,976**	-	**8,123,391**	-
Gross profit before unrealized gain from changes in biological assets	**1,553,070**	-	**5,229,184**	-
Unrealized gain from changes in fair value of biological assets (Note 7)	**999,250**	-	**2,935,640**	-
Gross profit	**2,552,320**	-	**8,164,824**	-
Expenses				
General and administrative (Note 20)	**2,956,428**	335,791	**7,597,679**	819,418
Professional fees	**862,546**	35,519	**2,047,075**	112,517
Share-based compensation (Note 18)	**859,328**	-	**1,223,165**	-
Amortization and depreciation (Notes 8 and 9)	**592,502**	-	**1,510,298**	-
	5,270,804	371,310	**12,378,217**	931,935
Loss from operations	**(2,718,484)**	(371,310)	**(4,213,393)**	(931,935)
Other expense (income)				
Foreign exchange	**64,976**	3,131	**90,088**	(3,246)
Interest income	**(12,937)**	**-**	**(39,439)**	-
Forgiveness of debt	**(142,640)**	**-**	**(142,640)**	-
Accretion expense (Note 13)	**7,206**	5,141	**20,665**	7,985
Change in fair value of derivative liability (Note 16)	**9,242,765**	(7,548)	**9,141,398**	(18,185)
Interest and financing charges, net (Notes 13 and 14)	**669,684**	11,240	**1,154,469**	11,240
Transaction costs	**428,808**	169,437	**813,281**	243,582
	10,257,862	181,401	**11,037,822**	241,376
Net loss	**$ (12,976,346)**	$ (552,711)	**$ (15,251,215)**	$ (1,173,311)
Income tax expense	**(3,751,622)**	-	**(2,980,986)**	-
Net loss after income taxes	**$ (9,224,724)**	$ (552,711)	**$ (12,270,229)**	$ (1,173,311)
Net loss attributable to:				
MPX Bioceutical Corporation	**$ (9,231,524)**	$ (552,711)	**$ (12,180,199)**	$ (1,173,311)
Non-controlling interest	**6,800**	-	**(90,030)**	-
	$ (9,224,724)	$ (552,711)	**$ (12,270,229)**	$ (1,173,311)
Other comprehensive income				
Exchange differences on translating foreign operations	**$ (382,157)**	$ (1,595)	**$ (3,514,107)**	$ (9,408)
Comprehensive loss for the period	**$ (9,606,881)**	$ (554,306)	**$ (15,784,336)**	$ (1,182,719)

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Interim condensed consolidated statements of net loss and comprehensive loss (unaudited) (continued)
(in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Comprehensive loss attributable to:				
MPX Bioceutical Corporation	**$ (9,613,681)**	$ (554,306)	**$ (15,694,306)**	$ (1,182,719)
Non-controlling interest	**6,800**	-	**(90,030)**	-
	$ (9,606,881)	$ (554,306)	**$ (15,784,336)**	$ (1,182,719)
Loss per share, basic and diluted	**$ (0.04)**	$ (0.01)	**$ (0.06)**	$ (0.02)
Basic and diluted weighted average number of shares outstanding	**270,982,040**	41,949,553	**261,330,148**	47,739,153

See accompanying notes to the unaudited interim condensed consolidated financial statements.

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation)
Interim condensed consolidated statements of cash flows (unaudited)

(in Canadian dollars)

