# FORM 5

## QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Vodis Pharmaceuticals Inc. (the "Issuer")

Trading Symbol: VP

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

**General Instructions**

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

**SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

**Unaudited interim consolidated financial statements for the six-month period ended September 30, 2018, as filed with the securities regulatory authorities are attached to this Form 5 as Appendix "A".**

## SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

### 1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

**All related party transactions have been disclosed in the Issuer's financial statements for the six- month period ended September 30, 2018. Please refer to Note 10 to the unaudited interim consolidated financial statements for the six-month period ended September 30, 2018, attached hereto as Appendix "A". For information supplementary to that contained in the notes to the unaudited interim consolidated financial statements with respect to related party transactions, please refer to the Management's Discussion and Analysis ("MD&A") for the six-month period ended September 30, 2018, as filed with the securities regulatory authorities and attached to this Form 5 as Appendix "B".**

## 2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

**All securities issued and options granted, if any, by the Issuer have been disclosed in the Issuer's financial statement notes for the six-month period ended September 30, 2018.**

(a) summary of securities issued during the period,

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Pro-ceeds | Type of Consi-deration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---|---|---|---|---|---|---|---|---|
| Oct 19, 2018 | Units | Private Placement | 16,381,000 | $0.10 | 1,638,100 | Cash | Nil | N/A |
| Oct 19, 2018 | Units | Debt Settlement | 3,619,000 | $0.10 | $361,900 | Cash | Related person | N/A |

Note:
(1) Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Issuer on or before October 19, 2023, at an exercise price of $0.15 per warrant share.

(b) summary of options granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|---|---|---|---|---|---|---|
| No stock options were granted during the period ending September 30, 2018. | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

## 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

| Description | Number Authorized | Par Value |
|---|---|---|
| Common Shares | No Maximum | Without Par Value |

(b) number and recorded value for shares issued and outstanding,

| Description | Number Issued and Outstanding | Value |
|---|---|---|
| Common Shares | 38,959,051 | $10,556,873 |

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

| Description | Number Outstanding | Exercise Price | Expiry Date |
|---|---|---|---|
| Warrants | 3,461,500 | $0.32 | December 7, 2018 |
| Warrants | 714,285 | $0.45 | October 18, 2019 |
| Warrants | 493,500 | $0.35 | October 27, 2019 |
| Warrants | 187,500 | $0.72 | July 30, 2020 |
| Warrants | 8,060,000 | $0.33 | December 12, 2022 |
| Warrants | 20,000,000 | $0.15 | October 17, 2023 |
| **TOTAL** | **17,493,785** | | |

| | | | |
|---|---|---|---|
| Stock Options | 212,500 | $0.48 | November 26, 2020 |
| Stock Options | 125,000 | $0.76 | January 6, 2021 |
| Stock Options | 375,000 | $0.18 | September 14, 2021 |
| Stock Options | 150,000 | $0.42 | April 4, 2022 |
| Stock Options | 1,387,500 | $0.40 | April 20, 2022 |

| | | | |
|---|---|---|---|
| Stock Options | 150,000 | $0.40 | May 30, 2022 |
| Stock Options | 60,000 | $0.26 | November 10, 2022 |
| Stock Options | 100,000 | $0.42 | December 13, 2022 |
| Stock Options | 200,000 | $0.485 | December 20, 2022 |
| Stock Options | 65,000 | $0.38 | March 6, 2023 |
| Stock Options | 82,500 | $0.39 | March 12, 2023 |
| Stock Options | 225,000 | $0.27 | April 19, 2023 |
| Stock Options | 115,000 | $0.265 | April 24, 2023 |
| Stock Options | 300,000 | $0.20 | June 19, 2023 |
| **TOTAL** | **3,547,500** | | |

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

| Description | Number | Number Released During the Period |
|---|---|---|
| Not Applicable | | |

**4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

| Name | Position |
|---|---|
| Ivan Miliovski | Director, Chief Executive Officer, President |
| Mark Lotz | Director, Chief Financial Officer |
| Plamen Ovagemov | Director |

## SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

**Management Discussion and Analysis ("MD&A") for the six-month period ended September 30, 2018, attached to this Form 5 as Schedule B.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 23, 2018.

Mark Lotz
Name of Director or Senior Officer

*/s/ "Mark Lotz"*
Signature

Director and CFO
Official Capacity

| | | |
|---|---|---|
| ***Issuer Details***<br>Name of Issuer<br><br>Vodis Pharmaceuticals Inc. | For Quarter Ended<br><br>September 30, 2018 | Date of Report<br>YY/MM/D<br><br>18/11/23 |
| Issuer Address<br><br>8788 River Road | | |
| City/Province/Postal Code<br><br>Delta, BC V4G 1B5 | Issuer Fax No.<br><br>(604) 648-9568 | Issuer Telephone No.<br><br>1 (866) 210-1420 |
| Contact Name<br><br>Mark Lotz | Contact Position<br><br>Director / CFO | Contact Telephone No.<br><br>1 (866) 210-1420 |
| Contact Email Address<br><br>mark@vodis.ca | Web Site Address<br><br>www.vodis.ca | |

SCHEDULE "A"

# VODIS PHARMACEUTICALS INC.

## CONDENSED CONSOLIDATED

## INTERIM FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

***(Unaudited – Prepared by Management)***

***(Expressed in Canadian dollars)***

**NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of Vodis Pharmaceuticals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

8788 River Road Delta, BC V4G 1B5. www.vodis.ca

**VODIS PHARMACEUTICAL INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION** (unaudited)
(Expressed in Canadian Dollars)

| | September 30, 2018 | March 31, 2018 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash | 165,777 | 439,369 |
| Receivables (Note 4) | 117,905 | 125,793 |
| Receivable for share subscription | - | 62,500 |
| Receivables from related parties (Note 10) | 36,693 | 10,000 |
| Prepaids | 49,066 | 17,482 |
| **Total current assets** | 369,441 | 655,144 |
| **Non-current assets** | | |
| Capital assets (Note 5) | 1,833,423 | 1,607,302 |
| Investment property (Note 6) | 1,687,626 | 1,731,803 |
| | 3,521,049 | 3,339,105 |
| **TOTAL ASSETS** | 3,890,490 | 3,994,249 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (Note 7) | 948,035 | 776,608 |
| Accounts payable to related parties (Note 10) | 477,726 | 256,793 |
| Share subscriptions in advance | - | 399,235 |
| Loans payable (Note 8) | 222,500 | 210,500 |
| Finance lease liability (Note 9) | 59,357 | 57,540 |
| | 1,707,618 | 1,700,676 |
| **Non-current liabilities** | | |
| Finance lease liability (Note 9) | 1,579,137 | 1,602,769 |
| **Total Liabilities** | 3,286,755 | 3,303,445 |
| **EQUITY** | | |
| Share capital (Note 11) | 10,556,873 | 10,556,873 |
| Share subscriptions and obligations (Note 11) | 964,838 | 71,854 |
| Equity reserves | 3,370,321 | 3,222,559 |
| Deficit | (14,288,297) | (13,160,482) |
| **Total Equity** | 603,735 | 690,804 |
| **TOTAL LIABILITIES AND EQUITY** | 3,890,490 | 3,994,249 |

