CANOPY **GROWTH CORPORATION**

FORM 51-102F4

BUSINESS ACQUISITION **REPORT**

Item 1 ***Identity of Corporation***

1.1 **Name and Address of the Company**

Canopy Growth Corporation **("Company"** or **"Canopy")**
1 Hershey Drive
Smiths Falls, ON K7A OA8

1.2 Executive Officer

The following individual is knowledgeable about the significant acquisition described herein and this business acquisition report:

Tim Saunders, Senior Vice President & Chief Financial Officer
Ph: (613) 706-2185, extension 150

Item2 ***Details of Acquisition***

2.1 Nature of Business Acquired

On January 31, 2017 (the **"Effective Time"),** the Company completed the previously announced acquisition of Mettrum Health Corp. **("Mettrum")** pursuant to a statutory plan of arrangement (the **"Arrangement")** under Section 182 of the *Business Corporations Act* (Ontario). Both Canopy and Mettrum are in the business of producing and selling medical marijuana in Canada in accordance with the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the *Controlled Drugs and Substances Act* (Canada).

The Arrangement was completed pursuant to the terms of an arrangement agreement dated November 30, 2016, as amended, between the Company and Mettrum (the **"Arrangement Agreement").** Pursuant to the Arrangement Agreement, each Mettrum common share (a **"Mettrum Share")** has been transferred to Canopy and the former holders thereof became entitled to receive 0.7132 (the **"Exchange Ratio")** of a common share of Canopy (the **"Canopy Shares")** for each Mettrum Share held. In accordance with the terms of the Arrangement Agreement, Mettrum became a wholly-owned subsidiary of the Company.

As a result of the Arrangement, each outstanding option to acquire a Mettrum Share outstanding immediately prior to the effective time of the Arrangement was exchanged for a Canopy replacement option, exercisable for Canopy Shares, with the number of options and strike price adjusted based on the Exchange Ratio (collectively, the **"Replacement Options").**

The Arrangement is more fully described in Canopy and Mettrum's joint management information circular dated December 22, 2016 (the **"Circular")** and filed on SEDAR (www.SEDAR.com) under Canopy and Mettrum's profile.

2.2 Date of Acquisition

January 31, 2017

2.3 Consideration

Pursuant to the Arrangement, Mettrum shareholders received 0.7132 of a Canopy Share for each Mettrum Share held. Based on the number of Mettrum Shares outstanding as of the Effective Time, 34,265,042 Canopy Shares were issued to the former holders of Mettrum Shares. The Canopy Shares issued to the former holders of Mettrum Shares on the closing of the Arrangement implies a total equity value of approximately C$337.511 million based on the closing price of C$9.85 for a Canopy Share on January 31, 2017.

In addition, pursuant to the Arrangement, former Mettrum optionholders were issued Replacement Options by Canopy.

There was no cash consideration in the transaction.

2.4 Effect on Financial Position.

Pursuant to the Arrangement, Canopy acquired control of Mettrum and on a consolidated financial basis has assumed all liabilities of Mettrum.

Except as disclosed in this Business Acquisition Report and the Circular, the Company does not have any current plans for any material changes in Canopy's business affairs, or the affairs of the business of Mettrum which may have a significant effect on the financial performance and financial position of Canopy.

2.5 Prior Valuations

No valuation opinion was obtained in the last 12 months by either Canopy or Mettrum. However, the special committee of the board of directors of Mettrum obtained a fairness opinion from each of Cormark Securities Inc. dated November 30, 2016 and Echelon Wealth Partners Inc. dated November 30, 2016, each such fairness opinion attesting to the fairness of the Arrangement to the shareholders of

Mettrum as set out therein; and Canopy obtained a fairness opinion from Dundee Capital Markets dated November 30, 2016, attesting to the fairness of the Arrangement to the shareholders of Canopy as set out therein.

2.6 Parties to Transaction

The Arrangement was not with an informed person (as such term is defined in section 1.1 of National Instrument 51-102 -*Continuous Disclosure Obligations),* associate or affiliate of the Company.

2.7 Date of Report

February 23, 2017

Item3 Financial Statements

As required by Part 8 of National Instrument 51-102 - *Continuous Disclosure Obligations,* the following financial statements are attached hereto:

ð **Schedule A:** Audited consolidated annual financial statements ofMettrum for the years ended March 31, 2016 and year ended March 31, 2015. Deloitte LLP, has consented to the use of their audit report for Mettrum's annual financial statements for the fiscal years ended March 31, 2016 and 2015.

ð **Schedule B:** Unaudited condensed consolidated interim financial statements of Mettrum for the three and nine month periods ended December 31, 2016 and December 31, 2015.

ð **Schedule C:** Unaudited *proforma* condensed consolidated statements of financial position as at and for the nine months ended December 31, 2016, and the unaudited *proforma* condensed consolidated statements of earnings (loss) and comprehensive income (loss) as at and for the nine months ended December 31, 2016 and the year ended March 31, 2016, together with the notes thereto.

Forward - looking statements

Certain information in this business acquisition report is forward-looking within the meaning of Canadian securities laws as it relates to anticipated financial performance, events or strategies. When used in this context, words such as will, anticipate, believe, plan, target, expect or similar words would suggest future outcomes.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including the fair value of assets acquired and liabilities assumed, the final settlement of any adjustments under the agreement for the Arrangement or plan of arrangement, completing the analysis of the tax treatment of the acquisition, recording any related future income tax adjustments and the effective corporate tax rate and incurring additional expenses in connection with the transaction, as well as those factors discussed in the section "Risk Factors" of the Company's Management's Discussion and Analysis and Annual Information Form for the year ended March 31, 2016 as well as the Circular (which can be found on www.sedar.com under the Company's profile).

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but may prove to be inaccurate. Although the Company believes the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. Readers are cautioned that the foregoing is not exhaustive of all factors and assumptions that may have been used.

SCHEDULE A

Audited consolidated annual financial statements of Mettrum for the years ended March 31, 2016 and year ended March 31, 2015.

Please see attached.

Consolidated financial statements of

Mettrum Health Corp.

March 31, 2016 and March 31, 2015

Mettrum Health Corp.
March 31, 2016 and March 31, 2015

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Independent Auditor's Report

To the Shareholders of
Mettrum Health Corp.

We have audited the accompanying consolidated financial statements ofMettrum Health Corp., which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015, and the consolidated statements of net loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mettrum Health Corp. as at March 31, 2016 and March 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

LLP

Chartered Professional Accountants
Licensed Public Accountants
June 29, 2016

Mettrum Health Corp.

Consolidated statements of net loss and comprehensive loss

(In Canadian dollars)

	March 31, 2016	March 31, 2015
	$	$
Revenue	**7,691,574**	3,058,711
Cost of sales (Note 7)	**4,514,513**	2,020,455
Gross profit before unrealized gain from changes in biological assets	**3,177,061**	1,038,256
Unrealized gain from changes in fair value of biological assets	**1,824,695**	259,311
Gross profit	**5,001,756**	1,297,567
Expenses		
General and administrative	**5,810,157**	3,256,706
Sales and marketing	**4,032,223**	1,534,617
Professional fees	**1,418,221**	1,978,032
Share-based compensation (Note 16)	**501,061**	484,345
Amortization	**552,297**	255,114
	12 313 959	7,508,814
Loss from operations	**(7,312,203)**	(6,211,247)
Listing costs (Note 2)		937,226
Finance costs	**90,341**	148,183
Interest income	**(103,582)**	(260,720)
	(13,241)	824,689
Net loss and comprehensive loss	**(7,298,962)**	(7,035,936)
Net loss per share, basic and diluted (Note 17)	**(0.22)**	(0.27)
Weighted average number of outstanding shares		
Basic and diluted	**33,748,895**	26,205,601

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

Mettrum Health Corp.

Consolidated statements of changes in equity

(In Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Warrants	Deficit	Shareholders' equity
	#	$	$	$	$	$
Balance at April 1, 2014	17,909,020	6,300,365	21,389	37,389	(833,233)	5,525,910
Share-based compensation expense (Note 16)	-	-	484,345	-	-	**484,345**
Issuance of common shares in connection with acquisition of Mettrum Creemore (Note 16)	1,029,000	2,069,628	-	-	-	2,069,628
Issuance of common shares in connection with private placement (Note 16)	13,800,000	28,643,714	-	3,493,786	-	32,137,500
Exercise of warrants (Note 16)	518,860	303,928	-	(28,928)	-	275,000
Issuance of common shares to former Cinaport shareholders (Note 16)	418,195	1,045,593	-	-	-	1,045,593
Issuance of share options to former Cinaport shareholders	-	-	106,919	-	-	106,919
Exercise of share options by former Cinaport shareholders (Note 16)	41,200	131,428	(71,276)	-	-	60,152
Exercise of share options by employees (Note 16)	20,000	9,600	(1,600)	-	-	8,000
Net loss and com12rehensive loss	-	-	-	-	(710351936)	(710351936)
Balance at March 31, 2015	**33,736,275**	**38,504,256**	**539,777**	**3,502,247**	**(7,869,169)**	**34,677,111**
Balance at April 1, 2015	33,736,275	38,504,256	539,777	3,502,247	(7,869,169)	34,677,111
Share-based compensation expense (Note 16)	-	-	501,061 -	-		501,061
Exercise of share options by employees (Note 16)	75,000	91,750	(37,680)	-	-	54,070
Net loss and com12rehensive loss	-	-	-	-	(7,298,962)	(7,298,962)
Balance at March 31, 2016	**33,811,275**	**38,596,006**	**1,003,158**	**3,502,247**	**(15,168,131)**	**27,933,280**

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

Mettrum Health Corp.

Consolidated statements of financial position

(In Canadian dollars)

	March 31, 2016	March 31, 2015
	$	$
Assets		
Current assets		
Cash and cash equivalents	**7,056,224**	21,697,396
Accounts receivable (Note 9)	**1,162,281**	539,125
Inventory (Note 7)	**4,089,929**	1,030,258
Biological assets (Note 8)	**955,689**	446,978
Preeaid exeenses	**582,137**	162,324
	13,846,260	23,876,081
Promissory note receivable (Note 10)	**499,242**	
Property and equipment (Note 12)	**19,985,418**	14,589,100
Intangible assets (Note 11)	**574,812**	433,063
Goodwill (Note 6)	**133,739**	
	35,039,471	38,898,244
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**3,239,612**	2,236,133
Current portion of term loan (Note 13)	**395,402**	
Current portion of finance leases (Note 14)	**113,914**	
Mort9a9e palable {Note 15}		1,985,000
	3,748,928	4,221,133
Term loan (Note 13)	**2,870,900**	
Finance leases {Note 14}	**486,363**	
	7,106,191	4,221,133
Shareholders' equity		
Share capital (Note 16)	**38,596,006**	38,504,256
Share-based reserve	**1,003,158**	539,777
Warrants	**3,502,247**	3,502,247
Deficit	**{15,168,131}**	{7,869,169}
	27,933,280	34,677,111
	35,039,471	38,898,244

Approved by the Board

________________________________ Director

________________________________ Director

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

Mettrum Health Corp.