	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Operating activities		
Net loss	**$ (12,270,229)**	$ (1,173,311)
Items not affecting cash:		
Amortization and depreciation	**1,510,298**	-
Share-based compensation	**1,223,165**	-
Transaction cost	**188,175**	-
Accretion expense	**20,665**	7,985
Change in fair value of derivative liability	**9,141,398**	(18,185)
Occupancy cost	**-**	418,131
Income tax expense	**(2,980,998)**	-
Shares issued for services rendered	**67,587**	-
Interest expense	**393,034**	-
Unrealized foreign exchange gain	**90,088**	-
Unrealized gain from changes in fair value of biological assets	**(2,935,640)**	-
Income tax payments	**(863,968)**	-
	(6,416,425)	(765,380)
Changes in non-cash working capital:		
Accounts receivable	**(243,160)**	(2,292)
Inventory	**1,650,206**	-
Prepaid expenses and deposits	**(515,200)**	92
Accounts payable and accrued liabilities	**2,108,320**	559,396
Lease inducement	**40,276**	-
	3,040,442	557,196
Net cash used in operations	**(3,375,983)**	(208,184)
Investing activities		
Acquisition of subsidiaries, net of cash acquired	**352,987**	-
Purchase of property, plant and equipment	**(8,693,486)**	-
Purchase of intangible assets	**(8,965,565)**	-
Restricted cash	**133,200**	-
Net cash used in investing activities	**(17,172,864)**	-
Financing activities		
Proceeds from convertible facility	**12,486,000**	-
Proceeds from issuance of convertible debt	**-**	110,278
Due to related parties	**(6,834,434)**	-
Proceeds from private placements, net of issuance costs	**25,864,312**	-
Proceeds from exercise of warrants	**1,313,700**	32,500
Proceeds from exercise of stock options	**187,750**	17,750
Repayment of promissory note	**(138,463)**	-
Deferred financing	**(234,805)**	-
Proceeds from shareholder loans	**-**	63,426
Net cash provided by financing activities	**32,644,060**	223,954
(Decrease) increase in cash	**12,095,213**	15,770
Cash, beginning of period	**21,519,289**	8,135
Effect of exchange rate fluctuations on cash	**(1,305,382)**	(9,407)
Cash, end of period	**$ 32,309,120**	$ 14,498

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. Nature of operations

MPX Bioceutical Corporation (formerly The Canadian Bioceutical Corporation) (the "Corporation" or “MPX”) was incorporated under the Business Corporations Act (Ontario) on April 2, 1974. The Corporation's registered office is located at 5255 Yonge street, Suite 701, Toronto, ON M2N 6P4, Canada. The Corporation is involved in the natural health products industry, engaged in the manufacturing and distribution of nutraceuticals, i.e. plant-based medicines, to the North American marketplace. During the past year, through its wholly owned subsidiaries in the U.S., the Corporation commenced providing management, staffing, procurement, advisory, financial, real estate rental, logistics and administrative services to multiple medicinal and adult use cannabis enterprises in the United States. The Corporation is also furthering an application with Health Canada to commence operations as a licensed producer of cannabis and cannabis products in Canada.

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

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

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard 34 Interim Financial Reporting (“IAS 34”), in accordance with subparagraph 3.2(1) (b) of NI 52-107, following the same accounting policies and methods of application as those disclosed in the annual audited financial statements for the year ended March 31, 2017. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Corporation for the year ended March 31, 2017, which have been prepared in accordance with International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on February 27, 2018.

Basis of presentation

These interim condensed consolidated financial statements have been prepared in Canadian dollars on a historical cost basis except for biological assets and option component of convertible debentures measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the interim condensed consolidated statements of net loss and comprehensive loss are presented by function. See Note 20 for details of expenses by nature.

Presentation currency

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

(in Canadian dollars)

2. Basis of preparation (continued)

Basis of consolidation

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

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

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

3. Significant accounting policies

Critical accounting estimates and judgments

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

Change in accounting policies

Amendments to IAS 7 – Statements of Cash Flows

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

Amendments to IAS 12 – Income Taxes

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

New standards and interpretations not yet adopted

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

IFRS 9 – Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Corporation is assessing the potential impact of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, and must be applied retrospectively. Early adoption is permitted. The Corporation is assessing the potential impact of IFRS 15.

(in Canadian dollars)

3. Significant accounting policies (continued)

IFRS 16 – Leases

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

4. Acquisitions

Acquisition of IMT, LLC and Fall River Developments, LLC

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

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

The following table summarizes the allocation of the purchase price of $7,315,702 (USD $5,538,422) to the identifiable assets on June 14, 2017.

Property, plant and equipment (Note 8)	$ 3,934,555
Intangible assets (Note 9)	10,409,958
Non-controlling interest	(7,028,811)
Net assets acquired	$ 7,315,702

Cash	$ 6,736,590
Stock options	473,622
Finder's fee	66,045
Legal costs	39,445
Total consideration paid for acquisition	$ 7,315,702

(in Canadian dollars)

4. Acquisitions (continued)

Acquisition of GreenMart of Nevada NLV, LLC

On Ootober 11, 2017 the Corporation, through its wholly-owned subsidiary, CGX Life Sciences Inc., entered into the definitive purchase agreement effective November 30, 2017 (the "NV Purchase Agreement") to acquire 99% of the membership units of GreenMart NV by paying the purchase price of $19,966,253 (USD $15,492,127) of (i) $12,243,600 (USD $9,500,000) non-interest bearing promissory note, payable in full on or before June 30, 2018; (ii) 14,103,732 MPX shares priced at $0.50 valued at $7,051,866 (USD $5,471,653) at November 30, 2017; and (iii) 3,525,934 common share purchase warrants to acquire MPX Shares of the Issuer, each unit, priced at $0.1902 (USD $0.1476) valued at $670,787 (USD $520,474) at November 30, 2017. Each warrant is exercisable at a price of $0.75 per share for a period of twenty-four (24) months.