**Nature and continuance of operations** (Note 1)

Approved and authorized by the Board on November 23, 2018

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

**VODIS PHARMACEUTICAL INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS** (unaudited)
(Expressed in Canadian Dollars)

| | THREE MONTHS ENDED SEPTEMBER 30, | | SIX MONTHS ENDED SEPTEMBER 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| **OPERATING EXPENSES** | | | | |
| Consulting | 161,251 | 616,415 | 324,538 | 873,419 |
| Depreciation | 100,336 | 104,569 | 192,057 | 209,201 |
| Filing and regulatory fees | 5,305 | 5,590 | 9,292 | 13,367 |
| Interest expense | 29,582 | 29,877 | 57,825 | 84,097 |
| Office and general | 72,383 | 81,692 | 159,200 | 154,584 |
| Professional fees | 34,564 | 109,361 | 85,477 | 193,380 |
| Rent | 30,990 | 11 | 59,717 | 2,525 |
| Salary and benefits | 7,377 | - | 24,006 | - |
| Shareholder communication and investor relations | 11,940 | 5,604 | 32,099 | 49,241 |
| Share-based payments (Note 11) | 3,813 | 15,297 | 151,479 | 610,750 |
| Travel | 3,391 | 7,061 | 38,909 | 49,399 |
| **Operating expenses** | (460,932) | (975,477) | (1,134,599) | (2,239,963) |
| **Loss for the period** | (460,932) | (975,477) | (1,134,599) | (2,239,963) |
| **Other comprehensive income (loss)** | | | | |
| Item that may be reclassified to profit or loss: | | | | |
| Exchange difference on translation of subsidiary | (16,326) | (33,165) | 3,067 | (40,040) |
| **Loss and comprehensive loss** | (477,258) | (1,008,642) | (1,131,532) | (2,280,003) |
| **Basic and diluted loss per common share** | (0.01) | (0.04) | (0.03) | (0.08) |
| **Weighted average number of common shares outstanding** | 38,959,051 | 28,558,637 | 38,959,051 | 28,558,637 |

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

**VODIS PHARMACEUTICALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS** (unaudited)
(Expressed in Canadian Dollars)
**SIX MONTHS ENDED SEPTEMBER 30,**

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the period | (1,134,599) | (2,239,963) |
| Items not affecting cash: | | |
| Write off of uncollectible goods and services tax | - | 12,177 |
| Share-based payments | 151,479 | 610,750 |
| Depreciation | 192,057 | 209,201 |
| Accrued interest expense | 12,000 | 28,000 |
| Consulting fees to be settled in shares | - | 71,854 |
| Foreign exchange | 11,476 | 42,139 |
| Changes in non-cash working capital items: | | |
| Receivables | 70,388 | (20,477) |
| Receivables from related parties | (26,693) | 30,339 |
| Prepaids | (17,351) | (81,041) |
| Accounts payable and accrued liabilities | 25,644 | 282,571 |
| Cash used in operating activities | (715,599) | (1,054,450) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Leasehold improvements and equipment | (216,688) | (164,496) |
| Cash used in investing activities | (216,688) | (164,496) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share subscriptions | 493,749 | 441,600 |
| Payables to related parties | 193,364 | 491,737 |
| Payment of finance lease liability | (28,418) | (15,681) |
| Cash provided by financing activities | 658,695 | 917,656 |
| **Change in cash during the period** | (273,592) | (301,290) |
| **Cash, beginning of period** | 439,369 | 328,932 |
| **Cash, end of period** | 165,777 | 27,642 |

**Supplemental disclosures with respect to cash flows** (Note 15)

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

**VODIS PHARMACEUTICALS INC.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY** (unaudited)
(Expressed in Canadian Dollars)
**SIX MONTHS ENDED SEPTEMBER 30,**

| | Share Capital | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares outstanding | Amount | Share subscriptions and obligations | Share-based payments and warrants | Foreign currency | Total reserves | Deficit | Total equity |
| | | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Balance at March 31, 2017** | **28,558,637** | **7,975,215** | **-** | **2,396,407** | **(34,569)** | **2,361,838** | **(9,448,350)** | **888,703** |
| Share subscriptions | - | - | 513,454 | - | - | - | - | 513,454 |
| Share-based payments | - | - | - | 610,750 | - | 610,750 | - | 610,750 |
| Expiry of warrants | - | - | - | (5,669) | - | (5,669) | 5,669 | - |
| Loss for the period | - | - | - | - | - | - | (2,239,963) | (2,239,963) |
| Exchange difference on translation | - | - | - | - | (40,040) | (40,040) | - | (40,040) |
| **Balance at September 30, 2017** | **28,558,637** | **7,975,215** | **513,454** | **3,001,488** | **(40,040)** | **2,926,879** | **(11,682,644)** | **(267,096)** |
| | | | | | | | | |
| **Balance at March 31, 2018** | **38,959,051** | **10,556,873** | **71,854** | **3,290,674** | **(68,115)** | **3,222,559** | **(13,160,482)** | **690,804** |
| Share subscriptions | - | - | 493,749 | - | - | - | - | 493,749 |
| Reallocate share subscriptions | | | | | | | | - |
| from liabilities | - | - | 399,235 | - | - | - | - | 399,235 |
| Share-based payments (Note 10) | - | - | - | 151,479 | - | 151,479 | - | 151,479 |
| Expiry of stock options | - | - | - | (6,784) | - | (6,784) | 6,784 | - |
| Loss for the period | - | - | - | - | - | - | (1,134,599) | (1,134,599) |
| Exchange difference on translation | - | - | - | - | 3,067 | 3,067 | - | 3,067 |
| **Balance at September 30, 2018** | **38,959,051** | **10,556,873** | **964,838** | **3,435,369** | **(65,048)** | **3,370,321** | **(14,288,297)** | **603,735** |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Vodis Pharmaceuticals Inc. (the "Company") was incorporated under the laws of British Columbia on October 31, 2011. During the year ended March 31, 2015, the Company completed a reverse takeover of 0962559 BC Ltd., by issuing 9,000,000 common shares for 100% of the common shares of 0962559 BC Ltd. As a result, 0962559 BC Ltd. is considered the accounting parent and in July 2014 changed its fiscal year-end from June 30 to March 31. In connection with the reverse takeover, the Company changed its name to Vodis Pharmaceuticals Inc. The Company is in the medical and recreational marijuana business. The Company's shares trade on the Canadian Securities Exchange ("CSE").

The Company's corporate office address is 8788 River Road Delta, BC V4G 1B5. The registered and records office address is 1080 – 789 West Pender Street, Vancouver, BC V6C 1H2. The Company together with its subsidiaries (collectively referred to as the "Company") is in the application stage of producing medical marijuana and providing turnkey facilities to produce marijuana.

At the date of the condensed consolidated interim financial statements, the Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives and meet its ongoing obligations will depend on management's ability to successfully execute its business plan and obtain additional financing when required. There is no assurance that these initiatives will be successful. These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, or other business and financial transactions which would assure continuation of the Company's operations. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations as they come due. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these condensed consolidated interim financial statements. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

### Basis of Presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended March 31, 2018. The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2018 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

**Significant Accounting Estimates and Judgments**

The preparation of the condensed consolidated interim financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods, if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are discussed below.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. *Inputs used in valuing investment property:* The fair value of the investment property is determined by management, using the fair value of the finance lease property, or if lower, the present value of the minimum lease payments at the inception of the lease. Changes in the input assumptions can materially affect the carrying value of the investment property.

2. *Inputs used in the accounting for share-based payments expense in the consolidated statements of comprehensive loss:* Management uses the Black-Scholes Pricing Model for valuation of share-based payments, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

3. *Inputs used in the accounting for warrants in share capital and equity reserves*: Management uses the Black-Scholes Pricing Model for valuation of warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

*Critical accounting judgments*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. *Going concern:* The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the condensed consolidated interim financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

2. *Lease Contracts*: The Company has entered into commercial property leases on its investment property. The Company makes judgments in determining whether certain leases, particularly those leases with long contractual terms, are operating or finance leases. The Company assesses each lease separately.

3. *Determination of provisions for income taxes and the recognition of deferred income taxes*: In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In

making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

4. *Recoverability of the carrying value of capital assets:* The recovery of the carrying value of capital assets may be adversely affected should the Company not be able to obtain a license to produce marijuana for medical purposes in Canada. To date, the Company's application is progressing through the various stages of the application process and there is no indication that a license would be obtained.

5. *Recognition of rental revenue:* To date, the Company has recognized revenue from rental operations at its Bellingham investment property on a cash basis due to the uncertainty of collection of rent from the Company's tenant at this facility.

## 3. New Accounting Standards and Interpretations

**Financial Instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of reserves at April 1, 2018.

Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the condensed consolidated interim statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian Dollars)

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

**Accounting Standards Issued But Not Yet Applied**

**Leases**

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company continues to assess the impact of adopting this standard on its condensed consolidated interim financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's condensed consolidated interim financial statements.