Consolidated statements of cash flows

(In Canadian dollars)

	March 31, 2016	March 31, 2015
	$	$
Operating activities		
Net loss and comprehensive loss	**(7,298,962)**	(7,035,936)
Items not affecting cash		
Amortization of property and equipment (Note 12)	**1,209,195**	301,337
Amortization of intangible assets (Note 11)	**206,910**	50,908
Unrealized gain from changes in fair value of biological assets	**(1,824,695)**	(259,311)
Share-based compensation (Note 16)	**501,061**	484,345
Finance costs	**90,341**	148,183
Interest income	**(8,455)**	
Interest paid	**(63,402)**	(119,183)
Listing costs		937,226
Changes in non-cash operating working capital items		
Accounts receivable	**(615,336)**	633,130
Inventory	**(1,510,355)**	(394,487)
Biological assets	**(121,072)**	14,359
Prepaid expenses	**(419,813)**	106,811
Accounts payable and accrued liabilities	**986,415**	942,447
Cash used in operations	**{8,868,168)**	(4,190,171)
Financing activities		
Issuance of promissory notes		230,000
Term loan	**3,239,363**	
Repayment of finance leases	**(37,565)**	
Repayment of promissory notes		(3,941,614)
Mortgage (repaid) issued on Clarington property	**(1,985,000)**	1,985,000
Issuance of common shares	**54,070**	32,480,651
Net cash (used in) generated by financing activities	**1,270,868**	30,754,037
Investing activities		
Cash acquired from Mettrum Creemore		23,316
Acquisition of Mettrum Hemp	**(271,155)**	
Cash acquired from Cinaport		229,369
Promissory note receivable	**(490,787)**	
Purchase of property and equipment	**{5,933,271)**	(9,481,756)
Purchase of intangible assets	**(348,659)**	(430,238)
Net cash used by investing activities	**(7,043,872)**	(9,659,309)
(Decrease) increase in cash and cash equivalents	**(14,641,172)**	16,904,557
Cash and cash equivalents, beginning of year	**21,697,396**	4,792,839
Cash and cash equivalents, end of year	**7,056,224**	21,697,396

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

1. Description of business

Mettrum Health Corp. ("Mettrum Health" or the "Company"), was incorporated under the Business Corporations Act (Ontario) on March 29, 2011 as Cinaport Acquisition Corp. ("Cinaport") and was classified as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On September 30, 2014, Mettrum Health closed its qualifying transaction (the "Transaction") with Mettrum Ltd. ("Mettrum"), a licensed producer under the Marihuana for Medical Purposes Regulations (the "MMPR"), pursuant to which the shareholders of Mettrum completed a reverse takeover of the Company.

Prior to the completion of the Transaction, on July 29, 2014, Mettrum completed a brokered private placement by issuing 13,800,000 Subscriptions Receipts at a price of $2.50 each for aggregate gross proceeds of $34,500,000, after giving effect to the full exercise of the over-allotment option granted to the Agents in connection with the private placement. On closing of the Transaction, each Subscription Receipt was exchanged, without payment of any additional consideration, for one unit ("Unit") of Mettrum, comprising of one common share of Mettrum and one warrant exercisable to purchase one common share of Mettrum at an exercise price of $3.50 per share at any time on or before the date that is 12 months after the listing of the resulting issuer shares on the Exchange.

In connection with the Transaction, the Company changed its name from "Cinaport Acquisition Corp." to "Mettrum Health Corp." and consolidated its common shares on a 14.5625 to 1 basis. Following these changes, Mettrum amalgamated with 2434265 Ontario Inc., a wholly-owned subsidiary of the Company formed solely for the purpose of facilitating the Transaction. Pursuant to the amalgamation, the shareholders of Mettrum received one common share of the Company for each common share of Mettrum registered in the names of such shareholders. Holders of Mettrum's options and warrants (including all holders of Units) outstanding at the time of closing of the Transaction also received equivalent instruments of the Company exercisable for or convertible into the Company's common shares.

Following closing of the Transaction, the Company had 33,675,075 common shares issued and outstanding. In addition, an aggregate 16,812,523 common shares of the Company were reserved for options, warrants and broker warrants outstanding.

Effective upon the closing of the Transaction, as a result of the reverse takeover of the Company by the shareholders of Mettrum and to align the financial years of the Company to that of Mettrum, the financial year of the Company has been changed from February 28 of each year to March 31 of each year.

Upon issuance of the final exchange bulletin of the Exchange providing final acceptance of the Transaction, the Company ceased to be a Capital Pool Company and commenced trading as a Tier 1 Industry Issuer on the Exchange on October 2, 2014 under the symbol "MT".

Mettrum was incorporated on October 22, 2012 under the Ontario Business Corporations Act. Mettrum is a licensed producer of medical cannabis pursuant to the provisions of the MMPR and the Controlled Drugs and Substances Act and its Regulations. Mettrum received its license from Health Canada on November 1, 2013 and began production of medical cannabis on the same date. From its fully integrated medical grade facility located in Bowmanville, Ontario, Mettrum commenced sales of medical cannabis under the MMPR in January 2014. The registered head office for Mettrum Health Corp is 1100 Bennett Road, Bowmanville, Ontario, L1C 3K5.

(In Canadian dollars)

2. Reverse asset acquisition

The Transaction mentioned above constitutes a reverse asset acquisition by Mettrum of the Company. The Company did not meet the definition of a business, before acquisition, under International Financial Reporting Standards ("IFRS") 3- Business Combinations and therefore this is not a business combination as defined. Management established an accounting policy for this transaction in accordance with International Accounting Standard ("IAS") 8 - Accounting policies, Changes in Accounting Estimates and Errors and therefore relied on the principles of standards that deal with similar issues, namely IFRS 2 - Share Based Payment and IFRS 3. Although legally, the Company is regarded as the parent or continuing company, Mettrum, whose shareholders held approximately 99% of the voting shares of the Company immediately after the Transaction, is treated as the acquirer for accounting purposes following the principles in IFRS 3. Consequently, the Transaction is accounted for as a continuation of the financial statements of Mettrum, together with a deemed issuance of shares equivalent to the shares held by the former shareholders of the Company, and a recapitalization of the equity of Mettrum.

These consolidated financial statements include the completion of the reverse asset acquisition transaction recorded on September 30, 2014. Mettrum, the continuing entity for accounting purposes, is considered to have acquired the assets and liabilities of the Company in a capital transaction on September 30, 2014. As the acquirer for accounting purposes, Mettrum's net assets are included in the consolidated statements of financial position at their carrying amounts.

Consideration transferred

	$
Fair value of 418,195 post-consolidated Mettrum Health Corp. shares	1,045,593
Fair value of 61,803 post-consolidated Mettrum Health Corp. options	106,919
Less: net assets acquired	(215,286)
Difference expensed as listing costs	937,226

The fair value of the post-consolidated Mettrum Health Corp. shares and options was determined by reference to the consideration negotiated with the former shareholders of Mettrum Health Corp. following the principles of IFRS 2. The fair value component relating to the aforementioned options was determined using the Black-Scholes options pricing model (Note 16).

3. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS.

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on June 29, 2016.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for biological assets, warrants, share-based compensation and the reverse asset acquisition, which are measured at fair value, as explained in the accounting policies below and in Note 2 above.

Historical cost is fair value of the consideration given in exchange for goods and services generally based upon the fair value at the time of the transaction of the consideration given in exchange for assets. The expenses within the statements of net loss and comprehensive loss are presented by function.

3. Basis of preparation (continued)

Basis of measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional and presentation currency

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

Basis of consolidation

These consolidated financial statements include the results of the Company and its wholly-owned subsidiaries, Mettrum, Agripharm Corp ("Mettrum Creemore") and Mettrum Hempworks Inc., previously Oilseed Works Inc. ("Mettrum Hemp").

4. Significant accounting policies

(a) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statements of net loss and comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Cash and cash equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash.

(c) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Agricultural produce consisting of cannabis is measured at fair value less cost to sell at the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest.

Gains or losses arising from changes in fair value less cost to sell during the year, including the impact on the carrying amount of inventory, are included in the consolidated statements of net loss and comprehensive loss of the related year.

(d) Inventory

Inventories for finished goods, work in process, raw materials, packaging and other supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory identified is written down to net realizable value.

4. Significant accounting policies (continued)

(e) Property and equipment

Property and equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided on a straight line basis over its useful life as outlined below:

Office and computer equipment	3 years
Production equipment	5 years
Leasehold improvements	life of the lease
Finance lease equipment	5-20 years
Buildings	20-25 years

An asset's residual value, useful life and amortization method are reviewed at each financial year-end and adjusted if appropriate. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and are recognized in profit or loss.

(f) Finite life intangible assets

Intangible assets with finite useful lives are comprised of software and are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful lives of 3 years and amortization method are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis.

(g) Goodwill

The cost of goodwill comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Any direct costs of acquisition are recognized immediately as an expense.

Goodwill is capitalized with any impairment in carrying value being charged to the consolidated statements of net loss and comprehensive loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statements of net loss and comprehensive loss on the acquisition date.

Impairment tests on goodwill are undertaken annually at the financial year-end.

(h) Impairment of long-lived assets

Long-lived assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

4. Significant accounting policies (continued)

(i) Leases

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee, in which case lease is classified as a finance lease and the asset is treated as if it had been purchased outright.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

For finance leases, the amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the consolidated statements of net loss and comprehensive loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

aJ Revenue recognition

Revenue from the sale of inventory is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the amount of revenue can be reliably measured and it is probable that the economic benefits of the transaction will flow to the Company. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

(k) Share-based compensation

The Company has a share option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Fair value is measured using the Black-Scholes option pricing model.

Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

Consideration paid by employees or non-employees on the exercise of share options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

(/) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as general and administrative expenses in the consolidated statement of comprehensive loss as incurred. To date, no development costs have been capitalized.

(m) Loss *per share*

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

4. Significant accounting policies (continued)

(n) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

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

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

(o) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. Significant accounting policies (continued)

(o) Financial instruments (continued)

Financial assets

The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies its financial assets as financial assets at fair value through profit or loss or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

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

Financial liabilities

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

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. Significant accounting policies (continued)

(o) Financial instruments (continued)

Classification of financial instruments

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

Classification	
Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Promissory note receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Term loan	Other liabilities
Mortgage payable	Other liabilities

Effective interest method

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

Impairment of financial assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of the year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(p) Critical accounting estimates and judgments

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

Valuation of biological assets and inventory

Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

4. Significant accounting policies (continued)

(p) Critical accounting estimates *and judgments (continued)*

Share-based compensation

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

Estimated useful lives and amortization of property and equipment and intangible assets

Amortization of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Warrants

In calculating the value of the warrants, key estimates such as the value of the common share, the volatility of the value of the Company's common shares and the risk free interest rate are used.

(q) New standards and interpretations not yet adopted

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

Amendments to IAS 41 - Agriculture and IAS 16 - Property, plant and equipment

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. Early adoption is permitted. The Company is assessing the potential impact of the amendments to IAS 16 and IAS 41.

IFRS 9 - Financial Instruments

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

IFRS 16 - Leases

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

(In Canadian dollars)

4. Significant accounting policies (continued)

(q) New standards and interpretations not yet adopted (continued)

IFRS 15 - Revenue from Contracts with Customers

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

Amendments to IAS 1 - Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company will adopt these amendments in its financial statements for the year beginning on April 1, 2016.

5. Mettrum Creemore Acquisition

On June 20, 2014, Mettrum acquired all of the issued and outstanding shares of Mettrum Creemore, a company headquartered in the Township of Clearview, Ontario in order to increase the Company's future production capacity. At the date of acquisition, Mettrum Creemore had applied for its license for the purpose of cultivating and distributing medical cannabis pursuant to the MMPR and the Controlled Drugs and Substances Act and owned an inspection ready facility. On December 11, 2014, Mettrum Creemore received its initial license to grow 9,000 cannabis plants, which has subsequently been renewed and expanded.

Mettrum issued 1,029,000 shares valued at $2,069,628 as consideration for the acquisition of the following group of net assets, which have been recorded at their acquisition date fair values.

	$
Assets acquired	
Current assets	1,054,975
Equipment	537,834
Construction-in-process	4,563,292
Software	15,630
	6,171,731
Liabilities assumed	
Current liabilities	865,489
Promissory note payable	3,236,614
	4,102,103
Net assets acquired	2,069,628

The value of the license application described above is inseparable from the inspection ready facility acquired and accordingly these assets are inter-related. The license application has been recorded as part of the inspection ready facility construction-in-progress is now included in buildings in property and equipment that is being amortized over a period of 20 years. The value attributable to the license application was $2,367,257, based on the difference in fair value estimate of the construction-in-process and the costs incurred building the facility to the date of acquisition.

(In Canadian dollars)

6. Mettrum Hemp Acquisition

On April 30, 2015 all of the outstanding shares of Mettrum Hemp were acquired by the Company to provide it with a strategic entry into the hemp cannabis-based functional foods market. Mettrum Hemp is a Health Canada licensed producer and processor of cannabis-based products under the *Industrial Hemp Regulations* (Canada), issued pursuant to the *Controlled Drugs and Substances Act* (Canada), located in Barrie, Ontario. Under the terms of the agreement, Mettrum purchased Mettrum Hemp for $250,000. This is a related party transaction since a co-founder of Mettrum Hemp was Mettrum's Chief Product Officer and one of the Company's key management personnel.