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

Cash	$	352,987
Inventory		624,412
Biological assets		252,485
Prepaid expenses		176,566
Property, plant and equipment (Note 8)		7,589,560
Intangible assets (Note 9)		40,543
Goodwill (Note 10)		13,529,535
Accounts payable and accrued liabilities		(144,920)
Lease inducement		(30,626)
Loans to related parties		(2,424,288)
Net assets acquired	$	19,966,253
Promissory note	$	12,243,600
Common shares		7,051,866
Warrants		670,787
Total consideration paid for acquisition	$	19,966,253

Option to Acquire LMS Wellness, Benefit LLC

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

(in Canadian dollars)

4. Acquisitions (continued)

Option to Acquire LMS Wellness, Benefit LLC (continued)

Concurrently, the Corporation through its indirect wholly-owned subsidiary, S8 Management, LLC ("S8 Management"), entered into a management agreement (the "Management Agreement") with LMS in the White Marsh suburb of Baltimore, Maryland. The Management Agreement provides for, amongst other things, that S8 Management will provide all management services typically required by a dispensary facility of similar type and size, including but not limited to, all staffing, materials, equipment, logistical support, accounting and other administrative functions, contractor selection, advisory services and any other requirements essential to the successful operation of LMS.

The following table summarizes the preliminary allocation of the purchase price of $3,382,785 (USD $2,624,755) to the identifiable assets and liabilities of the acquisition of the options to LMS on November 30, 2017. The assets acquired and liabilities assumed are to be recorded at their estimated fair market values, which are based on preliminary management estimates and are subject to final valuation adjustments.

Deposits	$	7,198
Property, plant and equipment		958,104
Intangible assets (Note 9)		3,856,369
Lease inducement		(3,272)
Loans to related parties		(1,165,614)
Net assets acquired	$	3,382,785
Cash	$	3,382,785
Total consideration paid for acquisition	$	3,382,785

5. Accounts receivable

		December 31, 2017		March 31, 2017
Trade receivables	**$**	**126,527**	$	96,421
Other receivables		**592,123**		629,218
HST receivable		**265,979**		39,033
	$	**984,629**	$	764,672

Bad debt expense for the three and nine months ended December 31, 2017 was $Nil (three and nine months ended December 31, 2016 - $Nil). All of the Corporation's trade and other receivables have been reviewed for indicators of impairment. No impairment was identified. Accounts receivable more than 90 days past due totaled $Nil at December 31, 2017 (March 31, 2017 - $Nil).

(in Canadian dollars)

6. Inventory

	December 31, 2017	March 31, 2017
Dry cannabis		
Finished goods	**$ 513,042**	$ 716,362
Work-in-process	**825,453**	-
	1,338,495	716,362
Cannabis oils		
Finished goods	**162,234**	151,511
Work-in-process	**735,528**	96,570
Raw materials	**542,020**	116,032
	1,439,782	364,113
Products for resale	**231,586**	259,462
	$ 3,009,863	$ 1,339,937

As at December 31, 2017, the Corporation held 362,568g of dry cannabis (66,693g finished goods, 295,875g work-in-process) (March 31, 2017 - 89,560g finished goods), 146,562g of cannabis oils (8,430g finished goods, 138,132 work-in process) (March 31, 2017 - 17,639g (9,720g finished goods, 7,919g work-in process), and 148,903g of raw materials waiting for extraction (March 31, 2017 - 59,595g).

7. Biological assets

Biological assets consist of cannabis on plants and other biological assets. The changes in the carrying value of biological assets for the nine months ended December 31, 2017 and the year ended March 31, 2017 are as follows:

	December 31, 2017	March 31, 2017
Balance, beginning of period	**$ 596,191**	$ -
Acquired biological assets	**252,485**	585,672
Net increase in fair value less cost to sell due to biological transformation	**2,935,640**	936,974
Transferred to inventory upon harvest	**(2,822,976)**	(921,046)
Foreign exchange	**(44,234)**	(5,409)
Balance, end of period	**$ 917,106**	$ 596,191

As at December 31, 2017, included in the carrying amount of biological assets was $917,106 in live plants.

