Unaudited Condensed Interim Consolidated Financial Statements of

**CHOOM HOLDINGS INC. (FORMERLY STANDARD GRAPHITE CORPORATION)**

**March 31, 2019**

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**CHOOM HOLDINGS INC. (FORMERLY STANDARD GRAPHITE CORPORATION)**
**March 31, 2019 and 2018**
(Expressed in Canadian Dollars)

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Unaudited Condensed Interim Consolidated Financial Statements

## NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Choom Holdings Inc. for the three and nine months ended March 31, 2019 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

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

**CHOOM HOLDINGS LTD. (FORMERLY STANDARD GRAPHITE CORPORATION)**
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (un-audited)
As at March 31, 2019 and June 30, 2018
Expressed in Canadian Dollars

| | Note | | **March 31 2019** | | June 30 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash and cash equivalents | 5 | $ | **9,923,668** | $ | 9,384,390 |
| Short-term investments | 6 | | **6,900** | | 6,900 |
| Accounts receivable | 7 | | **164,142** | | 243,914 |
| Assets held for sale | 20 | | **516,199** | | - |
| Prepaid expenses and advances | 18,23,24 | | **6,812,091** | | 626,094 |
| Marketable securities | 8 | | **900** | | 1,053 |
| | | | **17,423,899** | | 10,262,350 |
| **Non-Current** | | | | | |
| Deposit | 23 | | **675,500** | | 355,632 |
| Inventory | 9 | | **19,979** | | 26,705 |
| Property, plant and equipment | 10 | | **4,067,160** | | 225,975 |
| Intangible assets | 11 | | **5,928,063** | | 89,725,400 |
| Investment | 12 | | **1,732,665** | | - |
| Goodwill | 12 | | **980,800** | | - |
| | | $ | **30,828,066** | $ | 100,596,062 |
| **LIABILITIES** | | | | | |
| **Current** | | | | | |
| Trade and other payables | 13,18 | $ | **1,019,345** | $ | 747,708 |
| Liability held for sale | 20 | | **20,250** | | - |
| Advances from shareholders | 12 | | **4,000** | | 253,501 |
| | | | **1,043,595** | | 1,001,209 |
| **Non-Current** | | | | | |
| Convertible debenture | | | **11,838,032** | | - |
| | | | **12,881,627** | | 1,001,209 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 15 | | **114,601,171** | | 110,362,719 |
| Obligation to issue shares | 15 | | **1,929,749** | | - |
| Contributed surplus | 16 | | **7,082,457** | | 3,923,231 |
| Equity portion of convertible debenture | 14 | | **8,591,949** | | - |
| Accumulated other comprehensive income | | | **300** | | 453 |
| Accumulated Deficit | | | **(114,259,187)** | | (14,691,549) |
| | | | **17,946,439** | | 99,594,853 |
| | | $ | **30,828,066** | $ | 100,596,062 |

Approved by the Board of directors:

*"Steven Tong"* *"Christopher Bogart"*

Steven Tong Christopher Bogart

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

**CHOOM HOLDINGS LTD. (FORMERLY STANDARD GRAPHITE CORPORATION)**

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)

For the three and nine months ended March 31

Expressed in Canadian Dollars

| | Note | Three Months Ended March 31 2019 | Three Months Ended March 31 2018 | Nine Months Ended March 31 2019 | Nine Months Ended March 31 2018 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Administrative and general | 17, 22 | $ **2,457,094** | $ 682,278 | $ **5,769,306** | $ 1,129,886 |
| Depreciation | 10 | **466** | 82,356 | **1,213** | 130,850 |
| Research and development | | **-** | - | **6,449** | - |
| Application and termination of agreements costs | | **17,800** | 146,383 | **222,626** | 155,683 |
| Share-based payments | 16 | **1,262,538** | - | **3,166,936** | 748,507 |
| **Loss before other items** | | **(3,737,898)** | (911,017) | **(9,166,530)** | (2,164,926) |
| **Other income** | | | | | |
| Interest income | | **35,207** | - | **70,871** | 42 |
| Loss on settlement of debt | | **-** | - | **-** | (441,000) |
| Gain on obligation to issue shares | 12 | **62,451** | - | **62,451** | - |
| Other income net commission | | **30,190** | - | **84,627** | - |
| Financing costs | 14 | **(589,499)** | - | **(960,666)** | - |
| **Loss from continuing operations** | | **(4,199,549)** | (911,017) | **(9,909,247)** | (2,605,884) |
| **Loss from discontinued operations** | 20 | **(61,820)** | - | **(89,658,391)** | - |
| **Net Loss** | | **(4,261,369)** | (911,017) | **(99,567,638)** | (2,605,884) |
| **Other comprehensive loss** | | | | | |
| Items that may be recycled through profit or loss: | | | | | |
| Fair value loss on marketable securities | 8 | **167** | (300) | **(153)** | (166) |
| **Net Loss and comprehensive loss** | | $ **(4,261,202)** | $ (911,317) | $ **(99,567,791)** | $ (2,606,051) |
| **Net loss from continuing operations per common share basic and diluted** | 19 | $ **(0.05)** | (0.01) | **(0.05)** | $ (0) |
| **Net loss from discontinued operations per common share basic and diluted** | | $ **(0.00)** | $ - | $ **(0.50)** | $ - |