Goodwill recorded in connection with the acquisition of Mettrum Hemp is primarily attributable to the business synergies, including shared costs and the ability to expose Mettrum's customers to Mettrum Hemp's products. None of the goodwill recognized in connection with the transaction is expected to be deductible for tax purposes.

Included in sales are $332,051 in revenues during the year-ended March 31, 2016 and included in the net loss and comprehensive loss is a loss of $574,948 during the year-ended March 31, 2016 relating to the Mettrum Hemp acquisition. If the Mettrum Hemp acquisition had occurred at the beginning of the year, the estimated contribution to sales is $342,321 and the estimated contribution to the net loss and comprehensive loss is a loss of $574,236.

	$
Assets acquired	
Accounts receivable	7,820
Inventory	112,260
Production equipment	34,400
Goodwill	133,739
	288,219
Liabilities assumed	
Bank indebtedness	21,155
Accounts eatable and accrued liabilities	17,064
	38,219
Net assets acquired	250,000
Consideration transferred	
Cash	250 000

7. Inventory

	March 31, 2016	March 31, 2015
	$	$
Finished goods	**1,468,809**	721,555
Work in process	**2,251,076**	271,145
Raw materials	**136,292**	
Packa9in9 and other sueelies	**233,752**	37,558
	4 089 929	1030258

The cost of inventories recognised as an expense was $4,514,513 during the year-ended March 31, 2016 (2015 - $2,020,455).

(In Canadian dollars)

8. Biological assets

Biological assets consist of cannabis on plants and other biological assets.

The changes in the carrying value of biological assets are as follows:

	Other biological assets	Cannabis on plants	Total
	$	$	$
Carrying amount, March 31, 2014	109,582	92,444	202,026
Net increase in fair value less cost to sell due to biological transformation		1,578,143	1,578,143
Transferred to inventory upon harvest		(1,333,191)	(1,333,191)
Carrying amount, March 31, 2015	109,582	337,396	446,978
Net increase in fair value less cost to sell due to biological transformation		6,820,340	6,820,340
Transferred to inventory upon harvest		(6,311,629)	(6,311,629)
Carrying amount, March 31, 2016	109,582	846,107	955,689

All biological assets and agricultural produce are current assets.

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

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

ii. Expected yields for cannabis on plants to be harvested, including the risk over the period, and

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

The Company estimates the harvest yields for the cannabis on plants at various stages of growth. As of March 31, 2016, it is expected that the Company's biological assets will yield approximately 281,000 grams (2015 - 149,000 grams) of medical cannabis when harvested. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in in the gain or loss on biological assets in future periods.

9. Accounts receivable

	March 31, 2016	March 31, 2015
	$	$
Trade receivables	**879,716**	114,232
Allowance for doubtful accounts	**(37,293)**	
Harmonized sales taxes receivable	**311,477**	412,028
Other accounts receivable	**8,381**	12,865
	1162 281	539 125

(In Canadian dollars)

9. Accounts receivable (continued)

Trade receivables include amounts due from customers which the Company has recorded an allowance for doubtful accounts. Harmonized sales taxes receivable represent refundable taxes spent on purchases during the year which are receivable after the year-end. The following table provides details on the age of trade receivables:

	March 31, 2016	March 31, 2015
	$	$
Oto 30 days	**275,083**	68,886
31 to 60 days	**262,453**	34,460
61 to 90 days	**153,439**	1,413
91 to 120 days	**50,767**	3,839
Greater than 120 days	**137,974**	5,634
	879 716	114 232

10. Promissory note receivable

The Company advanced $499,242 (2015 - $Nil) to an organization affiliated with the medical cannabis industry. The promissory note receivable bears interest at the rate 5% per annum and is to be repaid by June 1, 2017 with accrued interest. Upon maturity the Company has the option convert the promissory note to equity interest in the organization. Interest income from the note was $8,455 during the year-ended March 31, 2016 (2015-$Nil).

11. Intangible assets

	Software
	$
Cost, March 31, 2014	45,722
Additions	430,238
Acquisition (Note 5)	15,630
Cost, March 31, 2015	491,590
Additions	348,659
Cost, March 31, 2016	**840,249**
Accumulated amortization, March 31, 2014	7,619
Amortization	50,908
Accumulated amortization, March 31, 2015	58,527
Amortization	206,910
Accumulated amortization, March 31, 2016	**265,437**
Net carrying cost, March 31, 2016	**574,812**
Net carrying cost, March 31, 2015	433,063

Mettrum Health Corp.

Notes to the consolidated financial statements
March 31, 2016 and March 31, 2015
(In Canadian dollars)

12. Property and equipment

	Land	Construction in process	Buildings	Finance lease equipment	Production equipment	Office and computer equipment	Leasehold improvements	Total
	$	$	$	$	$	$	$	$
Cost								
March 31, 2014			-		190,721	12,563	139,374	342,658
Additions	245,000	2,888,010	3,602,852		2,558,104	16,812	170,978	9,481,756
Acquisition (Note 5)		4,563,292	-		528,958	8,876		5,101,126
Transfers		{4,563,292}	4,563,292					
March 31, 2015	245,000	2,888,010	8,166,144		3,277,783	38,251	310,352	14,925,540
Additions		1,312,293	2,004,087	637,842	2,485,130	103,266	28,495	6,571,113
Acquisition (Note 6)			-		34,400	-	-	34,400
Transfers		{2,858,01O}	2,858,010					
March 31, 2016	**245,000**	**1,342,293**	**13,028,241**	**637,842**	**5,797,313**	**141,517**	**338,847**	**21,531,053**
Accumulated amortization								
March 31, 2014			-		19,072	2,094	13,937	35,103
Amortization			116,543		127,105	7,250	50,439	301,337
March 31, 2015			116,543		146,177	9,344	64,376	336,440
Amortization			380,487	10,116	728,598	23,448	66,546	1,209,195
March 31, 2016	**-**	**-**	**497,030**	**10,116**	**874,775**	**32,792**	**130,922**	**1,545,635**
Net carn1!!,g cost								
March 31¦2016	**2451000**	**113421293**	**1215311211**	**627a726**	**419221538**	108i725	**2071925**	**1919851418**
March 312015	2451000	218881010	810491601		311311606	281907	2451976	1415891100

(In Canadian dollars)

13. Term loan

In December 2015, the Company entered into a five year fixed term loan of $3,500,000 expiring on December 1, 2020 that bears interest at 4.80% per annum and compounded daily based on a seven year amortization period. The loan is to be repaid in monthly blended interest and principal payments of $49,485. Interest charges relating to the loan were $58,167 during the year-ended March 31, 2016 (2015 - $Nil). The fair value of the loan approximates the carrying amount, which has an effective interest rate of 6.51%. Financing costs relating to the loan were $183,492 and have been netted against the funds advanced to the Company on the consolidated statements of financial position.

The Company also has access to a second credit facility of $3,500,000 under certain conditions for a five year open term. This facility is a variable revolving loan that bears interest at the lender's mortgage rate plus 1.20%, which is currently 4.90%.

The loan facilities are secured by general security agreements of all personal property owned by the Company and its subsidiaries and first charge collateral mortgages of $7,000,000 on the facilities owned and constructed by the Company's subsidiaries. The Company must comply with certain financial covenants beginning March 31, 2017.

14. Finance leases

The Company entered into finance leases to install a tower and related equipment for high speed internet in August 2015, for an industrial chiller at Mettrum Creemore in December 2015 and for production equipment at Mettrum in February 2016. The assets related to these leases are recorded as finance lease equipment in property and equipment. The Company's finance leases are for 5 years in duration ending between July 2020 to January 2021 and bear interest at rates between 5.93% - 6.63% (2015 - Nil).

	March 31, 2016	March 31, 2015
	$	$
Minimum lease payments		
No later than 1 year	**150,089**	
Later than 1 year, but no later than 5 years	**548,704**	
Later than 5 years		
	698,793	
Less: future finance charges	**(98,516)**	
Present value of minimum lease payments	**600,277**	
Current liabilities	**113,914**	
Non-current liabilities	**486,363**	
	600 277	

15. Mortgage payable

During the year-ended March 31, 2015, Mettrum entered into a mortgage facility of $2,145,000 to finance the purchase and renovation of an industrial facility and surrounding land, against which the Company had drawn $1,985,000 at March 31, 2015. On June 4, 2015, the Company gave notice that it would discharge the mortgage. The balance was repaid and the mortgage was discharged on July 6, 2015. The penalty for discharging the mortgage prior to its maturity was $15,715, equivalent to the interest charged for one month.

The mortgage bore a floating rate of interest at the greater of 9.5% or 5.5% above the Bank of Nova Scotia prime lending rate. Interest charges relating to the mortgage were $49,727 during the year-ended March 31, 2016, (2015 - $180,294) and have been capitalized as part of buildings in Note 12 in accordance with IAS 23 - Borrowing Costs.

16. Share capital

Shares

Authorized

An unlimited number of common shares.

Issued and outstanding

Issued share capital of Mettrum before the reverse asset acquisition on September 30, 2014:

Mettrum announced a share split on July 7, 2014 of 10 to 1, resulting in 16,118,118 additional shares and bringing the balance of outstanding shares to 17,909,020 for share issuances prior to March 31, 2014. Accordingly, all common shares, options, warrants and loss per share have been retrospectively restated to reflect the share split.

In connection with the acquisition of Mettrum Creemore described in Note 5, Mettrum issued 1,029,000 shares worth $2,069,628.

During the year-ended March 31, 2015, 518,860 warrants were exercised for cash proceeds of $275,000.

In connection with the private placement prior to the completion of the Transaction (Note 1), Mettrum issued 13,800,000 common shares and 13,800,000 warrants for net proceeds of $32,137,500, which have since expired.

Issued share capital of Mettrum Health after the reverse asset acquisition on September 30, 2014:

On completion of the Transaction on September 30, 2014, the 33,256,880 issued common shares of Mettrum were converted into 33,256,880 common shares of Mettrum Health. The pre-Transaction 6,090,000 common shares of Mettrum Health were consolidated on a 14.5625 to 1 basis into 418,195 common shares of the Company.

During the year-ended March 31, 2015, 61,200 share options were exercised for proceeds of $68,152.

During the year-ended March 31, 2016, 75,000 share options were exercised for proceeds of $54,070.

(In Canadian dollars)

16. Share capital (continued)

Warrants

	Number of warrants	Weighted average exercise erice	Expiry date
	#	$	
Balance as at March 31, 2014	681,580	0.70	
Exercised on June 26, 2014	(187,500)	0.40	
Exercised on July 4, 2014	(250,000)	0.40	
Exercised on July 11, 2014	(40,680)	1.23	
Exercised on August 1, 2014	(40,680)	1.23	
Issued pursuant to private placement on July 29, 2014	13,800,000	3.50	October 1, 2015
Broker warrants issued pursuant to erivate elacement on Jull 29, 2014	828,000	2.50	Jull 29, 2016
Balance as at March 31, 2015	**14,790,720**	**3.42**	
Exeired on October 1, 2015	(13,800,000)	3.50	
Balance as at March 31, 2016	**990z720**	**2.29**	

The fair value of the warrants issued in the private placement was determined using the Black-Scholes options pricing model, using the following assumptions:

Grant date share price	$2.25
Risk-free interest rate	1.00%
Expected life of warrants	1 year
Expected annualized volatility	59%
Expected dividend yield	
Weighted average Black-Scholes value of each warrant	$0.25

As of March 31, 2016, the Company has the following warrants outstanding and exercisable with the corresponding average exercise prices and expiry dates:

	Number of warrants	Weighted average exercise price	Expiry date
	#	$	
Issued December 17, 2013	162,720	1.23	December 1, 2016
Issued Jull 29, 2014	828,000	2.50	Jull 29, 2016
Balance as at March 31, 2016	**990z720**	**2.29**	

(In Canadian dollars)

16. Share capital (continued)

Share option plan

The Company has adopted a "Share Option Plan" which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Share Option Plan shall not exceed 10% of the issued and outstanding common shares as at the date of the grant. The plan is administered by the Board of Directors of the Company who establish exercise prices and expiry dates, which have been set at five years from the date of issuance. Options under the Plan vest evenly at the end of each anniversary of the grant over a period of five years for officers, employees and consultants for grants issued prior to June 29, 2015 and over a period of three years for grants issued from June 29, 2015 and vest after one year for directors.