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

a) The costs incurred and costs at different stages in the growing cycle of the plants were estimated by calculating an average of total growing costs over the total production period

b) Expected yields for cannabis on plants to be harvested, by strain of plant

c) The percentage of costs incurred as a percent of total cost was applied to the total fair value per gram, which is determined based on market prices of medical cannabis

7. Biological assets (continued)

The Corporation estimates the harvest yields for the cannabis on plants at various stages of growth. As at December 31, 2017, it is expected that the Corporation's biological assets will yield approximately 228,681 grams (March 31, 2017 - 235,373 grams) of medical cannabis and 873,689 grams (March 31, 2017 - Nil grams) of whole wet plant (WWP) cannabis for processing when harvested. The Corporation's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

(in Canadian dollars)

8. Property, plant and equipment

Gross carrying amount	Vehicle	Land	Building	Leasehold improvements	Equipment	Furniture and fixtures	Total
Balance, April 1, 2017	$ 16,471	$ 545,510	$ 2,555,067	$ 842,743	$ 619,589	$ 15,423	$ 4,594,803
Acquisitions through business combinations	-	-	-	4,765,165	2,753,434	70,961	7,589,560
Additions	-	1,727,610	7,521,238	1,322,650	562,351	19,514	11,153,363
Net exchange differences	(961)	(118,661)	(430,254)	(327,881)	(193,205)	(5,045)	(1,076,007)
Balance, December 31, 2017	$ 15,510	$ 2,154,459	$ 9,646,051	$ 6,602,677	$ 3,742,169	$ 100,853	$ 22,261,719
Depreciation							
Balance, April 1, 2017	$ (1,145)	$ -	$ (15,483)	$ (7,046)	$ (25,175)	$ (68)	$ (48,781)
Depreciation	(3,610)	-	(79,591)	(73,065)	(121,456)	(4,081)	(281,803)
Net exchange differences	166	-	3,099	2,427	4,820	245	10,621
Balance, December 31, 2017	$ (4,589)	$ -	$ (91,975)	$ (77,684)	$ (141,811)	$ (3,904)	$ (319,963)
Carrying amount December 31, 2017	$ 10,921	$ 2,154,459	$ 9,554,076	$ 6,524,993	$ 3,600,358	$ 96,949	$ 21,941,756

(in Canadian dollars)

9. Intangible assets

Gross carrying amount	Management agreements	Customer relationships - retail	Customer relationships - wholesale	Non-compete agreement	Brand	License application	Total
Balance, April 1, 2017	$ 15,272,040	$ 8,431,494	$ 984,496	$ 233,135	$ 3,882,031	$ -	$ 28,803,196
Acquisitions	42,481	-	-	-	-	-	42,481
Additions	14,167,741	-	-	-	-	126,938	14,294,679
Net exchange differences	(1,571,390)	(491,763)	(57,420)	(13,597)	(226,418)	(8,631)	(2,369,219)
Balance, December 31, 2017	$ 27,910,872	$ 7,939,731	$ 927,076	$ 219,538	$ 3,655,613	$ 118,307	$ 40,771,137
Amortization and impairment							
Balance, April 1, 2017	$ (47,157)	$ (140,525)	$ (16,408)	$ (19,428)	$ (64,701)	$ -	$ (288,219)
Net exchange differences	(553,448)	(408,237)	(47,667)	(56,440)	(187,960)	-	(1,253,752)
Amortization for the period	18,003	19,447	2,270	2,689	8,953	-	51,362
Balance, December 31, 2017	$ (582,602)	$ (529,315)	$ (61,805)	$ (73,179)	$ (243,708)	$ -	$ (1,490,609)
Carrying amount, December 31, 2017	$ 27,328,270	$ 7,410,416	$ 865,271	$ 146,359	$ 3,411,905	$ 118,307	$ 39,280,528

(in Canadian dollars)

10. Goodwill	**December 31, 2017**	March 31, 2017
Balance, April 1, 2017	**$ 12,857,390**	$ -
Acquisition of GreenMart NV	**13,529,535**	-
Acquisition of Arizona Medical Cannabis Management Group	**-**	12,969,344
Net exchange differences	**(379,887)**	(111,954)
	$ 26,007,038	$ 12,857,390

11. Accounts payable and accrued liabilities	**December 31, 2017**	March 31, 2017
Accounts payable	**$ 2,757,117**	$ 1,306,865
Sales tax payable	**118,267**	107,368
Interest payable	**250,900**	210,192
	$ 3,126,284	$ 1,624,425