## 4. RECEIVABLES

| | | September 30, 2018 | | March 31, 2018 |
|---|---|---|---|---|
| Goods and services tax receivable | $ | 113,848 | $ | 99,884 |
| Other receivables | | 4,057 | | 25,909 |
| | $ | 117,905 | $ | 125,793 |

## 5. CAPITAL ASSETS

Leasehold improvements include all amounts incurred on improvements at the Company's Delta, British Columbia and Bellingham, Washington State, locations to prepare the facilities for operations. The leasehold additions relate to production lighting, growing benches, irrigation and nutrient systems, security installations and construction of growing rooms.

| | | Leasehold Improvements | | Furniture and Equipment | | Total |
|---|---|---|---|---|---|---|
| **Balance March 31, 2018** | $ | 2,127,270 | $ | 121,362 | $ | 2,248,632 |
| Addition | | 336,493 | | 25,801 | | 362,294 |
| Foreign exchange adjustment | | 5,149 | | 317 | | 5,466 |
| **Balance September 30, 2018** | $ | 2,468,912 | $ | 147,480 | $ | 2,616,392 |
| **Amortization** | | | | | | |
| **Balance March 31, 2018** | $ | 617,929 | $ | 23,401 | $ | 641,330 |
| Addition | | 128,724 | | 12,132 | | 140,856 |
| Foreign exchange adjustment | | 732 | | 51 | | 783 |
| **Balance September 30, 2018** | $ | 747,385 | $ | 35,584 | $ | 782,969 |
| **Net book value** | | | | | | |
| **Balance March 31, 2018** | $ | 1,509,341 | $ | 97,961 | $ | 1,607,302 |
| **Balance September 30, 2018** | $ | 1,721,527 | $ | 111,896 | $ | 1,833,423 |

(Expressed in Canadian Dollars)

## 6. INVESTMENT PROPERTY

Investment property consists of a property leased in Bellingham, Washington State, USA (“Property”). The lease with a third party expires the earlier of the exercise of the option agreement or April 3, 2020 (Note 9).

| **Investment property** | | |
|---|---|---|
| Balance, March 31, 2018 | $ | 1,731,803 |
| Depreciation | | (51,201) |
| Foreign exchange adjustment | | 7,024 |
| Balance, September 30, 2018 | $ | 1,687,626 |

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | September 30, 2018 | | March 31, 2018 |
|---|---|---|---|---|
| Trade payables | $ | 936,693 | $ | 653,324 |
| Accrued liabilities | | 11,342 | | 123,284 |
| | $ | 948,035 | $ | 776,608 |

## 8. NOTES PAYABLE

During the year ended March 31, 2017, the Company entered into a loan agreement with an arms-length party (the “Lender”) for $150,000. The loan bears interest at a rate of 12%, payable quarterly. The loan was repayable on June 14, 2017. The loan is secured by a security interest in all of the present and after acquired personal property, assets and undertakings of Vodis Innovative Pharmaceuticals Inc. During the period ended September 30, 2018, the Company accrued interest of $9,000 (2017 - $9,000) on the loan. The loan balance at September 30, 2018 includes accrued interest of $13,500 and has not yet been repaid.

During the year ended March 31, 2017, the Company entered into a loan agreement with the CEO of the Company, for $50,000. The loan bears interest at a rate of 12%, payable quarterly. The loan was repayable in July 2017. The loan is secured by a security interest in all of the present and after acquired personal property, assets and undertakings of Vodis Innovative Pharmaceuticals Inc. During the period ended September 30, 2018, the Company

accrued interest of $3,000 (2017 - $3,000) on the loan. The loan balance at September 30, 2018 includes accrued interest of $9,000 and has not yet been repaid.

## 9. FINANCE LEASE LIABILITY

During the year ended March 31, 2016, Vodis USA, entered into a lease agreement. The lease agreement will expire the earlier of the exercise of the option agreement or April 3, 2020. The lease is considered a finance lease. Using an interest rate of 6%, the present value of the minimum lease payments and the payment required to exercise the option at inception was $1,757,376 (US$1,398,740) (Note 5).

During the year ended March 31, 2016, Vodis USA entered into an option agreement with D&B Land Holdings LLC (“D&B”), whereby Vodis USA has an option to purchase the Property. The option agreement has a term of 5 years. In order to keep the option agreement in good standing, Vodis USA must pay the monthly lease payment of US$9,404 pursuant to a lease agreement between Vodis USA and D&B.

During the year ended March 31, 2016, Vodis USA, entered into a purchase and sale agreement with D&B, whereby the obligations under the purchase and sale agreement are conditional upon Vodis USA exercising the option agreement. The total purchase price will be US$1,550,000 ("Purchase Price"). All payments made under the option agreement will be credited towards the Purchase Price ("Applied Credits"). The purchase price will increase by US$20,000 at the end of each year following the date of the purchase and sale agreement if Vodis USA does not exercise their option to purchase the Property by the end of any one of each twelve-month period up to a maximum of US$100,000 ("Purchase Price Increase"). If, at any time Vodis USA elects to exercise their option to purchase the Property, the amount owing under the D&B loan on the Property is greater than the Purchase Price after the Applied Credits, D&B and Vodis USA agree to reduce either (i) the amount owed under the promissory note with the holder or (ii) the Purchase Price Increase by the difference between the amount owed under the D&B loan and the Purchase Price.

(Expressed in Canadian Dollars)

During the year ended March 31, 2016, the Company entered into a promissory note agreement where Vodis USA must pay US$250,000 as part of the payments to purchase the Property. This promissory note bears no interest, is unsecured and is payable on demand.

The lease transactions for the period ended September 30, 2018 are as follows:

| | | |
|---|---|---|
| Balance, March 31, 2018 | $ | 1,660,309 |
| Interest | | 45,897 |
| Payment | | (74,315) |
| Foreign exchange | | 6,603 |
| Balance,September 30, 2018 | $ | 1,638,494 |

| | | September 30, 2018 | | March 31, 2018 |
|---|---|---|---|---|
| Short Term | $ | 59,357 | $ | 57,540 |
| Long Term | | 1,579,137 | | 1,602,769 |
| | $ | 1,638,494 | $ | 1,660,309 |

(Expressed in Canadian Dollars)

As at September 30, 2018, the contractual cash for the lease, including the anticipated exercise of the option to purchase at the end of year 5, are as follows:

| | | |
|---|---|---|
| Monthly lease payments within one year | $ | 146,082 |
| Monthly lease payments after one year but not more than five years | | 73,041 |
| Payment required to exercise option to purchase | | 1,548,348 |
| Total payments | $ | 1,767,470 |

## 10. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

### (a) Transactions with related parties

Up to March 31, 2018, the Company and its CEO were joint tenants of the Company's Delta Facility. During the period ended September 30, 2017, a company controlled by the CEO utilized a portion of this facility in exchange for paying all costs associated with the lease of the facility.

Related party transactions for the period ended September 30, 2018 and 2017 are as follows:

| | | **September 30, 2018** | | **September 30, 2017** |
|---|---|---|---|---|
| A law firm in which a director of the Company's subsidiary, is a partner, for legal expenses | $ | 21,949 | $ | 38,775 |
| A director of the Company, for consulting expenses | | 90,780 | | 89,422 |
| A company controlled by the CFO of the Company, for consulting expenses | | 90,000 | | 216,000 |
| A company controlled by the CEO of the Company regarding capital asset use, for depreciation expense | | - | | 69,664 |
| A company controlled by the CEO of the Company for leasehold improvements | | 60,000 | | - |
| The CEO of the Company, for consulting expenses | | 90,000 | | 90,000 |
| A director of the Company's subsidiary, for accounting fees | | 3,247 | | - |
| A former director of the Company for consulting expenses | | - | | 90,000 |
| A director of the Company, for construction of leasehold improvements | | 82,633 | | 36,388 |
| The CEO of the Company, for interest on a loan payable | | 3,000 | | 3,000 |
| | $ | 441,609 | $ | 633,249 |

### (b) Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management for employee services is shown below:

(Expressed in Canadian Dollars)

| **Period ended** | | **September 30, 2018** | | **September 30, 2017** |
|---|---|---|---|---|
| Consulting fees paid to executive directors and officers of the Company | $ | 270,780 | $ | 485,422 |
| A company controlled by the CEO of the Company regarding capital asset use, for depreciation expense | | - | | 69,664 |
| Share-based payments | | 113,046 | | 366,329 |
| | $ | 383,826 | $ | 921,415 |

**(c) Receivables from related parties**

| | | **September 30, 2018** | | **March 31, 2018** |
|---|---|---|---|---|
| Due from a director of the Company | $ | 26,693 | $ | - |
| Due from a company controlled by the CEO of the Company | | 10,000 | | 10,000 |
| | $ | 36,693 | $ | 10,000 |

**(d) Accounts payable to related parties**

| | | **September 30, 2018** | | **March 31, 2018** |
|---|---|---|---|---|
| Due to an entity where a director of the Company's subsidiary is a partner | $ | 57,702 | $ | 55,028 |
| Due to the CEO of the Company | | 195,271 | | 56,054 |
| Due to a former director of the Company | | 50,000 | | 50,000 |
| Due to the CFO or companies controlled by the CFO | | 174,753 | | 53,263 |
| Due to a director of the Company | | - | | 42,448 |
| | $ | 477,726 | $ | 256,793 |

Amounts due from and to related parties are unsecured, non-interest bearing and due on demand.