Subject to the terms of grant as may be determined by the Board of Directors at the time options are granted, options may be exercisable for a period of up to ten years after the date of grant thereof. The number of shares reserved for issue to any individual director or officer will not exceed 5% of the number of then outstanding shares and the number of shares reserved for issue to any consultants or persons conducting investor relations activities will not exceed 2% of the number of then outstanding shares.

The Board of Directors has the discretion to determine to whom options will be granted, the number and exercise price of such options and the terms and time frames in which the options will vest and be exercisable. The exercise price of the options must be no less than the Discounted Market Price as defined in Policy 1.1 of the Exchange.

	Options issued	Weighted average exercise price
	#	$
Outstanding at March 31, 2014	995,000	0.40
Mettrum options issued prior to the Transaction	865,000	1.23
Cinaport options (after consolidation)	61,803	1.46
Cinaport options exercised	(41,200)	1.46
Options issued to independent directors on completion of the Transaction	100,000	2.50
Options issued to employees subsequent to the Transaction	132,500	1.90
Options issued to directors	25,000	2.10
Options exercised by employees	(20,000)	0.40
Forfeited options	(30,000)	1.34
Outstanding at March 31, 2015	**2,088,103**	**0.96**
Options issued to employees	1,050,000	1.59
Options issued to directors	125,000	1.69
Options exercised	(75,000)	0.72
Forfeited options	(565,303)	1.36
Outstanding at March 31, 2016	**2,622,800**	**1.17**

The weighted average share price for options exercised was $1.71 on the days when the options were exercised during the year-ended March 31, 2016 (2015 - $2.07).

(In Canadian dollars)

16. Share capital (continued)

Share option plan (continued)

The following table summarizes information concerning share options outstanding at March 31, 2016.

Grants	Exercise price	Number outstanding	Options outstanding weighted average remaining contractual life (years)	Number exercisable
	$	#		#
October 24, 2011	1.46	10,300	5.56	10,300
November 12, 2013	0.40	680,000	2.62	260,000
December 31, 2013	0.40	180,000	2.75	72,000
May 1, 2014	1.23	362,000	3.08	66,000
July 1, 2014	1.23	291,000	3.25	59,000
September 30, 2014	2.50	100,000	3.50	100,000
December 15, 2014	1.90	112,500	3.71	22,500
January 4, 2015	2.10	25,000	3.76	25,000
June 29, 2015	1.60	487,000	4.24	
October 2, 2015	1.52	150,000	4.50	
December 21, 2015	1.69	125,000	4.72	
March 3, 2016	1.60	100,000	4.92	
		2 622 800		**614 800**

Share-based compensation

Share-based compensation expense related to the options was $501,061 during the year-ended March 31, 2016 (2015 - $484,345). These options are measured at fair value at the date of grant and are expensed over the option's vesting period. The grant date fair value of options granted are $762,833 with weighted average fair value of $0.65 per option for the year-ended March 31, 2016 (2015 - $1,366,070 and $1.22). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions for options granted during the year:

	2016	2015
Risk free interest rate	0.50% - 0.73%	0.71% -1.60%
Expected life of options	2 -4 years	2 - 5 years
Expected annualized volatility	55%-70%	60%-89%
Expected dividend yield		

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

(In Canadian dollars)

17. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

For all the years presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future would have increased the loss per share (anti-dilutive) for the years presented are as follows:

	March 31, 2016	March 31, 2015
	#	#
Share options	**2,622,800**	2,088,103
Warrants exercisable	**990,720**	14,790,720
	3 613 520	16 878 823

18. Income taxes

Rate reconciliation

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial tax rates to loss on operations before income taxes, shown as follows:

	2016	2015
	$	$
Net loss before tax	**(7,298,962)**	(7,035,936)
Expected tax rate	**26.5%**	26.5%
Expected tax benefit resulting from loss	**(1,934,225)**	{1,864,523)
Permanent differences	**170,244**	503,606
Deferred tax asset not recognized	**1,763,981**	1,360,917
Income tax recovery		

Deferred taxes

Deferred income taxes reflect the impact of loss carry-forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effect of temporary differences and loss carry-forwards that gave rise to the deferred tax asset and deferred tax liabilities.

Deferred taxes (continued)

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statements of financial position of the Company:

(In Canadian dollars)

18. Income taxes (continued}

	Opening	Recognized in P&L	Recognized in equity	Closing
	$	$	$	$
Property and equipment and intangible assets	(156,786)	(92,796)		(249,582)
Biological assets and inventory	(124,318)	(498,634)		(622,952)
Finance leases and term loan		114,053		114,053
Non-capital loss carryforward	274,206	469,794		744,000
Other	6,898	7,583		14,481
Total deferred tax assets (liabilities)				

The Company has not recognized deferred tax assets of $3,913,000 (2015 - $1,848,000) for non-capital losses and $505,000 (2015 - $629,000) for deferred financing costs which exceed taxable temporary differences as of March 31, 2016.

Loss carry-forwards

The Company has non-capital losses available to reduce future years' federal and provincial taxable income which expire in future years as follows:

	$
2031	46,000
2032	91,000
2033	1,450,000
2034	3,219,000
2035	2,946,000
2036	9,719,000
	17 471 000

19. Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to 8 members of the Company's executive management team is as follows:

	2016	2015
	$	$
Short term employee benefits including salaries	**1,457,000**	1,518,000
Share-based compensation	**165,000**	179,000
	1622000	1697000

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

In the event that employment of Mettrum's remaining founders is terminated by the Company, other than for just cause, the founders are entitled to a severance amount equal to twelve months' salary plus bonus equal to the amount received in the prior year. This includes the Chief Executive Officer, General Counsel and one other key manager still employed by the Company at March 31, 2016.

(In Canadian dollars)

20. Related parties

Mettrum Creemore's land located in Clearview, Ontario is leased by way of a sublease (the "Sublease") from a company (the "Ground Tenant") controlled by the former President of Mettrum Creemore and a shareholder of the Company. In tum, the Ground Tenant has leased the same land by way of a ground lease (the "Ground Lease") from the relatives of the Ground Tenant who were former shareholders of Mettrum Creemore and are now shareholders, but not Insiders, of the Company (the "Ground Landlord"). The Ground Lease has a term of five (5) years with an expiration date of June 30, 2019 together with three (3) extension terms of five (5) years each. The Sublease has an identical term and extension terms (each expiring one (1) day earlier). The monthly base rent under the Sublease is $2,500. The Company recorded $22,500 during the year-ended March 31, 2016 (2015 -$17,500) of monthly base rent under the Sublease while the former President of Mettrum Creemore was a related party.

Mettrum Hemp's production facility located in Barrie, Ontario is leased from a related party to the former founder and shareholder of Mettrum Hemp and former officer of Mettrum, now the president of Mettrum Hemp and a shareholder of the Company. The lease has a term of five (5) years with an expiration date of March 31, 2020 together with one (1) extension term of five (5) years. The lease has an identical term and extension term (each expiring one (1) day earlier). The monthly base rent under the lease is $4,150. During the year-ended March 31, 2016 the Company recorded $45,650 (2015 - $Nil) of monthly base rent under the lease and $76,240 (2015 - $Nil) for other expenses, services and reimbursements. As of March 31, 2016 $6,795 (2015 - $Nil) is unpaid relating to these transactions and is in included in accounts payable and accrued liabilities.

Mettrum entered into a commitment for $30,000 and has paid $15,000 as of March 31, 2016 (2015-$Nil) to a company and related party to the Chief Legal Officer relating to the Company's new enterprise resource planning system.

21. Commitments and contingencies

In addition to the Subleases described in Note 20, the Company leases production space under an operating lease which will expire in July 2018 and has entered into other leases for equipment and office space. Future minimum payments under the Company's operating leases are as follows:

	March 31, 2016	March 31, 2015
	$	$
Minimum lease payments		
No later than 1 year	**427,566**	287,400
Later than 1 year, but no later than 5 years	**877,423**	780,600
Later than 5 years		
	1304989	1 068 000

The premises lease for the Bowmanville facility contains a contingent condition for the lessor to terminate the lease for any reason on or after July 31, 2015, provided the lessor has given the lessee at least 6 months prior written notice of the new lease expiry date.

(In Canadian dollars)

22. Financial instruments and risk management

Interest risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments.

Interest rate risk on the facility currently drawn on for the term loan and the finance leases are fixed for the term of the loans. The second facility available under the term loan would be exposed to changes in interest rates.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable and promissory note receivable. As at March 31, 2016, and March 31, 2015 the Company is not exposed to any significant credit risk related to counterparty performance.

The carrying amount of cash and cash equivalents, accounts receivable and promissory note receivable represent the maximum exposure to credit risk. These amounts total $8,717,747 (2015 - $22,236,521). The cash and cash equivalents balances are held by major Canadian banks. The accounts receivable are due from government agencies, a financial institution and are of a short term nature.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At March 31, 2016, the Company had $7,056,224 (2015 - $21,697,396) of cash and cash equivalents and working capital of $10,097,332 (2015 - $19,654,948).

In addition to the commitments disclosed in Notes 20 and 21, the Company is obligated to the following contractual maturities of undiscounted cash flows:

	Carrying amount	Contractual cash flows	Year1	Year 2-3	Year4-5
	$	$	$	$	$
Accounts payable and accrued liabilities	3,239,612	3,239,612	3,239,612		
Term loan	3,266,302	3,951,540	593,843	1,187,686	2,170,011
Finance leases	600,277	698,793	150,089	300,178	248,526
	7,106,191	7,889,945	3,983,544	1,487,864	2,418,537

Fair values

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and mortgage payable approximate their fair values due to their short-term to maturity. The promissory note receivable and term loan were originally recorded at fair value and subsequently at amortized cost that approximates the fair value of the instruments.

The risk of material change in fair value is not considered to be significant due to a relatively short term period of turnover. The Company does not use derivative financial instruments to manage the risk.

Fair value hierarchy

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

22. Financial instruments and risk management (continued}

Fair value hierarchy (continued)

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

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

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

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

Cash and cash equivalents are classified as Level 2 financial instruments. Accounts receivable and promissory note receivable are classified as Level 2 financial instruments. Accounts payable and accrued liabilities, term loan and mortgage payable are classified as Level 2 financial instruments. The warrants were valued using a Black-Scholes option pricing model and are a Level 2 financial instrument. During the year, there were no transfers of amounts between Level 1, Level 2 and Level 3.

23. Capital management

The Company's objective is to maintain investor, creditor and customer confidence, to safeguard the Company's ability as a going concern, to provide an adequate return to shareholders and to meet external capital requirements.

The Company's capital consists of mortgage payable, term loan, finance leases and shareholders' equity. In order to meet the Company's objectives in managing capital, it prepares annual budgets of cash, earnings and capital expenditures that are updated during the year as necessary. The annual budget was approved by the Board of Directors.

As at March 31, 2016, total managed capital $31,799,859 (2015 - $36,662,111) and there were no changes in the Company's approach to capital management during the year.

24. Subsequent events

On May 10, 2016, the Company closed an offering of 5,750,000 common shares at $1.50 per share, for gross proceeds of $8,625,000 and incurred costs of approximately $860,000.

On May 6, 2016, Mettrum received an amended license for its Bennett Road South facility that now allows for the sale of dried medical cannabis as well as extracts.

Effective May 1, 2016, the Company entered into a naming rights sponsorship agreement for 3 years. The Company is committed to $360,000 for the first 2 years of the agreement and $200,000 for an optional third year.

25. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation. These changes were done to improve disclosures and provide more meaningful information to the users of the financial statements.

The Company changed the grouping of expenses on the consolidated statements of profit and loss to separate the gain on change in fair value of biological assets from cost of sales. Rent and facilities expenses were included in general and administrative expenses and salaries and benefits were allocated to general and administrative expenses and sales and marketing expenses.

The Company also changed the grouping of assets property and equipment in order to group similar asset classes together and to separate assets with significantly different useful life estimates.

SCHEDULED

Unaudited condensed consolidated interim financial statements of Mettrum for the three and nine month periods ended December 31, 2016 and December 31, 2015.