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

**CHOOM HOLDINGS LTD. (FORMERLY STANDARD GRAPHITE CORPORATION)**

CONDENSED CONSOLIDTED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)

For the nine months ended March 31, 2019

Expressed in Canadian Dollars

| | Note | Share Capital | Subscriptions Received | Contributed Surplus | Accumulated Comprehensive Other Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| Balance June 30, 2017 | | 7,035,733 | 35,250 | $ 1,097,533 | $ 733 | $ (8,116,093) | $ 53,157 |
| Loss for the period | | - | - | - | - | (2,605,884) | (2,605,884) |
| Shares issued for cash | 15 | 4,200,000 | - | - | - | - | 4,200,000 |
| Shares issued for Medi-can purchase | | 2,125,000 | - | - | - | - | 2,125,000 |
| Shares issued for debt | | 976,500 | - | - | - | - | 976,500 |
| Exercise of warrants | 15 | 31,250 | - | - | - | - | 31,250 |
| Exercise of options | | 194,959 | - | (88,959) | - | - | 106,000 |
| Available-for-sale investment | | - | - | - | (166) | - | (166) |
| Subscriptions receipts | | - | 6,964,750 | - | - | - | 6,964,750 |
| Share-based payments | | - | - | 748,507 | - | - | 748,507 |
| Share issue costs | | (35,100) | - | - | - | - | (35,100) |
| Balance March 31, 2018 | | 14,528,342 | $ - | $ 1,757,081 | $ 567 | $ (10,721,977) | $ 12,564,012 |

| | Note | Share Capital | Contributed Surplus | Equity Portion of Convertible Note | Obligation to Issue Shares | Accumulated Comprehensive Other Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance June 30, 2018 | | 110,362,719 | $ 3,923,231 | $ - | $ | $ 453 | $ (14,691,549) | $ 99,594,854 |
| Net Loss | | **-** | **-** | **-** | **-** | | **(99,567,638)** | **(99,567,638)** |
| Shares issued for acquisition | 12 | **977,145** | **-** | **-** | **-** | **-** | **-** | **977,145** |
| Shares issued for cash | 15 | **597,748** | **(7,710)** | **-** | **-** | **-** | **-** | **590,038** |
| Convertible debenture | 14 | **-** | **-** | **8,591,949** | **-** | **-** | **-** | **8,591,949** |
| Share Commitments issued | | **66,198** | **-** | **-** | | **-** | **-** | **66,198** |
| Share Commitments to be issued | 12, 24 | **-** | **-** | **-** | **1,929,749** | **-** | **-** | **1,929,749** |
| Shares issued for Clarity Option | | **2,976,000** | **-** | **-** | **-** | **-** | **-** | **2,976,000** |
| Compensation shares issued | | **56,000** | **-** | **-** | **-** | **-** | **-** | **56,000** |
| Available-for-sale investment | 8 | **-** | **-** | **-** | **-** | **(153)** | **-** | **(153)** |
| Share-based payments | 16 | **-** | **3,166,936** | **-** | **-** | **-** | **-** | **3,166,936** |
| Share issue costs | | **(434,639)** | **-** | **-** | **-** | **-** | **-** | **(434,639)** |
| **Balance March 31, 2019** | | **114,601,171** | **$ 7,082,457** | **$ 8,591,949** | **$ 1,929,749** | **$ 300** | **$ (114,259,187)** | **$ 17,946,439** |

**CHOOM HOLDINGS LTD. (FORMERLY STANDARD GRAPHITE CORPORATION)**
CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)
For the nine months ended March 31
Expressed in Canadian Dollars