## 11. SHARE CAPITAL

### (a) Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value and unlimited number of preferred shares without par value.

On December 21, 2016, the Company consolidated its share capital on a four old for one new basis (the "Consolidation"). All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been restated for the Consolidation, including all such numbers presented for the prior year periods.

### (b) Stock option plan

The Company has an incentive stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants. The exercise price of each option shall not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. The options can be granted for a maximum of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors, except for options granted to persons providing investor relations activities that will vest in stages over twelve months with no more than one quarter vesting in any three-month period. All options are to be settled by physical delivery of shares.

(Expressed in Canadian Dollars)

Stock option transactions and the number of stock options outstanding are summarized as follows:

| | Number of Options | Weighted Average Exercise Price $ |
|---|---|---|
| **Balance at March 31, 2018** | 2,946,563 | 0.40 |
| Granted | 640,000 | 0.24 |
| Expired | (39,063) | 0.40 |
| **Balance at September 30, 2018** | 3,547,500 | 0.37 |
| **Exercisable at September 30, 2018** | 3,458,750 | 0.37 |

The weighted average life of the options outstanding was 2.83 years at September 30, 2018.

As at September 30, 2018, the following stock options were outstanding:

| Exercise Price | Number of Shares Issuable on Exercise | Expiry Date |
|---|---|---|
| $0.48 | 212,500 | November 26, 2020 |
| $0.76 | 125,000 | January 6, 2021 |
| $0.18 | 375,000 | September 14, 2021 |
| $0.42 | 150,000 | April 4, 2022 |
| $0.40 | 1,387,500 | April 20, 2022 |
| $0.40 | 150,000 | May 30, 2022 |
| $0.26 | 60,000 | November 10, 2022 |
| $0.42 | 100,000 | December 13, 2022 |
| $0.49 | 200,000 | December 20, 2022 |
| $0.38 | 65,000 | March 6, 2023 |
| $0.39 | 82,500 | March 12, 2023 |
| $0.27 | 225,000 | April 19, 2023 |
| $0.27 | 115,000 | April 24, 2023 |
| $0.20 | 300,000 | June 19, 2023 |
| | 3,547,500 | |

**(c) Share-based payments**

The total share-based payments expense calculated under the fair value method for vested options was $151,479 (2017 - $610,750). Fair value at grant date of the stock options was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The weighted average assumptions used for the Black-Scholes option-pricing model of stock options granted during the period are as follows:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Risk-free interest rate | 2.06% | 1.02% |
| Expected life of options | 5 years | 5 years |
| Annualized volatility | 163.81% | 167.23% |
| Dividend rate | Nil | Nil |

(Expressed in Canadian Dollars)

**(d) Warrants**

Warrant transactions and the number of warrants outstanding are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Balance at March 31, 2018 and September 30, 2018** | 17,493,785 | 0.34 |

During the period ended September 30, 2018, the Company extended the expiry date of 4,577,000 common share purchase warrants that were issued in November 9, 2016, and 3,461,500 common share purchase warrants that were issued December 7, 2016. The original expiry dates were November 9, 2018 and December 7, 2018 and the new expiry dates are November 9, 2021 and December 7, 2021, respectively.

At September 30, 2018, warrants were outstanding enabling holders to acquire the following number of shares:

| Exercise Price | Number of Shares | Expiry Date |
|---|---|---|
| $0.45 | 714,285 | October 18, 2019 |
| $0.35 | 493,500 | October 27, 2019 |
| $0.72 | 187,500 | July 30, 2020 |
| $0.32 | 4,577,000 | November 9, 2021 |
| $0.32 | 3,461,500 | December 7, 2021 |
| $0.33 | 8,060,000 | December 12, 2022 |
| | 17,493,785 | |

**(e) Reserves**

**Share-Based Payments and Warrants Reserve**

The share-based payments and warrants reserve records items recognized as share-based payments expense or as warrants until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants expire unexercised, the amount recorded is transferred to deficit. During the period ended September 30, 2018, 39,063 options with a fair value of $6,784 expired and the fair value was transferred from reserve to deficit.

**Foreign Exchange Reserve**

The foreign exchange reserve recognizes the foreign exchange differences resulting from translation of entities to the presentation currency that have a different functional currency than the presentation currency.

**(f) Share Subscriptions and Obligations**

During the year ended March 31, 2018, the Company incurred an obligation to issue 217,738 common shares with a fair value of $71,854 pursuant to a consulting agreement.

During the year ended March 31, 2018, the Company received proceeds of $399,235 in advance of the issuance of common shares.

During the period ended September 30, 2018, the Company received proceeds of $493,749 in advance of the issuance of common shares.

## 12. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce to the cost of capital. The Company's capital is composed of equity in the statement of financial position.

The Company is not subject to externally imposed capital requirements. In managing capital structure, the Company manages its capital through regular reports to the Board of Directors, as well as management review of monthly or quarterly financial information. The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in Note 1.

There was no change to the Company's approach to management of capital during the period ended September 30, 2018.

## 13. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital and possibly loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 12 above. Management has assessed liquidity risk as high.

### Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument or customer contract fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company is directly exposed to credit risk from its receivables. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at September 30, 2018.

The majority of the Company's cash is held with major Canadian based financial institutions. Management has assessed credit risk as low.

The tenant of the Company's investment property (Note 6) has to date been unable to pay the required rent payments to the Company. The Company has only recognized revenue for rent payments received due to uncertainty of collection.

### Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company and its subsidiaries did not enter into significant transactions that were not denominated in their functional currencies and is therefore not exposed to currency risks.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Management has assessed currency risk as low.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of its short-term maturity. The Company's other financial instruments have interest at fixed rates. Management has assessed interest rate risk as low.

(Expressed in Canadian Dollars)

**Price Risk**

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company is not exposed to price risk.

**Fair Value**

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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

The fair value of cash is based on level 1 of the fair value hierarchy.

## 14. SEGMENTED INFORMATION

The Company operates in one business segment, the marijuana industry. Geographic information is as follows:

| September 30, 2018 | Canada<br>$ | United States<br>$ | Total<br>$ |
|---|---|---|---|
| Capital assets | 648,870 | 1,184,553 | 1,833,423 |
| Investment property | - | 1,687,626 | 1,687,626 |
| Other assets | 292,102 | 77,339 | 369,441 |
| Total assets | 940,972 | 2,949,518 | 3,890,490 |

| March 31, 2018 | Canada<br>$ | United States<br>$ | Total<br>$ |
|---|---|---|---|
| Capital assets | 424,920 | 1,182,382 | 1,607,302 |
| Investment property | | 1,731,803 | 1,731,803 |
| Other assets | 563,037 | 92,107 | 655,144 |
| Total assets | 987,957 | 3,006,292 | 3,994,249 |

## 15. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Cash paid during the period for interest | $ - | $ 56,097 |
| Cash paid during the period for income taxes | $ - | $ - |

During the period ended September 30, 2018, the Company incurred $132,762 of capital asset additions which are included in accounts payable, $27,668 of capital asset additions which are included in accounts payable to related parties and $14,233 in prepaid expenses which are included in accounts payable to related parties.