Please see attached.

Interim condensed consolidated financial statements of

Mettrum Health Corp.

Three and nine months ended December 31, 2016

(Unaudited)

Mettrum Health Corp.

December 31, 2016
(Unaudited)

Table of contents

Mettrum Health Corp.

Interim condensed consolidated statements of net loss and comprehensive loss

(Unaudited)
(In Canadian dollars)

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
	$	$	$	$
Revenue	**5,292,556**	2,016,863	**14,253,092**	4,977,106
Cost of sales (Note 5)	**3,014,277**	1,183,208	**6,880,198**	2,997,792
Gross profit before unrealized gain from changes in biological assets	**2,278,279**	833,655	**7,372,894**	1,979,314
Unrealized gain from changes in fair value of biological assets	**177,798**	517,631	**1,259,189**	1,029,333
Gross profit	**2,456,077**	1,351,286	**8,632,083**	3,008,647
Expenses				
General and administrative	**2,028,817**	1,437,306	**5,197,705**	4,287,806
Sales and marketing	**2,452,007**	1,095,742	**6,856,512**	2,765,619
Professional fees	**1,605,219**	432,056	**2,350,122**	1,087,885
Share-based compensation (Note 12)	**298,244**	162,650	**584,531**	444,730
Amortization	**259,853**	117,096	**683,210**	355,610
	6,644,140	3,244,850	**15,672,080**	8,941,650
Loss from op_erations	**(4,188,063)**	(1,893,564)	**(7,039,997)**	(5,933,003)
Finance costs	**57,883**	10,076	**180,102**	26,591
Change in fair value of contingent consideration (Note 18)	**(797,418)**		**(797,418)**	
Interest income	**(90,640}**	(21,189)	**(141,180}**	(81,833)
	(830,175}	(11,113)	**(758,496}**	(55,242)
Net loss and com.e,rehensive loss	**(3,351,888)**	(118821451 l	**(6,281,501)**	(51877i761l
Net loss per share, basic and diluted (Note 13)	**(0.07)**	(0.06}	**(0.15)**	(0.17}
Weighted average number of outstanding shares				
Basic and diluted	**47,221,137**	33,743,601	**42,240,721**	33,739,031

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

Mettrum Health Corp.

Interim condensed consolidated statements of changes in equity

(Unaudited)
(In Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Warrants[1]	Deficit	Shareholders' equity
	#	$	$	$	$	$
Balance at April 1, 2015	33,736,275	38,504,256	539,777	3,502,247	(7,869,169)	34,677,111
Share-based compensation expense (Note 12)	-	-	444,730	-	-	444,730
Exercise of share options (Note 12)	12,000	26,480	(11,720)	-	-	14,760
Net loss and comE!rehensive loss	-	-	-	-	(51877z761}	(518771761}
Balance at December 31, 2015	**33,748,275**	**38,530,736**	**972,787**	**3,502,247**	**(13,746,930)**	**29,258,840**
Balance at April 1, 2016	33,811,275	38,596,006	1,003,158	3,502,247	(15,168,131)	27,933,280
Share-based compensation expense (Note 12)	-	-	584,531	-	-	584,531
Common share offering on May 10, 2016 (Note 12)	5,750,000	7,664,769	-	-	-	7,664,769
Common share offering on August 26, 2016 (Note 12)	5,661,000	13,775,875	-	-	-	13,775,875
Common share offering on September 7, 2016 (Note 12)	849,150	2,114,215	-	-	-	2,114,215
Acquisition of Apollo (Note 18)	522,684	3,554,251	-	-	-	3,554,251
Exercise of warrants (Note 12)	784,720	1,768,082	-	(12,936)	-	1,755,146
Exercise of share options (Note 12)	213,662	388,468	(134,239)	-	-	254,229
Net loss and comE!rehensive loss	-	-	-	-	(6,281,501}	(6,281,501}
Balance at December 31, 2016	**47,592,491**	**67,861,666**	**1,453,450**	**3,489,311**	**(21,449,632)**	**51,354,795**

1 There are no outstanding warrants as of December 31, 2016. The balance remaining in equity from expired warrants has been deemed to be contributed surplus to the Company.

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

Mettrum Health Corp.

Interim condensed consolidated statements of financial position

(Unaudited)

{In Canadian dollars)

	December 31, 2016	March 31, 2016
	$	$
Assets		
Current assets		
Cash and cash equivalents	**17,337,843**	7,056,224
Accounts receivable (Note 6)	**2,094,103**	1,162,281
Inventory (Note 5)	**5,378,401**	4,089,929
Biological assets (Note 4)	**1,851,717**	955,689
Prepaid expenses	**1,750,996**	582,137
	28,413,060	13,846,260
Promissory note receivable (Note 7)	**1,350,092**	499,242
Property and equipment (Note 8)	**25,096,350**	19,985,418
Intangible assets (Note 9)	**570,128**	574,812
Goodwill (Note 17, 18)	**14,314,855**	133,739
	69,744,485	35,039,471
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**6,058,972**	3,239,612
Contingent consideration	**3,089,515**	
Current portion of term loan (Note 11)	**415,279**	395,402
Current portion of finance leases (Note 10)	**119,670**	113,914
	9,683,436	3,748,928
Contingent consideration	**5,752,826**	
Term loan (Note 11)	**2,557,551**	2,870,900
Finance leases (Note 10)	**395,877**	486,363
	18,389,690	7,106,191
Shareholders' equity		
Share capital (Note 12)	**67,861,666**	38,596,006
Share-based reserve	**1,453,450**	1,003,158
Warrants	**3,489,311**	3,502,247
Deficit	**(21,449,632)**	(15,168,131)
	51,354,795	27,933,280
	69 744485	35,039,471

Approved by the Board

_s_/B_r_u_c_e_L_i_n_to_n____________________Director

_s_/M_a_rk_Z_e_k_ul_i_n__________Director

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

Mettrum Health Corp.

Interim condensed consolidated statements of cash flows
(Unaudited)
(In Canadian dollars)

	December 31, 2016	December 31, 2015
	$	$
Operating activities		
Net loss and comprehensive loss	**{6,281,501)**	(5,877,761)
Items not affecting cash		
Amortization of property and equipment (Note 8)	**1,518,645**	771,375
Amortization of intangible assets (Note 9)	**232,156**	144,927
Unrealized gain from changes in fair value of biological assets	**(1,259,189)**	(1,029,333)
Share-based compensation (Note 12)	**584,531**	444,730
Change in fair value of contingent consideration (Note 18)	**(797,418)**	
Finance costs	**180,102**	26,591
Interest income	**(32,577)**	(3,142)
Interest paid	**(145,305)**	(31,324)
Changes in non-cash operating working capital items		
Accounts receivable	**(812,596)**	(609,827)
Inventory	**(698,121)**	(1,590,786)
Biological assets	**(212,574)**	223,640
Prepaid expenses	**(1,162,712)**	(168,540)
Accounts payable and accrued liabilities	**2,583,202**	808,711
Net cash used in operating activities	**{6,303,357)**	(6,890,739)
Financing activities		
Term loan	**(328,269)**	3,325,974
Repayment of finance leases	**(84,730)**	(10,448)
Mortgage repaid on Clarington property		(1,985,000)
Issuance of common shares	**25,564,234**	14,760
Net cash generated by financing activities	**25,151,235**	1,345,286
Investing activities		
Acquisition of Mettrum Hemp		(271,155)
Acquisition of Apollo	**(903,831)**	
Promissory note receivable	**(818,273)**	(315,787)
Purchase of property and equipment	**(6,620,683)**	(4,197,468)
Purchase of intangible assets	**{223,472)**	(252,842)
Net cash used in investing activities	**{8,566,259)**	(5,037,252)
Increase (decrease) in cash and cash equivalents	**10,281,619**	(10,582,705)
Cash and cash equivalents, beginning of period	**7,056,224**	21,697,396
Cash and cash equivalents, end of period	**17,337,843**	11,114,691

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

1. Description of business

Mettrum Health Corp. ("Mettrum Health" or the "Company"), was incorporated under the Business Corporations Act (Ontario) on March 29, 2011 as Cinaport Acquisition Corp. ("Cinaport") and was classified as a Capital Pool Company ("CPC") as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On September 30, 2014, Mettrum Health closed its qualifying transaction (the "Transaction") with Mettrum Ltd. ("Mettrum"), a licensed producer under the Marihuana for Medical Purposes Regulations (the "MMPR"), pursuant to which the shareholders of Mettrum completed a reverse takeover of the Company. The Company commenced trading as a Tier 1 Industry Issuer on the Exchange on October 2, 2014 under the symbol "MT".

In connection with the Transaction, the Company changed its name from "Cinaport Acquisition Corp." to "Mettrum Health Corp." and consolidated its common shares on a 14.5625 to 1 basis. Following these changes, Mettrum amalgamated with 2434265 Ontario Inc., a wholly-owned subsidiary of the Company formed solely for the purpose of facilitating the Transaction. Pursuant to the amalgamation, the shareholders of Mettrum received one common share of the Company for each common share of Mettrum. Holders of Mettrum's options and warrants (including all holders of Units) outstanding at the time of closing of the Transaction also received equivalent instruments of the Company exercisable for or convertible into the Company's common shares.

Mettrum was incorporated on October 22, 2012 under the Ontario Business Corporations Act. Mettrum is a licensed producer of medical cannabis pursuant to the provisions of the MMPR and the Controlled Drugs and Substances Act and its Regulations. Mettrum received its license from Health Canada on November 1, 2013 and began production of medical cannabis on the same date. From its fully integrated medical grade facility located in Bowmanville, Ontario, Mettrum commenced sales of medical cannabis under the MMPR in January 2014. The registered head office for Mettrum Health Corp is 314 Bennett Road, Bowmanville, Ontario, L1C 3K5.

2. Basis of preparation

Statement of compliance

These interim condensed consolidated financial statements (the "consolidated financial statements") have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). These consolidated financial statements should be read in conjunction with the annual financial statements of Mettrum for the years ended March 31, 2016 and 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on February 23, 2017.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for biological assets, which are measured at fair value, as explained in the Company's accounting policies.

Historical cost is fair value of the consideration given in exchange for goods and services generally based upon the fair value at the time of the transaction of the consideration given in exchange for assets. The expenses within the statements of net loss and comprehensive loss are presented by function.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2. Basis of preparation (continued)

Functional and presentation currency

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

Basis of consolidation

These consolidated financial statements include the results of the Company and its wholly-owned subsidiaries, Mettrum, Agripharm Corp ("Mettrum Creemore"), Mettrum (Bennett North) Ltd. ("Bennett North"), Mettrum Hempworks Inc., previously Oilseed Works Inc. ("Mettrum Hemp"), Apollo Applied Research Inc. and Apollo CRO Inc. (together "Apollo").

3. Significant accounting policies

(a) Critical accounting estimates and judgments

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

Valuation of biological assets and inventory

Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell up to the point of harvest.

Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, costs to convert the harvested cannabis to finished goods, sales price, risk of loss, expected future yields from the cannabis plants and estimating values during the growth cycle.

The valuation of biological assets at the point of harvest is the cost basis for all cannabis based inventory and thus any critical estimates and judgements related to the valuation of biological assets are also applicable for inventory. The valuation of work in process and finished goods also requires the estimate of conversion costs incurred, which become part of the carrying amount for the inventory. The Company must also determine if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged.

Share-based compensation

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

Estimated useful lives and amortization of property and equipment and intangible assets

Amortization of property and equipment and finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

3. Significant accounting policies (continued)

(b) New standards and interpretations adopted

Amendments to IAS 41 - Agriculture and IAS 16 - Property, plant and equipment

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. The Company has adopted these amendments in its financial statements for the year beginning on April 1, 2016. These amendments did not require any significant change to the Company's accounting practices.

Amendments to IAS 1 - Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company has adopted these amendments in its financial statements for the year beginning on April 1, 2016. These amendments did not require any significant change to the Company's accounting practices, but should facilitate improved financial statement disclosures.

(c) New standards and interpretations not yet adopted

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

IFRS 9 - Financial Instruments

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

IFRS 15 - Revenue from Contracts with Customers

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

IFRS 16 - Leases

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

(In Canadian dollars)

4. Biological assets

Biological assets consist of cannabis on plants and other biological assets.