12. Income tax payable	**December 31, 2017**	March 31, 2017
Income tax payable, acquired on acquisition	**$ -**	$ 420,661
Income tax payable, current period	**58,554**	125,000
	$ 58,554	$ 545,661

13. Promissory note

In connection with the acquisition of Arizona Medical Cannabis Management Group during the year ended March 31, 2017, the Corporation previously acquired $1,529,580 (USD $1,138,250) by way of a promissory note and transaction costs totaling $53,536 (USD $39,839) for net proceeds of $1,486,243 (USD $1,098,411). The note bears interest at a rate of 9.25% per annum (payable monthly), is secured and due on November 1, 2031. During the three and nine months ended December 31, 2017, the Corporation repaid $112,660 (USD $88,618) and $136,743 (USD $107,167), respectively of principal resulting in a remaining principal balance owing of $1,278,565 (USD $1,019,183). As at December 31, 2017, the balance of $1,237,283 (USD $982,276) (March 31, 2017 - $1,450,979 (USD $1,089,160)) on the interim condensed consolidated statement of financial position is net of deferred financing charges of $41,282 (USD $32,907) (March 31, 2017 - $49,769 (USD $37,190)).

	Maturity date	Effective interest rate	**December 31, 2017**	March 31, 2017
Promissory note bearing interest at 9.25%. Principal is repayable in monthly repayments	November 2031	9.02%	**$ 1,237,283**	$ 1,450,979
Less: current portion			**41,017**	147,453
			$ 1,196,266	$ 1,303,526

(in Canadian dollars)

13. Promissory note (continued)

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

	Principal repayments	Accretion expense	Net amount
2018	$ 11,437	$ 1,669	$ 9,769
2019	48,477	6,243	42,234
2020	53,156	5,590	47,566
2021	58,287	4,983	53,304
2022	63,913	4,416	59,497
2023 and thereafter	1,043,295	18,942	1,024,352
	$ 1,278,565	$ 41,843	$ 1,236,722

a) For the three and nine months ended December 31, 2017, the Corporation recorded accretion expense of $1,739 and $5,524, respectively (three and nine months ended December 31, 2016 - $Nil). As at December 31, 2017, accrued liabilities includes interest payable of $Nil (March 31, 2017 - $11,597).

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

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

14. Term loans

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

For the three and nine months ended December 31, 2017, interest expense of $254,376 (USD $200,000) and $774,060 (USD $600,000), respectively (three and nine months ended December 31, 2016 - $Nil) was recorded. As at December 31, 2017, $250,900 (USD $200,000) (March 31, 2017 - $210,192 (USD $157,778)) of interest is payable and is recorded in accounts payable and accrued liabilities.

In order to acquire 99% of the membership interests of GreenMart NV, companies outlined in the "NLV Purchase Agreement", the Corporation, through its wholly owned subsidiary CGX, promised to pay to the order of Joel A. Laub and Kimberly L. Laub, Co-Trustees of the Joel A. Laub and Kimberly L. Laub Family Trust, dated March 1, 1988 (the "Laub Trust"), Christine Flores, in her individual capacity ("Flores"), and Margaret A. McLetchie and Lonnie E. Davis, Co-Trustees of the Trust (the "Trust" and together with the Laub Trust and Flores, each a "Lender" and collectively, the "Lenders"), the principal sum of $12,666,350 (USD $9,500,000) on or before June 30, 2018, the maturity date. The note shall not accrue any interest through the maturity date of the note and shall commence accruing interest at the rate of 8% per annum. (the "Default Rate") until the end of the Default period, as defined in the NV Purchase Agreement.

15. Credit facility

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

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

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

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

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

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

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

The Corporation used the residual value method to allocate the principal amount of the secured and convertible revolving credit note (the "Credit Note") between the liability and option component of Credit Note. The option component of the Credit Note is a derivative liability. The Corporation valued the conversion option of the Credit Note by using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend of 0%; expected volatility of 90%; risk free interest rate of 1.66%; and an expected life of 3 years. The liability component of the Credit Note was initially valued as the difference between the face value of the Credit Note and the conversion option calculated above. Based on this calculation, the liability component was $7,579,617 (USD $6,070,006) and the option component of the Credit Note was $4,907,383 (USD $3,929,994) on issuance. A 2% origination fee of $249,740 (USD $200,000) was paid to ARG Advisory Services, of which $233,715 (USD $186,301) is included in deferred financing costs at December 31, 2017.