## 16. EVENTS AFTER REPORTING DATE

Subsequent to the period ended September 30, 2018:

The Company completed a private placement financing issuing 20,000,000 units at a price of $0.10 per unit for gross proceeds of $2,000,000. A total of 16,381,000 units were issued for cash of $1,638,100 and $361,900 in debt was settled through the issue of 3,619,000 units. Each unit was comprised of one common share and one common share purchase warrant whereby each warrant entitles the holder to purchase an additional common share of the Company for a period of five years from the date of issue at an exercise price of $0.15 per share. The Company incurred $14,000 in finders' fees and $3,150 in share issuance costs in connection with the private placement.

SCHEDULE "B"

# VODIS PHARMACEUTICALS INC.

# MANAGEMENT DISCUSSION

# AND

# ANALYSIS

# FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

The following Interim Management Discussion and Analysis – Quarterly Highlights ("Quarterly Highlights") of Vodis Pharmaceuticals Inc. ("Vodis" or the "Company") has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended March 31, 2018. This Quarterly Highlights does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This Quarterly Highlights should be read in conjunction with the Annual MD&A, the audited financial statements of the Company for the years ended March 31, 2018 and 2017 and the unaudited condensed consolidated interim financial statements for the six months ended September 30, 2018, together with the notes thereto. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the six months ended September 30, 2018 are not necessarily indicative of the results that may be expected for any future period.

The unaudited condensed consolidated interim financial statements for the six months ended September 30, 2018, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

External auditors, appointed by the shareholders, have not audited or reviewed the condensed consolidated interim financial statements for the period ended September 30, 2018, and did not perform the tests deemed necessary to enable them to express an opinion on these condensed consolidated interim financial statements. For the purposes of preparing this Quarterly Highlights, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com, the Canadian Securities Exchange ("CSE") web site at www.thecse.ca and the Company's website at www.vodis.ca. All dollar amounts included therein and in the following MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including November 23, 2018 (the "Report Date").

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A may constitute "forward-looking statements". Such term is defined in applicable securities laws. The forward-looking information includes, without limitation, the granting of a MMPR license and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward-looking information is inherently uncertain, and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Such factors include, among others, risks relating to the Company passing an inspection at its facility in Delta, BC, the ability of the Company to obtain additional financing; the Company's limited operating history; the need to comply with environmental and governmental regulations; fluctuations in currency exchange rates; operating hazards and risks; competition; and other risks and uncertainties. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the Report Date and, except as required by law, the Company is under no obligation to update or alter any forward-looking information.

**OVERVIEW**

The Company was incorporated on October 31, 2011. The Company is engaged in the application stage of producing medical marijuana at its facility located in Delta, British Columbia and developing turnkey indoor production facilities for approved marijuana license holders in the State of Washington. The Company is currently active in Canada and the United States. The Company is a reporting issuer in British Columbia and Ontario, and trades on the CSE under the symbol "VP" and the Frankfurt Stock Exchange under the symbol "1JV".

**OVERALL PERFORMANCE**

***Corporate Highlights:***

- Vodis' wholly owned US subsidiary, Vodis USA, Inc. ("Vodis USA") completed licensing of its phase two expansion at the Bellingham facility. This latest build out which is approximately 95% complete will bring available tenant utilization to 55% of the permitted 10,000 square foot Tier 2 canopy capacity.

- In 2017, Vodis USA signed a 15-year licensing agreement whereby the Vodis name, image and various Vodis-inspired designs and concepts will be used to brand, market, and sell marijuana products across Washington State through a product licensing and marketing agreement with a Washington State marijuana licensee, Premium Cannabis Producers ("PCP) (formerly, Our Church International LLC). The compensation schedule, based on gross aggregate sales, ranges from US$0.34 to US$0.40 per dollar of Vodis branded product sold by PCP.

**Canada**

The Company seeks to produce and distribute cannabis product in Canada as part of the new *Marihuana for Medical Purpose Regulation* ("MMPR") program and has applied for a producer's license. The Company has made significant investments towards the application, including construction upgrades, installation of a bio-tracking system, and training.

The Company has essentially completed the construction of the Delta facility in preparation for Health Canada's pre-license inspection however, the application has been delayed by Heath Canada, and there can be no guarantee that the MMPR license will be granted.

On August 24, 2016, Health Canada announced the ACMPR (Access to Cannabis for Medical Purposes Regulation). The regulation incorporates personal and commercial production of medical cannabis and presents considerable uncertainty surrounding the supply and demand for commercially produced and distributed medical marijuana in Canada. Under ACMPR, licensed producers are allowed to sell and deliver their products to all previously licensed users "Patients" in Canada. There are in excess of 330,000 Patients across Canada. Further information can be viewed at the Health Canada website at: http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/index-eng.php.

**United States**

In November 2012, the WSLCB passed Initiative 502 (I-502), pursuant to a vote by the people of the State of Washington. I-502 authorized the WSLCB to regulate and tax recreational marijuana products for persons over 21 years of age and thereby created a new industry for the growing, processing and selling of recreational marijuana products regulated by the State of Washington. In the State of Washington, a Marijuana Producer Tier I is allowed to grow up to two thousand square feet of canopy space whereas a Marijuana Producer Tier II is allowed to grow up to ten thousand square feet of plant canopy. A recent WSLCB-commissioned report by the Rand organization suggests that there are currently up to 700,000 recreational marijuana users in the State of Washington worth approximately US$1.5-billion in annual sales.

While the Company or its subsidiaries cannot have any direct interest in the proceeds of production, processing or retail activities in Washington, it can license its brand, production and consulting services to approved State of Washington license holders to ensure that all products produced under the Vodis program and/or associated with the brand meet or exceed the Vodis brand quality standards.

The Company, through Vodis USA, has invested in and develops real estate in the State of Washington for the purpose of serving licensed I-502 production and processing businesses. Vodis USA, Inc. intends to acquire real estate, retrofit buildings and provide production ready facilities to qualified I-502 cannabis tier 1, 2 or 3 production and processing license holders.

In addition to providing specialized facilities to I-502 producers and processors, the Company intends to license its growing techniques, standard operating procedures and innovative manufacturing practices to further assist license holders with their production and processing operations. The Company believes these services will create synergies and advantages that will provide for significant and long-term revenue for the license holder and, in turn, for the Company.

The Company, through Vodis USA, holds an option agreement with D&B Land Holdings LLC ("D&B"), whereby Vodis USA has an option to purchase the property located in the State of Washington, USA (the "Property"). The option agreement has a term of 5 years. In order to keep the option agreement in good standing, the Company must make the monthly payments pursuant to a lease agreement between Vodis USA and D&B.

The Company, through Vodis USA, is party to a purchase and sale agreement with D&B, whereby the obligations under the purchase and sale agreement are conditional upon Vodis USA exercising the option agreement. The total purchase price will be US$1,550,000 ("Purchase Price"). All payments made under the option agreement will be credited towards the Purchase Price ("Applied Credits"). The purchase price will increase by US$20,000 at the end of each year following the date of the purchase and sale agreement if Vodis USA does not exercise their option to purchase the Property by the end of any one of each twelve-month period, up to a maximum of US$100,000 ("Purchase Price Increase"). If, at any time Vodis elects to exercise its option to purchase the Property, and the amount owing under the D&B loan on the Property is greater than the Purchase Price after the Applied Credits, D&B and Vodis agree to reduce either (i) the amount owing under the promissory note (see below) or (ii) the Purchase Price by the difference between the amount owed under the D&B loan and the Purchase Price.

The Company entered into a promissory note agreement where Vodis USA must pay US$250,000 as part of the payments to purchase the Property. This promissory note bears no interest, is unsecured and is payable on demand.

The Company, through Vodis USA, is party to a lease agreement for the Property. The lease agreement will expire the earlier of the exercise of the option agreement or April 3, 2020 ("Master Lease"). Using an interest rate of 6%, the present value of the minimum lease payments and the payment required to exercise the option at inception was $1,553,371. The Property has a current fair market value of US$1,700,000.