The changes in the carrying value of biological assets are as follows:

	Other biological assets	Cannabis on plants	Total
	$	$	$
Carrying amount, March 31, 2016	109,582	846,107	955,689
Net increase in fair value less cost to sell due to biological transformation		11,131,641	11,131,641
Transferred to inventory upon harvest		(10,231,788)	(10,231,788)
Sold	{3,825)		{3,825)
Carrying amount, December 31, 2016	105,757	1,745,960	1,851,717

All biological assets and agricultural produce are current assets.

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

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

ii. Expected yields for cannabis on plants to be harvested, including the risk over the period, and

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

The Company estimates the harvest yields for the cannabis on plants at various stages of growth. As of December 31, 2016, it is expected that the Company's biological assets will yield approximately 567,000 grams (March 31, 2016 - 281,000 grams) of medical cannabis when harvested. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in in the gain or loss on biological assets in future periods.

5. Inventory

	December 31, 2016	March 31, 2016
	$	$
Finished goods	**1,779,135**	1,468,809
Work in process	**2,870,715**	2,251,076
Raw materials	**289,934**	136,292
Packa9in9 and other sueelies	**438,617**	233,752
	5 378 401	4 089 929

The cost of inventories recognised as an expense was $2,590,017 and $6,384,122 during the three and nine months ended December 31, 2016, respectively ($1,183,208 and $2,997,792 during the three and nine months ended December 31, 2015, respectively). As a result of recalls by the Company, the unrealized gain from changes in fair value of biological assets has been reduced by losses of $295,492 and $443,752 and cost of sales includes an expense of $424,260 and $496,076 for inventory write-offs for the three and nine months ending December 31, 2016, respectively ($Nil and $Nil during the three and nine months ended December 31, 2015).

(In Canadian dollars)

6. Accounts receivable

	December 31, 2016	March 31, 2016
	$	$
Trade receivables	**1,174,611**	879,716
Allowance for doubtful accounts	**(57,573)**	(37,293)
Harmonized sales taxes receivable	**636,513**	311,477
Other accounts receivable	**340,552**	8,381
	2 094103	1 162 281

Trade receivables include amounts due from customers which the Company has recorded an allowance for doubtful accounts. Harmonized sales taxes receivable represent refundable taxes spent on purchases during the year which are receivable after the year-end. The following table provides details on the age of trade receivables:

	December 31, 2016	March 31, 2016
	$	$
0 to 30 days	**187,966**	275,083
31 to 60 days	**238,074**	262,453
61 to 90 days	**153,866**	153,439
91 to 120 days	**110,735**	50,767
Greater than 120 days	**483,970**	137,974
	1174 611	879 716

7. Promissory note receivable

The Company has advanced $1,350,092 (March 31, 2016 - $499,242) to Bodystream, an organization affiliated with the medical cannabis industry. The promissory note receivable bears interest at the rate 5% per annum and is to be repaid by June 1, 2017 with accrued interest. Upon maturity the Company has the option to convert the promissory note to an equity interest in the organization. Interest income from the note was $15,281 and $32,577 during the three and nine months ended December 31, 2016, respectively ($2,536 and $3,142 during the three and nine months ended December 31, 2015, respectively). The Company acquired all of the outstanding shares of Bodystream on January 9, 2017 as disclosed in Note 20.

(In Canadian dollars)

8. Property and equipment

	Land	Construction in erocess	Buildings	Finance lease eguiement	Production eguiement	Office and computer eguiement	Leasehold imerovements	Total
	$	$	$	$	$	$	$	$
Cost								
March 31, 2016	245,000	1,342,293	13,028,241	637,842	5,797,313	141,517	338,847	21,531,053
Additions	-	4,795,659	1,057,734	-	494,813	256,873	15,604	6,620,683
Acquisition (Note 18)	-	-		-		8,894		8,894
Transfers	-	{1,342,293}	1,342,293					
December 31, 2016	**245,000**	**4,795,659**	**15,428,268**	**637,842**	**6,292,126**	**407,284**	**354,451**	**28,160,630**
Accumulated amortization								
March 31, 2016	-	-	497,030	10,116	874,775	32,792	130,922	1,545,635
Amortization	-	-	490,607	25,595	887,765	63,071	51,607	1,518,645
December 31, 2016	**-**	**-**	**987,637**	**35,711**	**1,762,540**	**95,863**	**182,529**	**3,064,280**
Net carrying cost								
December 31, 2016	**245,000**	**4,795,659**	**14,440,631**	**602,131**	**4,529,586**	**311,421**	**171,922**	**25,096,350**
March 31, 2016	245,000	1,342,293	12,531,211	627/26	4,922,538	108/25	207,925	19,985,418

(In Canadian dollars)

9. Intangible assets

	Software
	$
Cost, March 31, 2016	840,249
Additions	223,472
Acguisition {Note 18}	4,000
Cost, December 31, 2016	**1,067,721**
Accumulated amortization, March 31, 2016	265,437
Amortization	232,156
Accumulated amortization, December 31, 2016	**497,593**
Net car in9 cost, December 31, 2016	**5701128**
Net carrying cost, March 31, 2016	574,812

10. Finance leases

The Company entered into finance leases to install a tower and related equipment for high speed internet in August 2015, for an industrial chiller at Mettrum Creemore in December 2015 and for production equipment at Mettrum in February 2016. The assets related to these leases are recorded as finance lease equipment in property and equipment. The Company's finance leases are for 5 years in duration ending between July 2020 to January 2021 and bear interest at rates between 5.93% - 6.63% (March 31, 2016 - 5.93% - 6.63%).

	December 31, 2016	March 31, 2016
	$	$
Minimum lease payments		
No later than 1 year	**150,089**	150,089
Later than 1 year, but no later than 5 years	**436,137**	548,704
	586,226	698,793
Less: future finance charges	**(70,679)**	(98,516)
Present value of minimum lease payments	**515,547**	600,277
Current liabilities	**119,670**	113,914
Non-current liabilities	**395,877**	486,363
	515 547	600,277

11. Term loan

In December 2015, the Company entered into a five year fixed term loan of $3,500,000 expiring on December 1, 2020 that bears interest at 4.80% per annum and compounded daily based on a seven year amortization period. The loan is to be repaid in monthly blended interest and principal payments of $49,485. Interest charges relating to the loan were $49,213 and $151,910 during the three and nine months ended December 31, 2016, respectively ($4,907 during the three and nine months ended December 31, 2015). The fair value of the loan approximates the carrying amount, which has an effective interest rate of 6.51%. On initial recognition, financing costs relating to the loan totaling $183,492 were netted against the funds advanced to the Company and $134,071 is unamortized at December 31, 2016 (March 31, 2016-$169,950).

The Company also has access to a second credit facility of $3,500,000 under certain conditions for a five year open term. This facility is a variable revolving loan that bears interest at the lender's mortgage rate plus 1.20%.

The loan facilities are secured by general security agreements of all personal property owned by the Company and its subsidiaries and first charge collateral mortgages of $7,000,000 on the facilities owned and constructed by the Company's subsidiaries. The Company must comply with certain financial covenants beginning March 31, 2017.

12. Share capital

Shares

Authorized

An unlimited number of common shares.

Issued and outstanding

On May 10, 2016, the Company issued 5,750,000 common shares at $1.50 per share, for gross proceeds of $8,625,000 and incurred costs of $960,231.

On August 26, 2016, the Company issued 5,661,000 common shares at $2.65 per share, for gross proceeds of $15,001,650 and incurred costs of $1,225,775. On September 7, 2016, the overallotment option of the offering was exercised by the underwriters, resulting in the issuance of an additional 849,150 shares at $2.65 per share, for gross proceeds of $2,250,248 and additional costs of $136,033 were incurred.

On November 15, 2016, the Company issued 522,684 shares with a deemed value of $6.80 per share totalling $3,554,251 to acquire Apollo (Note 17).

During the three months ended December 31, 2016, 123,163 share options were exercised by employees and directors for proceeds of $173,120 and 81,360 warrants were exercised for proceeds of $100,073. During the nine months ended December 31, 2016, 213,662 share options were exercised by employees and directors for proceeds of $254,229 and 784,720 warrants were exercised for proceeds of $1,755,146.

Share-based compensation

Share-based compensation expense related to the options was $298,244 and $584,531 during the three and nine months ended December 31, 2016, respectively ($162,650 and $444,730 during the three and nine months ended December 31, 2015, respectively). These options are measured at fair value at the date of grant and are expensed over the option's vesting period. No options were issued during the three months ending December 31, 2016 and the grant date fair value of options granted during the nine months ending December 31, 2016 is $1,355,271 with a weighted average fair value of $1.03 per option ($541,333 and $0.68 during the three and nine months ended December 31, 2015). In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions for options granted during the three and nine months ended December 31, 2016 and December 31, 2015:

(In Canadian dollars)

12. Share capital (continued)

Share-based compensation (continued)

	2016	2015
Risk free interest rate	0.52% - 0.74%	0.50% - 0.73%
Expected life of options	2-4 years	2-4 years
Expected annualized volatility	58%-69%	58%-84%
Expected dividend yield	0%	0%

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

Warrants

As of December 31, 2016 and March 31, 2016 the Company has the following warrants outstanding and exercisable with the corresponding average exercise prices and expiry dates:

	Number of warrants	Weighted average exercise price	Expiry date
	#	$	
Issued December 17, 2013	162,720	1.23	December 1, 2016
Issued July 29, 2014	828,000	2.50	July 29, 2016
Outstanding at March 31, 2016	990,720	2.29	
Exercised July 2016	(622,000)	2.50	
Expired July 29, 2016	(206,000)	2.50	
Exercised September 2016	(81,360)	1.23	
Exercised October 2016	(40,680)	1.23	
Exercised November 2016	(40,680)	1.23	
Outstanding atDecember 31, 2016			

Share option plan

The Company has adopted a "Share Option Plan" which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Share Option Plan shall not exceed 10% of the issued and outstanding common shares as at the date of the grant. The plan is administered by the Board of Directors of the Company who establish exercise prices and expiry dates, which have been set at five years from the date of issuance. Options under the Plan vest evenly at the end of each anniversary of the grant over a period of five years for officers, employees and consultants for grants issued prior to June 29, 2015 and over a period of three years for grants issued from June 29, 2015 and vest after one year for directors for grants issued prior to September 9, 2016 and over a period of two years for grants issued from September 9, 2016.

Subject to the terms of grant as may be determined by the Board of Directors at the time options are granted, options may be exercisable for a period of up to ten years after the date of grant thereof. The number of shares reserved for issue to any individual director or officer will not exceed 5% of the number of then outstanding shares and the number of shares reserved for issue to any consultants or persons conducting investor relations activities will not exceed 2% of the number of then outstanding shares.

(In Canadian dollars)

12. Share capital (continued)

Share option plan (continued)

The Board of Directors has the discretion to determine to whom options will be granted, the number and exercise price of such options and the terms and time frames in which the options will vest and be exercisable. The exercise price of the options must be no less than the Discounted Market Price as defined in Policy 1.1 of the Exchange.

	Options issued	Weighted average exercise price
	#	$
Outstanding at March 31, 2016	2,622,800	1.17
Options issued to employees	1,310,000	2.54
Options exercised	(213,662)	1.19
Forfeited options	(173,668)	1.10
Outstanding at December 31, 2016	**3,545,470**	**1.68**

The weighted average share prices for options exercised were $5.56 and $4.47 on days when the options were exercised for the three and nine months ended December 31, 2016, respectively

The following table summarizes information concerning share options outstanding at December 31, 2016.