On December 31, 2017, the fair value of the option component of the Credit Note was estimated at $13,711,118 using the Black Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 90%; risk free interest rate of 1.66%; and an expected life of 2.8 years. As a result the Corporation recorded an unrealized loss on the change in fair value of derivative liability for the three and nine months ended December 31, 2017 of $9,030,125.

16. Convertible debentures

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

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

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

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

On December 31, 2017, the fair value of the option component of convertible debentures was estimated at $287,647 (March 31, 2017 - $185,274) using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0% (March 31, 2017 – 0%); expected volatility of 90% (March 31, 2017 – 105%); risk free interest rate of 1.66% (March 31, 2017 – 0.74%); and an expected life of 1.26 years. As a result the Corporation recorded an unrealized loss on the change in fair value of derivative liability for the three and nine months ended December 31, 2017 of $206,909 and $111,273, respectively (three and nine months ended December 31, 2016 – gain of $7,548 and $18,185, respectively).

(in Canadian dollars)

17. Share capital

a) Authorized

Unlimited number of common shares without par value

b) Common shares issued

	Number of common shares	Value
Balance, March 31, 2017	252,668,946	49,147,583
Shares issued on private placements (a) (b)	60,927,499	28,773,941
Share issuance costs (a) (b)	40,986	(2,846,316)
Allocated to warrants (a) (b)	-	(5,718,564)
Acquisition of GreenMart NLV (Note 4)	14,103,732	7,051,866
Consulting fees (c) (Note 21)	900,000	405,000
Exercise of options	2,405,000	187,750
Fair value of options	-	168,679
Exercise of warrants	12,831,000	1,313,700
Fair value of warrants	-	142,870
Balance, December 31, 2017	343,877,163	$ 78,626,509

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

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

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

(in Canadian dollars)

18. Stock options

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

The following table shows the continuity of options:

	Number of options	Weighted average exercise price
Balance, March 31, 2017	21,335,000	0.38
Granted (a) (b) (Note 4)	4,350,000	0.40
Exercised	(2,405,000)	0.08
Expired	(300,000)	0.19
Balance, December 31, 2017	22,980,000	$ 0.42

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

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

Number of options	Remaining life (years)	Average exercise price	Expiry date
11,630,000	4.07	0.20	Jan 25, 2022
3,500,000	4.07	0.60	Jan 25, 2022
3,500,000	4.07	1.00	Jan 25, 2022
2,000,000	4.45	0.39	Jun 14, 2022
2,350,000	4.45	0.41	Oct 30, 2022
22,980,000	4.18	$ 0.42	

(in Canadian dollars)

19. Warrants

	Number of warrants	Amount
Balance, March 31, 2017	30,212,745	3,632,398
Granted (a) (b)	38,820,565	6,812,453
Exercised	(12,831,000)	(142,870)
Balance, December 31, 2017	56,202,310	$ 10,301,981

(a) On May 5, 2017, the Corporation completed the second and final tranche of a private placement for gross proceeds of $2,300,271 (USD $1,683,700) through the issuance of 4,600,541 MPX Shares. In relation to the private placement, the Corporation paid finder's fees to Chrystal Capital with compensation options to acquire 182,782 MPX Shares at an exercise price of $0.50 per MPX Share for a period of sixty (60) months from the date of issuance. The warrants were valued at the fair value of services received as the fair value of the services could be measured reliably. An alternative fair value model does not need to be used.

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

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

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

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

(1) 1,200,000 Warrants at an exercise price of CAD $0.35 vesting immediately. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.45; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

(2) 900,000 Warrants at an exercise price of CAD $0.60 which shall vest on the one (1) year anniversary of the agreement. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.45; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

(in Canadian dollars)

19. Warrants (continued)

(3) 900,000 Warrants at an exercise price of CAD $1.00 which shall vest on the two (2) year anniversary of agreement. The fair value of the Warrants has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 90%; (iii) risk-free interest rate of 1.7%; (iv) share price of $0.45; and (iv) expected life of 4.9 years. The expected volatility is based on the historical trading prices of similar companies.