The Company is party to a sublease agreement with PCP, licensed Tier 2 tenant, (the "Tenant") to sublet the property leased by Vodis USA under the Master Lease. The lease with the Tenant expires on the earlier of one day prior to the termination of the Master Lease if the Company does not exercise the option to purchase the investment property by April 30, 2035.

## COMMITMENTS AND CONTINGENCIES

Company has no material or significant commitments or contingencies.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates transactions and, in some cases, makes proposals in these transactions. These proposals, which are usually subject to board, regulatory and sometimes shareholder approvals, may involve future payments, share issuances and commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

## FUTURE PLANS

The Company intends to leverage its expertise in building out a successful revenue model in the State of Washington and use similar approaches in other states that are regulating and legalizing medical or recreational marijuana use. The Company has started undertaking discussions with interested partners in other states.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS.

| Period | Rental Revenue | Operating Expenses | Share-based Payments | Other Items | Net Loss | Loss Per Share |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| 30-Sep-17 | - | (457,119) | (3,813) | - | (460,932) | (0.01) |
| 30-Jun-18 | - | (526,001) | (147,666) | - | (673,667) | (0.02) |
| 31-Mar-18 | - | (456,159) | (40,730) | (26,000) | (522,889) | (0.01) |
| 31-Dec-17 | - | (769,332) | (211,824) | - | (981,156) | (0.03) |
| 30-Sep-17 | - | (960,180) | (15,297) | - | (975,477) | (0.04) |
| 30-Jun-17 | - | (669,033) | (595,453) | - | (1,264,486) | (0.04) |
| 31-Mar-17 | (33,226) | (637,289) | (29,296) | (76,488) | (776,299) | (0.03) |
| 31-Dec-16 | 10,415 | (983,399) | (1,290,726) | (2,647,496) | (4,911,206) | (0.21) |

Rental revenue has not been recorded in the quarters from June 30, 2017 to September 30, 2018, as it has yet to meet the requirements under IFRS as to collectability. The Company's future financial success will be dependent upon the ability to obtain necessary financing to complete its plan in building out a successful revenue model in turnkey indoor production facilities for approved marijuana license holders and being granted a producer's licence under the new ACMPR. Such developments, and receipt of a producer's license under ACMPR may take years, if granted at all, to complete, and the amount of resulting income, if any, is impossible to determine.

## RESULTS OF OPERATIONS

### Three Months Ended September 30, 2018 Compared to Three Months Ended September 30, 2017

The net loss for the three months ended September 30, 2018 is $460,932 compared to $975,477 for the three months ended September 30, 2017, representing a decrease of $514,545. The decrease in net loss is due to the following:

- A decrease of $455,164 in consulting. The decrease is related to consulting fees paid in the prior year quarter to former consultants for corporate financing assistance in Canada, business development in the U.S. and the development of extraction and derivative product methodology.
- A decrease in professional fees of $74,797. The decrease is related to legal fees incurred in the defense and settlement of a lawsuit during the period ended September 30, 2017

These decreases were partially offset by an increase in rent of $30,979 incurred on the Delta facility. The rent for the Delta facility became the responsibility of the Company on April 1 when a company controlled by the CEO discontinued use of the facility.

## RESULTS OF OPERATIONS

### Six Months Ended September 30, 2018 Compared to Six Months Ended September 30, 2017

The net loss for the six months ended September 30, 2018 is $1,134,599 compared to $2,239,963 for the six months ended September 30, 2017, representing a decrease of $1,105,364. The decrease in net loss is due to the following:

- A decrease of $548,881 in consulting. The decrease is related to consulting fees paid in the prior year quarter to former consultants for corporate financing assistance in Canada, business development in the U.S. and the development of extraction and derivative product methodology.
- A decrease in professional fees of $107,903. The decrease is related to legal fees incurred in the defense and settlement of a lawsuit and for a private placement that did not complete during the quarter ended September 30, 2017 as well as higher audit fees incurred in the prior year period.
- A decrease of $459,271 in share-based payments. The decrease is related to the fact that 1,717,500 stock options were issued in the prior year period compared to only 640,000 stock options issued for the period ended September 30, 2018.

These decreases were partially offset by an increase in rent of $57,192 incurred on the Delta facility and an increase in salaries of $24,006. The rent for the Delta facility became the responsibility of the Company on April 1 when a company controlled by the CEO discontinued use of the facility. The increase in salaries is related to the hiring of two staff for the Delta facility in the current year period.

## LIQUIDITY AND FINANCIAL CONDITION

The Company's future financial success will be dependent upon the ability to obtain necessary financing to complete its plan in building out a successful revenue model in turnkey indoor production facilities for approved marijuana license holders and being granted a producer's licence under the new ACMPR. Such developments and receipt of a producer's license under ACMPR may take years, if granted at all, to complete, and the amount of resulting income, if any, is impossible to determine.

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising.

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in turnkey indoor production facilities and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

The Company has invested in and develops real estate in the State of Washington for the purpose of serving licensed I-502 production and processing businesses. The Company intends to acquire real estate, retrofit buildings and provide production ready facilities to qualified I-502 cannabis production and processing license holders. This is expected to result in rental revenue.

During the period ended September 30, 2018, the Company received proceeds of $493,749 in advance of the issuance of common shares.

## RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

**Transactions with related parties**

Up to March 31, 2018, the Company and its CEO were joint tenants of the Company's Delta Facility. During the period ended September 30, 2017, a company controlled by the CEO utilized a portion of this facility in exchange for paying all costs associated with the lease of the facility.

The following are transactions carried out with related parties:

| | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Martin Davis, PLLC, a law firm in which David Otto, a director of the Company's subsidiary, is a partner, for legal expenses | $ 21,949 | $ 38,775 |
| Plamen Ovagemov, a director of the Company, for consulting expenses | 90,780 | 89,422 |
| A company controlled by the CFO of the Company, for consulting expenses | 90,000 | 216,000 |
| A company controlled by the CEO of the Company regarding capital asset use, for depreciation expense | - | 69,664 |
| A company controlled by the CEO of the Company for leasehold improvements | 60,000 | - |
| The CEO of the Company, for consulting expenses | 90,000 | 90,000 |
| A director of the Company's subsidiary, for accounting fees | 3,247 | - |
| Derek Good, a former director of the Company for consulting expenses | - | 90,000 |
| Plamen Ovagemov, a director of the Company, for construction of leasehold improvements | 82,633 | 36,388 |
| The CEO of the Company, for interest on a loan payable | 3,000 | 3,000 |
| Share-based payments | 113,046 | 366,329 |
| | $ 554,655 | $ 999,578 |

**Key management compensation**

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management for employee services is shown below:

| Period ended | September 30, 2018 | September 30, 2017 |
|---|---|---|
| Consulting fees paid to executive directors and officers of the Company | $ 270,780 | $ 485,422 |
| A company controlled by the CEO of the Company regarding capital asset use, for depreciation expense | - | 69,664 |
| Share-based payments | 113,046 | 366,329 |
| | $ 383,826 | $ 921,415 |

**Receivables from related parties**

| | September 30, 2018 | March 31, 2018 |
|---|---|---|
| Due from Plamen Ovagemov, a director of the Company | $ 26,693 | $ - |
| Due from a company controlled by the CEO of the Company | 10,000 | 10,000 |
| | $ 36,693 | $ 10,000 |

**Accounts payable to related parties**

| | September 30, 2018 | March 31, 2018 |
|---|---|---|
| Due to Martin Davis PLLC | $ 57,702 | $ 55,028 |
| Due to the CEO of the Company | 195,271 | 56,054 |
| Due to Derek Good | 50,000 | 50,000 |
| Due to the CFO or companies controlled by the CFO | 174,753 | 53,263 |
| Due to Plamen Ovagemov | - | 42,448 |
| | $ 477,726 | $ 256,793 |

Amounts due from and to related parties are unsecured, non-interest bearing and due on demand.

## OUTSTANDING SHARE DATA

The authorized share capital of the Company is an unlimited number of common shares, without par value.

On December 21, 2016, the Company consolidated its share capital on a four old for one new basis (the "Consolidation"). The Consolidation resulted in the number of issued and outstanding common shares of the Company being reduced from 113,842,580 common shares to 28,460,645 common shares. All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been restated for the Consolidation, including all such numbers presented for the prior periods.