Grants	Exercise price	Number outstandin9	Options outstanding weighted average remaining contractual life Clears)	Number exercisable
	$	#		#
October 24, 2011	1.46	10,300	4.81	10,300
November 12, 2013	0.40	580,000	1.86	340,000
December 31, 2013	0.40	145,000	2.00	87,000
May 1, 2014	1.23	310,000	2.33	112,000
July 1, 2014	1.23	227,000	2.50	74,000
September 30, 2014	2.50	75,000	2.75	75,000
December 15, 2014	1.90	94,000	2.95	31,000
January 4, 2015	2.10	25,000	3.01	25,000
June 29, 2015	1.60	419,170	3.49	123,822
October 2, 2015	1.52	150,000	3.75	50,000
December 21, 2015	1.69	100,000	3.97	100,000
March 3, 2016	1.60	100,000	4.17	
May 30, 2016	1.61	50,000	4.41	
July 2, 2016	2.08	350,000	4.50	
August24,2016	2.65	560,000	4.65	
September 9, 2016	2.96	350,000	4.69	
		3 545470		**1 028122**

(In Canadian dollars)

13. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future would have increased the loss per share (anti-dilutive) for the years presented are as follows:

	December 31, 2016	March 31, 2016
	#	#
Share options	**3,545,470**	2,622,800
Warrants exercisable		990,720
	3 545 470	3 613 520

14. Related parties

Mettrum Hemp's production facility located in Barrie, Ontario is leased from a related party to the former founder and shareholder of Mettrum Hemp and former officer of Mettrum, now the president of Mettrum Hemp and a shareholder of the Company. The lease has a term of five (5) years with an expiration date of March 31, 2020 together with one (1) extension term of five (5) years. The lease has an identical term and extension term (each expiring one (1) day earlier). The monthly base rent under the lease is $4,150. The Company recorded $12,450 and $37,350 during the three and nine months ended December 31, 2016, respectively, ($12,450 and $33,200 during the three and nine months ended December 31, 2015, respectively) of monthly base rent under the lease and $19,857 and $66,821 during the three and nine months ended December 31, 2016, respectively, ($30,545 and $57,843 during the three and nine months ended December 31, 2015) for other expenses, services and reimbursements. As of December 31, 2016 $9,076 (March 31, 2016 - $6,795) is unpaid relating to these transactions and is in included in accounts payable and accrued liabilities.

Mettrum entered into an agreement with a company and related party to the Chief Legal Officer for consulting services for the Company's new enterprise resource planning system. The Company recorded $11,052 and $44,042 during the three and nine months ended December 31, 2016, respectively ($Nil during the three and nine months ended December 31, 2015). As of December 31, 2016 $Nil is unpaid (March 31, 2016 - $15,096 prepayment) relating to these transactions.

15. Income taxes

Income tax expense or recovery is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income or loss of the interim period. The Company's consolidated effective tax recovery rate was 0% for the three and nine months ended December 31, 2016 and December 31, 2015. In 2016, and consistent with prior periods, the Company has not recognized a deferred tax asset in respect of depreciable assets, share issuance costs, and debt, and unused tax losses, resulting in a nil effective tax rate.

(In Canadian dollars)

16. Commitments and contingencies

In addition to the lease described in Note 14, the Company has operating leases for production space and land, sponsorship and naming rights commitments and has entered into other leases for equipment and office space. Future minimum payments under the Company's operating leases and sponsorships are as follows:

	December 31, 2016	March 31, 2016
	$	$
Minimum lease payments		
No later than 1 year	**670,340**	427,566
Later than 1 year, but no later than 5 years	**2,210,399**	877,423
Later than 5 years	**242,550**	
	3123 289	1304989

17. Mettrum Hemp acquisition

On April 30, 2015 all of the outstanding shares of Mettrum Hemp were acquired by the Company to provide it with a strategic entry into the hemp cannabis-based functional foods market. Mettrum Hemp is a Health Canada licensed producer and processor of cannabis-based products under the *Industrial Hemp Regulations* (Canada), issued pursuant to the *Controlled Drugs and Substances Act* (Canada), located in Barrie, Ontario. Under the terms of the agreement, Mettrum purchased Mettrum Hemp for $250,000 cash. This was a related party transaction since a co-founder of Mettrum Hemp was Mettrum's Chief Product Officer and one of the Company's key management personnel at the time of the transaction.

Goodwill recorded in connection with the acquisition of Mettrum Hemp is primarily attributable to the business synergies, including shared costs and the ability to expose Mettrum's customers to Mettrum Hemp's products. None of the goodwill recognized in connection with the transaction is expected to be deductible for tax purposes.

	$
Assets acquired	
Accounts receivable	7,820
Inventory	112,260
Production equipment	34,400
Goodwill	133,739
	288,219
Liabilities assumed	
Bank indebtedness	21,155
Accounts payable and accrued liabilities	17,064
	38,219
Net assets acquired	250,000

(In Canadian dollars)

18. Apollo acquisition

On November 15, 2016, all of the outstanding shares of Apollo, an applied research company, were acquired by the Company to accelerate growth and improve the Company's profile in research. The Company paid $1,000,000, issued 522,684 shares valued at $3,554,251 and owes $69,815 for a working capital adjustment for acquiring Apollo. Another 1,558,752 shares could be issued over the next five years if certain performance targets are met for the acquisition of Apollo. The present value of these shares has been preliminarily valued at $9,639,759 on November 15, 2016 and have been revalued at December 31, 2016 at $8,842,341, which resulted in a gain of $797,418 for the period.

Goodwill recorded in connection with the acquisition of Apollo is primarily attributable to the assembled workforce and business synergies, including shared costs and the ability to expose Apollo's customers to the Company's products. None of the goodwill recognized in connection with the transaction is expected to be deductible for tax purposes.

The fair values of the identifiable net assets acquired and the total consideration as at December 31, 2016 have been determined provisionally and are subject to adjustment. Provisional amounts for intangible assets have not been separately identified, valued or recognized as part of the purchase price allocation, and are pending completion of a comprehensive valuation. As a result, goodwill, which is the excess of the purchase price over the fair value of the net identifiable assets acquired, will be adjusted retrospectively to the acquisition date in future reporting periods.

	$
Assets acquired	
Cash	46,169
Accounts receivable	119,226
Inventory	14,616
Prepaid expenses	6,147
Office and computer equipment	8,894
Software	4,000
Goodwill	14,181,116
	14,380,168
Liabilities assumed	
Accounts payable and accrued liabilities	116,343
	116,343
Net assets acquired	14,263,825

19. Sale of Bennett North

The Company entered into an agreement with Cannabis Care Canada Inc. ("CCC") effective September 16, 2016 to sell its subsidiary, Bennett North, for $7,000,000 in cash. Bennett North owns the Health Canada cannabis licenses for the Company's operations in leased space at 1100 Bennett Road in Bowmanville, Ontario. The Company also entered into agreements to provide transitional services to CCC and a three-year supply agreement with CCC to provide medical cannabis and cannabis extracts. There are still conditions in the agreement to be met before closing.

20. Subsequent events

On December 1, 2016 it was announced that Canopy Growth Corporation ("Canopy") was acquiring the Company, which would result in the Company's shareholders and option holders receiving 0.7132 shares and options of Canopy. The transaction closed on January 31, 2017 after it was approved by the shareholders of both companies. The combined entity began trading on the Toronto Stock Exchange under the symbol WEED effective February 1, 2017.

On January 9, the Company acquired 100% of the outstanding shares of 2344823 Ontario Inc., operating as Bodystream ("Bodystream"), a leading network of medical cannabis clinics with 14 current locations across Ontario. The Company paid $1,000,000 and issued 451,596 shares to acquire Bodystream and another 1,505,322 shares could be issued over the next five years if certain performance targets are met. As of the date of these financial statements, the accounting for this business acquisition is incomplete as the fair values for the acquisition-date assets and liabilities acquired by the Company have not been determined, and accordingly, have not been disclosed.

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's financial statement presentation. These changes were done to improve disclosures and provide more meaningful information to the users of the financial statements.

The Company changed the grouping of expenses on the consolidated statements of profit and loss to separate the gain on change in fair value of biological assets from cost of sales. Rent and facilities expenses were included in general and administrative expenses and salaries and benefits were allocated to general and administrative expenses and sales and marketing expenses.

The Company also changed the grouping of assets property and equipment in order to group similar asset classes together and to separate assets with significantly different useful life estimates.

SCHEDULEC

Unaudited *proforma* condensed consolidated statements of financial position as at and for the nine months ended December 31, 2016, and the unaudited *proforma* condensed consolidated statements of earnings (loss) and comprehensive income (loss) as at and for the nine months ended December 31, 2016 and the year ended March 31, 2016, together with the notes thereto.

Please see attached.

Pro forma condensed interim consolidated statement of financial position as at December 31, 2016
Unaudited
(&pressed in CDN $000's)

	Canol!I Growth	Mettrum	ProForma Adjustments	Notes	ProForma Consolidated
Assets					
Current assets					
Cash and cash equiwlents	$ 92,504	$ 17,338			$ 109,842
Restricted short-term investment	250				250
Accounts receivable, net	2,462	2,094			4,556
Biological assets	5,307	1,852			7,159
Inventory	50,598	5,378			55,976
Prepaid e nses and other assets	1,562	1,751			3,313
	152,683	28,413			181,096
Property, plant and equipment	60,937	25,096			86,033
Promissory note receivable		1,350			1,350
Goodwill	34,912	14,315	(14,315)	3 a)	351,287
			316,375	3 a)	
Other intangible assets	31,638	570			32,208
Other assets	495				495
	$ 280 665	$ 69 744	$ 302 060		$ 652 469
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 12,731	$ 6,059	6,500	3 b)	$ 25,290
Contingent consideration		3,090			3,090
Deferred revenue	221				221
Current rtion of lo!!jl-term debt	1,078	535			1,613
	14,030	9,684	6,500		30,214
Long-term debt	6,092	2,953			9,045
Contingent consideration		5,753			5,753
Contingent consideration provision	527				527
Deferred tax liability	8,276				8,276
Other lo!!l!-term liabilities	216				216
	29,141	18,390	6,500		54,031
Shareholders' equity					
Share capital	253,009	67,862	(67,862)	3 c)	590,520
			337,511	3 a)	
Share-based reserve	7,833	1,453	(1,453)	3 c)	23,736
			15,903	3 **a)**	
Warrants		3,489	(3,489)	3 c)	
Deficit	(9,318)	(21,450)	21,450	3 c)	(15,818)
			6,500	3b	
	251,524	51,354	295,560		598,438
	$ 280 665	$ 69 744	$ 302 060		$ 652 469

Proforma condensed interim statement of net income (loss) and comprehensive income (loss)

for the nine months ended December 31, 2016

Unaudited

(&pressed in CDN $000's except per share amo-)

	Canopy Growth	Mettrum	ProForma .Adjustments	Notes	ProForma Consolidated
Rewmre	$ 25,234	$ 14,253			$ 39,487
Cost of sales (recovery), net of the unrealiz.ed gain on changes in fair value of biological assets	(10,981)	5,621		4b)	(5,360)
Gross margin, including the unrealized gain on cbsnges in fair value of biological **assets**	36,215	8,632			44,847
Sales and marketing	8,850	6,857			15,707
Resesrch and development	1,345				1,345
General and administration	10,924	7,548			18,472
.Acquisition costs	1,975				1,975
Share of loss in equity investments	50				50
Shsre-based compensation e,q,ense	3,345	585	(585)	4c)	4,158
			813	4c)	
Depreciation and am.ortmltion	2,943	683		4 a)	3,626
	29,432	15,673	228		45,333
Income (loss) from operations	6,783	(7,041)	(228)		(486)
Interest expense, net	(270)	(39)			(309)
Change **in fair value of acquisition consideration related liabilities**	(1,193)	797			(396)
	1,463	758			705
Net income (loss) and comprehensive income (loss) before income taxes	5,320	(6,283)	(228)		(1,191)
Income tax expense	(863)				(863)
Net income (loss) and comprehensiw income (loss) after income taxes	$ 4,457	$ (6,283)	(228)		$ (2,054)
Net income (loss) per shsre, basic:	0.04	$ (0.15)	$ (0.01)		$ (0.01)
Weighted average number of outstanding common **shares, basic:**	109,725,439	42,240,721	34,265,042		143,990,481
Net income (loss) per shsre, diluted:	0.04				
Weighted average number of outstanding common shsres, diluted:	114,094,787				

Pro forma statement of net loss and comprehensive loss
for the year ended March 31, 2016
Unaudited

(&pressed in CDN $000's except per share amo-)