The following table reflects the outstanding warrants as at December 31, 2017:

Number of warrants		Exercise price	Expiry date
3,525,934	$	0.75	Dec 7, 2019
28,163,462	$	0.64	Dec 22, 2019
3,948,387	$	0.47	Dec 22, 2019
17,381,745	$	0.20	Jan 19, 2022
182,782	$	0.50	May 05, 2022
1,200,000	$	0.35	Oct 30, 2022
900,000	$	0.60	Oct 30, 2022
900,000	$	1.00	Oct 30, 2022
56,202,310	$	0.50	

20. General and administrative expenses

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Nine Months Ended December 31, 2017	Nine Months Ended December 31, 2016
Occupancy costs	**$ 385,569**	$ 139,377	**$ 825,692**	$ 418,131
Office and general	**587,674**	49,851	**1,432,428**	86,864
Consulting fees	**483,072**	-	**1,028,805**	-
Repairs and maintenance	**20,156**	-	**89,057**	-
Salaries and benefits	**1,347,469**	133,500	**3,835,370**	267,666
Sales and marketing	**15,191**	94	**171,287**	94
Regulatory expenses	**117,297**	12,969	**215,040**	46,663
	$ 2,956,428	$ 335,791	**$ 7,597,679**	$ 819,418

21. Related party transactions

Related party transactions not disclosed elsewhere are summarized below:

As at December 31, 2017, the Corporation has an outstanding term loan of $12,545,000 (USD $10,000,000) (March 31, 2017 - $13,322,000 (USD $10,000,000)), due to a trust whose beneficiary is an officer of the Corporation. In connection with this loan, the Corporation recorded interest expense for the three and nine months ended December 31, 2017 of $258,010 (USD $200,000) and $774,031 (USD $600,000), respectively (three and nine months ended December 31, 2016 - $Nil). As at December 31, 2017, $250,900 (March 31, 2017 - $210,192 (USD $157,778)) of interest is payable and is recorded in accounts payable and accrued liabilities.

As at December 31, 2017, the Corporation has an outstanding term loan of which $6,005,415 (USD $4,655,000) is due to a trust of which a beneficiary is an officer and director of the Corporation.

As at December 31, 2017, the Corporation was owed $4,146,802 (March 31, 2017 - $Nil) from companies controlled by an officer of the Corporation.

(in Canadian dollars)

21. Related party transactions (continued)

During the period ending December 31, 2017, the Corporation issued 900,000 MPX Shares and 3,000,000 warrants to a company of which directors of the Corporation are senior members.

For the three and nine months ended December 31, 2017, the Corporation recorded $38,703 (USD $30,000) of consulting fees to a company of which directors of the Corporation are senior members.

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

	Three Months Ended		Nine Months Ended	
	December 31, 2017	**December 31, 2016**	**December 31, 2017**	**December 31, 2016**
Salaries and benefits	**$ 202,459**	$ 44,226	**$ 515,614**	$ 110,226
Share-based compensation	**$ 506,250**	$ -	**$ 734,050**	-
	$ 708,709	$ 44,226	**$ 1,249,664**	$ 110,226

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

At December 31, 2017, each of the directors with control of less than 10% of the common shares of the Corporation collectively control 6,121,986 common shares of the Corporation or approximately 1.78% of the total common shares outstanding.

22. Commitments and contingency

Legal Claims

2014 Claim

On May 28, 2014, a legal claim was filed against a former director of the Corporation and Prime Pharmaceutical. The claim is related to a traffic accident involving the plaintiff and the former director. The plaintiff is seeking damages of $1,000,000 and additional legal costs from the former director and Prime Pharmaceutical. Management believes that this claim is without merit. Prime Pharmaceutical's insurance provider is managing the legal defense and will vigorously defend the claim. As such, a contingent liability has not been recorded in the unaudited interim condensed consolidated statements of financial position.

(in Canadian dollars)

22. Commitments and contingency (continued)

2017 Claim

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

Leases

The Corporation's minimum lease payments are as follows:

2018	$	284,098
2019		965,044
2020		843,560
2021		814,422
2022		806,504
2023 and beyond		3,575,455
	$	**7,289,083**

Services Agreements

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

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

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

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

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

Members of Canadian Capital include certain directors of the Corporation.

(in Canadian dollars)

23. Capital management

The Corporation manages its capital with the following objectives:

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

- To maximize shareholder return through enhancing the share value.

The Corporation considers its capital to be total equity. The Corporation manages capital through its financial and operational forecasting processes. The Corporation reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Selected information is provided to the Board of Directors of the Corporation. The Corporation's capital management objectives, policies and processes have remained unchanged during the three and nine months ended December 31, 2017. The Corporation is not subject to any external capital requirements.