As at the Report Date, there were 58,959,051 (March 31, 2018 – 38,959,051) common shares, 37,493,785 warrants and 3,547,500 stock options outstanding.

As at the Report Date, the following stock options were outstanding:

| Exercise Price | Number of Shares Issuable on Exercise | Expiry Date |
|---|---|---|
| $0.48 | 212,500 | November 26, 2020 |
| $0.76 | 125,000 | January 6, 2021 |
| $0.18 | 375,000 | September 14, 2021 |
| $0.42 | 150,000 | April 4, 2022 |
| $0.40 | 1,387,500 | April 20, 2022 |
| $0.40 | 150,000 | May 30, 2022 |
| $0.26 | 60,000 | November 10, 2022 |
| $0.42 | 100,000 | December 13, 2022 |
| $0.485 | 200,000 | December 20, 2022 |
| $0.38 | 65,000 | March 6, 2023 |
| $0.39 | 82,500 | March 12, 2023 |
| $0.27 | 225,000 | April 19, 2023 |
| $0.265 | 115,000 | April 24, 2023 |
| $0.20 | 300,000 | June 19, 2023 |
| | 3,547,500 | |

As at the Report Date, the following warrants were outstanding:

| Exercise Price | Number of Shares | Expiry Date |
|---|---|---|
| $0.45 | 714,285 | October 18, 2019 |
| $0.35 | 493,500 | October 27, 2019 |
| $0.72 | 187,500 | July 30, 2020 |
| $0.32 | 4,577,000 | November 9, 2021 |
| $0.32 | 3,461,500 | December 7, 2021 |
| $0.33 | 8,060,000 | December 12, 2022 |
| $0.15 | 20,000,000 | October 19, 2023 |

37,493,785

**RESULTS OF OPERATIONS FROM PREVIOUS FINANCINGS**

| Date of Private Placement | Gross Proceeds | Prior Disclosure | Actual Spent | Remaining | Variance |
|---|---|---|---|---|---|
| November 2016* | $1,300,390 | Proceeds to be used for further expansion into Washington State, USA and general working capital purposes. | $1,300,390 | $0 | $0 |
| October 17, 2017 | $400,000 | Proceeds to be used for general working capital and corporate purposes. | $400,000 | $0 | $0 |
| October 27, 2017 | $95,200 | Proceeds to be used for general working capital and corporate purposes. | $95,200 | $0 | $0 |
| December 12, 2017** | $2,015,000 | Proceeds to be used to complete the expansion of the facility in Bellingham, Washington and the process of upgrading the Delta, BC location and for general working capital and corporate purposes | $2,015,000 | $0 | $0 |

*The Company used the net proceeds for expansion of the Bellingham facility and for working capital

**The Company used the net proceeds for completion of 80% of the Bellingham facility, required upgrades to the Delta facility and for working capital

## MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce to the cost of capital. The Company's capital is composed of equity in the statement of financial position.

The Company is not subject to externally imposed capital requirements. In managing capital structure, the Company manages its capital through regular reports to the Board of Directors, as well as management review of monthly or quarterly financial information. The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in note 1 of the condensed consolidated interim financial statements for the period ended September 30, 2018.

## FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital and possibly loans to finance its activities. The Company manages liquidity risk through its capital management as outlined above. Management has assessed liquidity risk as high.

### Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument or customer contract fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company is directly exposed to credit risk from its receivables. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at September 30, 2018. The majority of the Company's cash is held with major Canadian based financial institutions. Management has assessed credit risk as low.

The tenant of the Company's investment property has to date been unable to pay the required rent payments to the Company. The Company only recognizes revenue for rent payments received due to uncertainty of collection.

### Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company and its subsidiaries did not enter into significant transactions that were not denominated in their functional currencies and is therefore not expose to currency risks.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Management has assessed currency risk as low.

### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of its short-term maturity. The Company's other financial instruments have interest at fixed rates. Management has assessed interest rate risk as low.

### Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company is not exposed to price risk.

### Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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

The fair value of cash is based on level 1 of the fair value hierarchy.

## RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### Grant of license

The Company has applied for a license from Health Canada to become a Licensed Producer (“License”) under the Access to Cannabis for Medical Purposes Regulation. In order to satisfy the requirements for the final grant of the License, the Company must complete certain milestones to the satisfaction of Health Canada. The completion of these milestones may take longer than planned and cost more than the amount the Company has budgeted. In addition, there is no assurance that the Company will be granted the License, and this would materially adversely affect the Company’s operations and the Company would need to revise its business plan accordingly.

### License requirements

The Office of Controlled Substances of Health Canada (“OCS Health Canada”) issued a guidance document on June 19, 2013 regarding the completion of an application to become a Licensed Producer under MMPR (“Producer”).

A Producer must:

1. submit an application in the required form with all sections completed.
2. obtain Security Clearance for all senior and responsible individuals involved with the Company and who will work at the proposed site.
3. the proposed site for operations must be located in indoors, be used exclusively by the Producer and comply with all the technical details of the Production Security and the Physical Security directives stipulated under the requirements of MMPR. This includes requirements such as constant visual monitoring and recording, perimeter security and access control, and intrusion detection, monitoring and reporting.
4. contact and notify the local police force, fire authority and government of the Producer’s intention to submit an application.
5. identify and submit documentation attesting to the training, experience and technical knowledge of the person designated to assure the quality of the dried marijuana before it is made available for sale.
6. provide a report establishing that the buildings, equipment and sanitation program comply with the regulatory requirements.
7. describe, in details, the reporting system to be used to meet the reporting requirements of Health Canada.
8. prior to the grant of the License the Producer must obtain the approval of Health Canada to a pre-licence compliance inspection.

The Company submitted an application to Health Canada in the required form and on January 15, 2014 received a letter from Health Canada indicating compliance of the Vodis application to the above Producer requirements upon the implementation of the planned cultivation, storage, security and security systems proposals and verification of the receipt of the required security clearances.

### The Company has no operating history and an evolving business model

The Company has no operating history under the new License regime and its business model is still evolving. The Company’s ability to continue as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations but the Company has no proven history of performance, earnings or success. There can be no assurance that the Company will achieve profitability or obtain future financing.

### Uncertain demand

Demand for the Company’s medical marijuana products and turnkey indoor production facilities is dependent on a number of social, political and economic factors that are beyond its control. While the Company believes that demand for the Company's products and facilities will continue to grow, there is no assurance that such demand will exist or that the Company's products and facilities will be purchased to satisfy such demand.

**Regulatory regime**

The MMPR of the medical marijuana industry adopted by Health Canada which became effective April 1, 2014, is currently subject to a court challenge in British Columbia that may result in a review of the regulations and adversely impact the Company's sales and business operations, should the Company receive a license.

**Competition**

The Company operates in a highly competitive marketplace with various competitors. Increased competition may result in reduced gross margins and/or loss of market share, either of which would seriously harm its business and results of operations. Management cannot be certain that the Company will be able to compete successfully against current or future competitors or that competitive pressure will not seriously harm its business. Some of the Company's competitors are much larger and have greater access to capital, sales, marketing, and other resources. These competitors may be able to respond more rapidly to new regulations or devote greater resources to the development, promotion and sale of their products than the Company can. Furthermore, some of these competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share.

**Reliance on key personnel**

To date, the Company has been dependent on a relatively small number of key officers and employees. The Company's senior executives have experience in the industry and with the Company's business, products and customers. The loss of knowledge of the Company's operations, management expertise and technical proficiency as a result of the loss of one or more members of the Company's core management team, could result in a diversion of management resources or a temporary executive gap, or negatively affect the Company's ability to develop and pursue other business strategies, which could materially adversely affect the Company's business and/or financial results.

**Share price and volume volatility**

The Company's common shares may be affected by limited or sporadic trading volumes, which may affect its shareholders' ability to sell the Company's common shares. The Company's share price may be volatile and could be subject to wide fluctuations due to a number of factors including the risk factors described in this MD&A. In addition, broad fluctuations in the financial markets as well as economic conditions may adversely affect the market price of the Company's common shares.