	Canopy Growth	Mettrum.	ProForma Adjustments	Notes	ProForma Consolidated
Revenue	12,699	$ 7,692	$		$ 20,391
Cost of sales (recovery), net of the unrealized gain on changes in fair wlue of biological assets	(6,287)	2,690		4b)	(3,597)
Gross margin, including the unrealized gain on chlmges in fair wlue of biological assets	18,986	5,002			23,988
Sales and marketing	5,653	4,032			9,685
Research and development	721				721
General and administration	8,177	7,228			15,405
Acquisition costs	1,155		6,500	3b)	7,655
Share of loss in equity investments	276				276
Share-based compensation expense	3,497	501	(501)	4c)	5,737
			2,240	4c)	
Depreciation and amorfuation	2,256	552		4 a)	2,808
	21,735	12,313	8,239		42,287
Loss from operations	(2,749)	(7,311)	(8,239)		(18,299)
Interest income (expense), net	(140)	13			(127)
(Increase) decrease in fair value of acquisiton consideration related liabilities	(481)				(481)
	621	13			608
Net loss and comprehensive loss before income tax.es	(3,370)	(7J98)	(8J39)		(18,907)
Income tax (expense) recovery	(126)				(126)
Net loss and comprehensive loss after income tax.es	(3,496)	$ (7,298)	$ (8,239)		$ (19,033)
Net loss per share, basic and diluted:	(0.05)	$ (0.22)	$ (0.24)		$ (0.17)
Weighted average number of outstanding common shares:					
Basic and diluted	77,023,935	33,748,895	34,265,042		111,288,977

Canopy Growth Corporation
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements
(tabular amounts in Canadian thousands of dollars unless noted otherwise, except for per share amounts)

1. BASIS OF PRESENTATION

The unaudited pro forma condensed consolidated statement of financial position as at December 31, 2016, the unaudited pro forma condensed interim consolidated statement of net income (loss) and comprehensive income (loss) for the nine months ended December 31, 2016 and the unaudited pro forma condensed consolidated statement of net loss and comprehensive loss for the year ended March 31, 2016 of Canopy were prepared for illustrative purposes only in compliance with *National Instrument 51-102.*

The unaudited pro forma condensed consolidated statement of financial position and the unaudited pro forma condensed consolidated statements of net income (loss) and comprehensive income (loss) of Canopy are comprised of information derived from:

ð the unaudited condensed interim consolidated statement of financial position of Canopy as at December 31, 2016;
ð the unaudited interim condensed consolidated statement of financial position of Mettrum Health Corp. ("Mettrum") as at December 31, 2016;
ð the unaudited condensed interim consolidated statement of net income and comprehensive income of Canopy for the nine months ended December 31, 2016;
ð the unaudited interim condensed consolidated statement of net loss and comprehensive loss ofMettrum for nine months ended December 31, 2016;
ð the audited consolidated statement of net loss and comprehensive loss of Canopy for the year ended March 31,2016;and
ð the audited consolidated statement of net loss and comprehensive loss ofMettrum for the year ended March 31, 2016.

The unaudited proforma condensed consolidated financial statements do not include all of the information disclosures required by International Financial Reporting Standards ("IFRS") and should be read in conjunction with Canopy's unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2016, and the audited consolidated financial statements of Canopy for the year ended March 31, 2016, and the unaudited interim condensed consolidated financial statements of Mettrum as at and for the three and nine months ended December 31, 2016 and the audited consolidated financial statements of Mettrum for the year ended March 31, 2016.

The unaudited pro forma condensed consolidated financial information gives effect to the proposed acquisition of Mettrum as if it had occurred as at December 31, 2016, for the purposes of the unaudited pro forma condensed consolidated statement of financial position information and as at April 1, 2015 for the purposes of the unaudited pro forma condensed consolidated statements of net loss and comprehensive loss for the year ended March 31, 2016 and the nine months ended December 31, 2016.

The accounting policies used in the preparation of the unaudited pro forma condensed consolidated financial statements are consistent with those described in the consolidated financial statements of Canopy for the year ended March 31, 2016. Certain historical Mettrum amounts have been reclassified to conform to Canopy's presentation.

The unaudited proforma condensed consolidated financial statements are not necessarily indicative of the results of operations that would have occurred had the acquisition of Mettrum been effected on the dates indicated, nor are the unaudited pro forma condensed consolidated financial statements indicative of future periods. Actual amounts recorded upon consummation of the proposed acquisition will differ from such unaudited pro forma condensed consolidated financial statements. Since the pro forma condensed consolidated financial statements have been developed to retroactively show the effect of a transaction that is expected to occur at a later date (even though this was accomplished by following generally accepted practice and using reasonable assumptions), there are limitations inherent in the very nature of such pro forma data.

2. DESCRIPTION OF TRANSACTION

On November 30, 2016 Canopy and Mettrum entered into the Arrangement Agreement ("Arrangement Agreement") pursuant to which Canopy has agreed to acquire all of the issued and outstanding Mettrum shares, which are listed on the TSXV under the symbol "MT", on the basis that each Mettrum shareholder will receive 0.7132 common shares for each Mettrum share held (the "Acquisition"). All ofMettrum's outstanding options ("Mettrum Options") will be exchanged for an equivalent option granted pursuant to Canopy's stock option plan (each, a "Replacement Option") to purchase from Canopy the number of common shares (rounded to the nearest whole share) equal to: (i) the exchange ratio multiplied by (ii) the number ofMettrum shares subject to such Mettrum Option. Each such Replacement Option shall provide for an exercise price per common share (rounded to the nearest whole cent) equal to: (x) the exercise price per Mettrum share purchasable pursuant to such Mettrum Option; divided by (y) the exchange ratio.

The exchange ratio represents $8.42 per share and a premium of 33.75% based on the 5 day volume weighted-average-price ofMettrum shares on the TSX Venture Exchange as of November 30, 2016.

3. PRO FORMA CONDENSED CONSOLIDATED FINANCIAL POSITION ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma condensed interim consolidated statement of financial position of Canopy as at December 31, 2016 has been adjusted to reflect the following transactions as if the acquisition ofMettrum had been completed on December 31, 2016:

(a) The Acquisition is expected to be accounted for as a business combination under IFRS 3. The net assets acquired and consideration paid for 100% ownership of Mettrum is preliminarily allocated as follows:

Cash	$	17,338
Accounts receivable		2,094
Biological assets		1,852
Inventory		5,378
Prepaids		1,751
Property, plant and equipment		25,096
Promissory note receivable		1,350
Other intangible assets		570
Total assets		55,429
Accounts payable and accrued liabilities		6,059
Contingent consideration		8,843
Loan payable		535
Long-term loan		2,953
Total liabilities		18,390
Net assets acquired	$	37,039
Consideration paid	$	353,414
Goodwill	$	316,375

The exchange ratio for the transaction was determined by using Canopy's 5 day volume weighted average price **("VWAP")** per share of $11.80 on the TSX compared to Mettrum's 5 day VWAP on the TSXV as at November 30, 2016 to result in an exchange ratio of0.7132 Canopy shares to each Mettrum share or option. Canopy acquired all of the issued and outstanding shares ofMettrum on January 31, 2017 by issuing 34,265,042 shares at the common share price on that day of $9.85, which represents $337,511 of the $353,414 total consideration. The remaining other consideration of$15,903 is made up of the 2,469,403 Replacement Options issued.

The pro forma purchase price is subject to change based on the finalization of purchase price adjustments and completion of management's assessment of the fair values of the assets and liabilities acquired. Due to the timing of the announcement of the Arrangement Agreement, Canopy has not yet obtained sufficient information to accurately determine the fair market value ofMettrum's net assets by category and has therefore allocated the book values of the net assets acquired as a proxy of fair value as at December 31, 2016, except for the elimination ofMettrum's historical goodwill of $14,315. Goodwill represents the amount by which the purchase price exceeds the book value, being a proxy of fair value of the assets acquired and liabilities assumed. The final calculation and allocation of the purchase price will be based on the net assets purchased as of the closing date of the Acquisition and other information available at that time; there may be material differences from this pro forma purchase price allocation as a result of finalizing the valuation. Based on management's preliminary estimates, the goodwill may be allocated to other items such as: certain identified intangible assets, including customer lists; a deferred tax asset; and property, plant and equipment.

If a portion of the goodwill is allocated to property, plant and equipment, a pro forma adjustment related to depreciation expense would be required. For every $10,000 allocated to property, plant and equipment in excess ofbook value, pro forma depreciation expense would increase on an annual basis by approximately $400 - $3,333 based on Mettrum's straight-line depreciation periods of 3 - 25 years as disclosed in their consolidated financial statements. The actual depreciation recorded will be subject to the determination of the useful lives and the allocated fair values and could materially differ from these estimates. Additionally, there may be an income tax impact associated with these differences, however this impact is dependent on the nature of the asset class and tax depreciation classes, and the assigned fair values, which are unable to be reliably estimated at this time. Due to the uncertainty of the amounts, no pro forma adjustments have been made in the pro forma financial statements for these items.

(b) Estimated remaining acquisition related costs (relating to investment banker, legal, regulatory and accounting fees which are assumed to be expensed on completion of the Acquisition of approximately $6,500, which have been recorded to the opening deficit of the pro forma condensed interim consolidated statement of financial position of Canopy as at December 31, 2016 and reflected in the pro forma consolidated statement of net loss and comprehensive loss of Canopy for the year ended March 31, 2016 on the basis that these expenses are directly incremental to the Acquisition. The pro forma financial statements do not reflect a deferred tax asset that would otherwise result from tax effecting the acquisition related costs due to the Company's history oflosses.

(c) The elimination ofMettrum equity accounts.

4. PRO FORMA CONDENSED CONSOLIDATED NET INCOME (LOSS) ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma condensed consolidated statements of net income (loss) of Canopy for the nine months ended December 31, 2016 and the year ended March 31, 2016 have been adjusted to reflect the following transactions as if the acquisition ofMettrum had been completed on April 1, 2015:

(a) As discussed in Note 3(a), if a portion of the goodwill is allocated to property, plant and equipment, a pro forma adjustment related to depreciation expense would be required. For every $10,000 allocated to property, plant and equipment in excess of book value, proforma depreciation expense would increase on an annual basis by approximately $400 - $3,333 on an annual basis based on Mettrum's straight-line depreciation periods of 3 - 25 years as disclosed in their consolidated financial statements. The actual depreciation recorded will be subject to the determination of the useful lives allocated and the fair values and could materially differ from these estimates. Additionally, there may be an income tax impact associated with these differences, however this impact is dependent on the nature of the asset class and tax depreciation classes, and the assigned fair values, which are unable to be reliably estimated at this time. Due to the uncertainty of the amounts, no pro forma adjustments have been made in the pro forma financial statements for these items.

(b) Included in the cost ofrecovery, net of the unrealized gain on changes in fair value ofbiological assets, is an unrealized gain on changes in fair value of biological assets of $18,141 and $1,259 for Canopy and Mettrum, respectively, for the nine months ended December 31, 2016 for a total cost ofrecovery of $5,360, and $38,805 and $1,825 for Canopy and Mettrum, respectively, for the year ended March 31, 2016 for a total cost of recovery of$3,597.

(c) As discussed in Note 2, other consideration for the Acquisition includes 2,469,403 replacement options based on an exchange ratio of0.7132 Canopy options to each Mettrum option outstanding. Included in the share-based compensation expense is the impact of all remaining unvested options post acquisition using the Black-Scholes option pricing model to establish the fair value of options outstanding which amounts to $2,240 for the year ended March 31, 2016 and $813 for the nine months ended December 31, 2016, offset by Mettrum' s historical share-based compensation expense of $501 for the year ended March 31, 2016 and $585 for the nine months ended December 31, 2016.

5. PROFORMA NET INCOME (LOSS) PER SHARE

The pro forma net loss per share for the nine months ended December 31, 2016 and the year ended March 31, 2016 is as follows:

Nine months ended December 31, 2016	Basic and diluted
Pro forma net loss	$ (2,054)
Weighted average shares outstanding	109,725,439
Pro forma shares issued for acquisition	34,265,042
Pro forma weighted average shares outstanding	143,990,481
Pro forma net loss per share	$ (0.01)

Year ended March 31, 2016	Basic and diluted
Pro forma net loss	$ (19,033)
Weighted average shares outstanding	77,023,935
Pro forma shares issued for acquisition	34,265,042
Pro forma weighted average shares outstanding	111,288,977
Pro forma net loss per share	$ (0.17)