24. Supplemental cash flow information

Non-cash transactions:

		Nine Months Ended	
		December 31, 2017	**December 31, 2016**
Equity instruments issued for acquisition of FRD and IMT	$	**473,622**	-
Equity instruments issued for acquisition of GreenMart NLV		**7,722,653**	-
Share issuance costs settled via equity instruments		**905,925**	-
Consulting fees settled via equity instruments		**87,315**	-
Share based compensation		**1,223,165**	-

25. Segmented information

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

Non-current assets located outside of Canada total $ 87,579,636 and are made up of property, plant and equipment, deposits, intangible assets, and goodwill.

All revenues generated during the three and nine months ended December 31, 2017 were done so outside of Canada.

26. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

27. Proposed transactions

(a) The Corporation entered into a non-binding letter of intent to acquire a management company that provides services to an operational licensee with a cultivation, production and dispensary license located in the Phoenix, AZ area.

28. Subsequent events

(a) On Jan. 08, 2018, the Corporation entered into management agreements with Rosebud Organics, Inc. (“Rosebud”) and Budding Rose, Inc. (“Budding Rose). In addition to managing the facilities, the Company, acquired options to purchase 100% of the issued and outstanding common stock of Rosebud for aggregate consideration of US$3,018,181.82 and Budding Rose for aggregate consideration of US$2,481,818.18. The options are each exercisable for a period of two (2) years. The Rosebud exercise price will be comprised of a cash payment of US$2,200,000 with the remainder of the purchase price satisfied by the issuance of 1,329,811 common shares in the capital of the Company (the “MPX Shares”) at a price of $0.77 per MPX Share. The Budding Rose exercise price will be comprised of a cash payment of US$1,800,000 with the remainder of the purchase price satisfied by the issuance of 1,108,184 MPX Shares at a price of $0.77 per MPX Share.

Concurrently with entering into the management agreements and the option agreements to acquire the Rosebud and Budding Rose options, CGX will provide secured loans to the sellers in the aggregate principal amount of US$4,000,000 bearing interest at a rate of 3% per annum. The secured loans are repayable on the earliest of: (a) the termination of the option agreements; (b) the option has not been exercised within 180 days following the expiry of the option periods; and (c) following an event of default.

(b) On Jan 15, 2018, the Corporation further to its press release dated August 22, 2017, has entered into a definitive agreement with Panaxia Pharmaceutical Industries Ltd. (“Panaxia”). Panaxia will provide the capital and equipment to build out and equip the manufacturing facility and will supply the non-active ingredients and compounds for formulation and packaging. The agreement also provides Salus BioPharma with exclusivity for the production and marketing of pharma-grade cannabinoid products through MPX-operated dispensaries in Arizona, Maryland, Massachusetts and Nevada with a right of first refusal in any other U.S. State, other than California, Colorado and New Mexico.

(c) The Corporation appointed David McLaren as the Company’s new Chief Financial Officer, effective January 15, 2018, subject to regulatory approval.

(d) On January 15, 2018, the Company granted a total of 8,485,762 stock options to purchase common shares of MPX to officers, directors, employees and consultants of the Company and its subsidiaries at an exercise price of $0.86 per share and expiring on January 15, 2023.

(e) On January 15, 2018, the Corporation completed the second and final tranche of the Offering for gross proceeds of $2,232,109.43 through the issuance of 4,749,169 Units. Each Unit issued in the Offering consists of one MPX Share and one half of one Warrant. Each Warrant entitles the holder thereof, pursuant to and in accordance with the warrant indenture, to acquire one MPX Share at a price of $0.64 per MPX Share for a period of 24 months. In relation to the Offering, the Corporation paid to the Agents: (a) an aggregate cash commission of $156,247; and (b) an aggregate of 332,442 Broker Warrants, each entitling the holder to acquire one Unit at an exercise price of $0.47 per Unit for a period of 24 months.

(f) On Jan. 31, 2018, the Corporation entered into a management agreement with GreenMart of Maryland, LLC (“GreenMart MD”). In addition to managing the facilities, the Corporation will concurrently acquire an option from The Elizabeth Stavola 2016 NV Irrevocable Trust (the “Seller”) to purchase 100% of the issued and outstanding membership units of GreenMart at an exercise price of US$1.00 for an option period of two (2) years. CGX may not exercise the option until ninety (90) days following the award by the Natalie M. LaPrade Maryland Medical Cannabis Commission (the “Commission”) of a license authorizing or permitting GreenMart to dispense medical cannabis in the State of Maryland in Senatorial District 6 (the “Final Dispensary License”). To acquire the option, CGX is paying the Seller an option premium of US$2,500,000.