**Fluctuation in operating results**

The Company may experience fluctuations in future quarterly operating results that may be caused by many factors, including but not limited to: (i) variability of sales to new and existing customers; (ii) changes in the level of marketing and other operating expenses; (iii) competitive factors; (iv) variability of properties to new and existing tenants; and (v) the timing of delivery. Consequently, the Company believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that the Company's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of the Company's common shares. Until the point where the Company is able to generate and predict continued positive cash flows from recurring revenue, it faces risk in utilizing its existing cash resources and potentially requiring further cash infusions from investors to maintain its operations.

**Disaster recovery**

The Company's sales operations are highly automated, and a disruption or failure of its web site systems may delay its ability to complete sales and to provide services. A major disaster or other catastrophic event that results in the destruction or disruption of any of the Company's critical business or information technology systems could severely affect its ability to conduct normal business operations. This possible disruption may materially and adversely affect the Company's future operating results.

**Risks inherent in the investment properties may adversely affect our financial performance**

Investment properties are generally subject to numerous factors and risks, including changes in general economic conditions, local economic conditions, the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

**The Property generates income through rent payments made by our tenants**

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or that the tenant will be replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. The Company's cash flows and financial position would be adversely affected if the tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties was not able to be leased on economically favourable lease terms. In the event of default by a tenant, the Company may experience delays or limitations in enforcing the Company's rights as sub-lessor and incur substantial costs in protecting the Company's investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and, thereby, cause a reduction in the cash flows available to the Company.

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. The costs of holding real estate are considerable and during an economic recession the Company may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions and interest payments.

**Concentration of tenants may result in significant vacancies on the properties**

Although the Company's Tenant is committed to multi-year leases, there is no assurance that such Tenant will continue to occupy such premises for the remainder of the lease terms. The Tenant does not have a break option on the sublease and therefore have to pay the rent until the lease ends. In order to minimize this risk of vacancy, the Company will continue to closely monitor the lease and work with the Tenant to determine the Tenants future leasing plans, which would allow the Company to source tenants in advance of the current Tenant vacating the property.

**Lease renewals, rental increases, lease termination rights and other lease matters**

Expiry of the lease for the Property will occur from time to time over the short and long-term. No assurance can be provided that the Company will be able to renew the lease upon the expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution. Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that the tenants will continue to occupy such premises which may have an adverse effect on us and could adversely impact our financial condition and results of operations and decrease the amount of cash available for distribution.

**Master lease for Property**

The Property in the State of Washington is subject to a lease with the Company as lessee. There is a risk that the lease may be terminated by D&B or that the Company will not exercise its option to purchase the Property.

**Environmental contamination on properties may expose us to liability and adversely affect our financial performance**

The properties may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. Buildings and their fixtures might contain asbestos or other hazardous substances above the allowable or recommended thresholds, or the buildings could bear other environmental risks. This possible contamination may materially and adversely affect the Company's future operating results.

**Financing risks, leverage and restrictive covenants may limit our ability for growth**

Investment properties are capital intensive. The Company will require access to capital to maintain the Property, as well as to fund the Company's growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms. Failure to access required capital could adversely impact the Company's future operating results.

A high level of indebtedness increases the risk that the Company may default on the Company's debt obligations. The Company's ability to make scheduled payments of the principal of, or interest on, and to otherwise satisfy the Company's debt obligations depends on future performance, which is subject to the financial performance of the Property, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the Company's control.

**Changes in government regulations may affect our investment in the Property**

The Company is subject to laws and regulations governing the leasing of real property, employment standards, environmental and energy efficiency matters, taxes and other matters. It is possible that future changes in applicable federal, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the Company (including with retroactive effect). In addition, the political conditions in the jurisdictions in which the Company will operate are also subject to change. Any changes in investment policies or shifts in political attitudes may adversely affect the Company's investments. Any changes in the laws to which the Company are subject in the jurisdictions in which the Company operate could materially affect the rights to the Properties. The Property is located in the United States. Although the government in the United States is stable and generally friendly to foreign investments, there are still political risks. It is not possible to predict whether there will be any further changes in the regulatory regime(s) to which the Company are subject or the effect of any such change on the Company's investments.

**United States federal law prohibits production and sale of marijuana**

Marijuana remains illegal under U.S. federal law and the approach to enforcement of U.S. federal laws against marijuana may be subject to change, enforcement of relevant laws is a significant risk. The Company cannot be directly involved in the production of marijuana. As a provider of turnkey facilities, branding and marketing, the Company is not in violation of current regulations. Were the regulations or their interpretation to change, the Company may have to change its strategy. The Company conducts itself in a manner consistent with U.S. federal and state enforcement priorities. The Company's U.S. facility has been built to state requirements and is run in accordance with the related licensing requirements and the regulatory framework enacted by Washington State.

**Specific risks related to the U.S. business**

Give the federal illegality of marijuana, the Company faces the risk that services providers such as national banks, insurers, service or key input providers may cease to do business with the Company. In addition, this may significantly curtail interest in and the liquidity of the Company's securities, thereby limiting its ability to raise capital and operate in the U.S. Currently there is limited investment from US persons.

The Company has retained the legal services of Martin Davis LLP and David Otto a partner of the firm sits on the Board of Directors of Vodis USA. The firm has rendered an opinion that the Company's activity in Washington State are compliant with the state regulation. The potential exposure and implications from U.S. federal law are not quantified at this time, other than its possible for the title of all US assets to be in question where the Federal laws to be enforced in Washington. It is estimated that this would be a loss of all US investments and receivables from the Company's US subsidiary.

**Investments in, and profits and cash flows from, properties may be lost in the event of uninsured or underinsured losses to properties or losses from title defects**

The Company carries insurance with limits which are typically obtained for similar real estate investments. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) which are uninsurable under any insurance policy. Furthermore, there are other risks that are not economically viable to insure at this time. Should an uninsured or underinsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from the Company's Property. The Company does not carry title insurance on the properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance or where the loss is in excess of insured limits, the Company could lose all or part of our investment in, and anticipated profits and cash flows from, such property.

**Information technology interruptions or breaches**

The Company's business operations are managed through a variety of information technology systems. These systems govern all aspects of its operations. While the Company has implemented a number of measures to keep its technology systems fully operational and to mitigate the risks associated with a failure of its systems, the Company's systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by its employees. If the Company's information technology systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them and the Company may suffer loss of critical data and interruptions or delays in its operations in the interim. Any material interruption in its information technology systems could have a material adverse effect on the Company's business, prospects, financial condition, results of operations and cash flows.

**Conflicts of interest**

Certain of the directors, officers and other members of management of the Company serve (and may in the future serve) as directors, officers and members of management of other companies and therefore, it is possible that a conflict may arise between their duties as a director, officer or member of management of the Company and their duties as a director, officer or member of management of such other companies. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

### Significant Accounting Estimates and Judgments

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. *Inputs used in valuing investment properties:* The fair value of the investment properties is determined by management, using the fair value of the finance lease property, or if lower, the present value of the minimum lease payments at the inception of the lease. Changes in the input assumptions can materially affect the fair value of the investment properties.
2. *Inputs used in the accounting for share-based payments expense in the consolidated statements of comprehensive loss:* Management uses the Black-Scholes Pricing Model for valuation of share-based interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.
3. *Inputs used in the accounting for finders' warrants in share capital and equity reserves*: Management uses the Black-Scholes pricing model for valuation of finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

*Critical accounting judgments*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. *Going concern of operations:* The condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the condensed consolidated interim financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.
2. *Lease Contracts*: The Company has entered into commercial property leases on its investment property portfolio. The Company makes judgments in determining whether certain leases, particularly those leases with long contractual terms, are operating or finance leases. The Company must assess each lease separately against land and building. The Company has determined that all of its leases of land and buildings are operating leases.
3. *Determination of provisions for income taxes and the recognition of deferred income taxes*: In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**New Accounting Standards and Interpretations**

**Financial Instruments**

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of reserves at April 1, 2018.

Measurement

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

**Accounting Standards Issued But Not Yet Applied**

**Leases**
On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company continues to assess the impact of adopting this standard on its condensed consolidated interim financial statements.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the condensed consolidated interim financial statements, is the responsibility of management. In the preparation of these condensed consolidated interim financial statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying condensed consolidated interim financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.