| | Note | | 2019 | | 2018 |
|---|---|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Net loss for the period | | $ | **(9,909,247)** | $ | (2,605,884) |
| Items not affecting cash | | | | | |
| Depreciation | 10 | | **1,213** | | 130,850 |
| Share-based payments | 14 | | **3,222,936** | | 748,507 |
| Financing costs | | | **960,665** | | 441,000 |
| Changes in non-cash working capital | | | | | |
| Deferred revenue | | | **-** | | 75,000 |
| Restricted cash | | | **-** | | (7,000,000) |
| Accounts receivable | 7 | | **63,705** | | (13,992) |
| Inventory | | | **6,726** | | - |
| Trade and other payables | 12,17 | | **(220,634)** | | 651,182 |
| Prepaid expenses and advances | 20,21 | | **(6,277,143)** | | 294 |
| Due to related parties | 17 | | **-** | | 276 |
| Operating cash flow used in continuing operations | | | **(12,151,779)** | | (7,572,767) |
| Operating cash flow used in discontinued operations | 20 | | **(439,756)** | | - |
| Net cash used by operating activities | | | **(12,591,535)** | | (7,572,767) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | | | |
| Deposits | | | **(675,500)** | | - |
| Acquisition of intangibles | 11 | | **(2,172,063)** | | (669,395) |
| Acquisition of Clarity Medical | 12 | | **(84,652)** | | - |
| Purchase of equipment | 10 | | **(4,041,220)** | | (46,581) |
| Net cash used in investing activities from continuing operations | | | **(6,973,435)** | | (715,976) |
| Net cash used in investing activities from discontinued operations | 20 | | **(51,151)** | | - |
| Net Cash provided by investing activities | | | **(7,024,586)** | | (715,976) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Issued for private placement | 15 | | **-** | | 4,200,000 |
| Subscription receipts | | | **-** | | 6,964,750 |
| Exercise of warrants | | | **581,538** | | 31,250 |
| Exercise of options | | | **8,500** | | 106,000 |
| Repayment of shareholder loans | | | **-** | | (50,000) |
| Proceeds from convertible note | 14 | | **20,000,000** | | - |
| Share issue costs | | | **(434,639)** | | (35,100) |
| Net cash provided by financing activities | | | **20,155,399** | | 11,216,900 |
| Increase in cash and cash equivalents from continuing operations during the period | | | **1,030,185** | | 2,928,157 |
| Decrease in cash and cash equivalents from discontinued operations during the period | 20 | | **(490,907)** | | - |
| **Cash and cash equivalents from beginning of period** | | | **9,384,390** | | 109,309 |
| **Cash and cash equivalents, end of period** | | $ | **9,923,668** | $ | 3,037,467 |
| **Composition of cash and cash equivalents** | | | | | |
| Cash | | $ | **373,668** | $ | 2,037,468 |
| Cash equivalents | 5 | | **9,550,000** | | 1,000,000 |
| **Cash and cash equivalents, end of the period** | | $ | **9,923,668** | $ | 3,037,468 |

Supplemental cash flow information – Note 22

## 1. CORPORATION INFORMATION

Choom Holdings Inc. (the "Company") was incorporated in the province of British Columbia on September 18, 2006 under the *Business Corporations Act*. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "SGH" as a Tier 2 issuer.

On November 17, 2017, the Company changed its name to Choom Holdings Limited and completed a change of business to the business of cultivating and selling cannabis for medical purposes and related products under the Access to Cannabis for Medial Purposes Regulations (ACMPR). During the period ended March 31, 2019 the Company re-directed its focus from the cultivation aspect of the cannabis industry to the retail sector. Additionally, on November 22, 2017 the Company's shares were delisted from the Exchange and approved for listing on the Canadian Securities Exchange ("CSE") and commenced trading thereafter under the symbol CHOO. The Company's corporate office and principal place of business is located at 350 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

## 2. BASIS OF PREPARATION AND GOING CONCERN

These condensed interim consolidated financial statements for the three and nine-month period ended March 31, 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements follow the same accounting policies and methods of application of the Company's most recent annual consolidated financial statements. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2018 annual consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2019.

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. The condensed interim consolidated financial statements are presented in Canadian dollars ("CDN"), which is the Company's and its subsidiaries functional currency. The preparation of condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these condensed interim consolidated financial statements are disclosed in Note 4.

### Going Concern

The Company has not yet achieved profitable operations. These condensed interim consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss of from continued operations of $9,909,247 and a loss from discontinued operations of $89,658,391 for the period ended March 31, 2019 (March 31, 2018 - $2,605,884, from continuing operations and $Nil from discontinued operations) and as at that date has accumulated a deficit of $114,259,187 (June 30, 2018 - $14,691,549) and is expected to continue to incur losses. The Company had working capital of $16,380,304 as at March 31, 2019 (June 30, 2018 - $9,261,142). The Company will continue to have to raise funds beyond its current working capital balance in order to meet the requirement of its change of business plan and to finance future development of potential retail license acquisitions, economically and upon future profitable production. Although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary approvals and financing to meet the Company's failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company's following wholly owned subsidiaries:

Medi-can Health Solutions Inc. ("Medi-Can)
Arbutus Brands Inc. ("Arbutus")
Island Green Cure ("IGC")
102047851 Saskatchewan Ltd. ("102047851")
2660837 Ontario Ltd ("2660837 Ontario")
2668667 Ontario Ltd. ("2668667" Ontario")
2150639 Alberta Ltd. ("2150639 AB")
2151414 Alberta Ltd. ("2151414 AB")
2150647 Alberta Ltd. ("2150647 AB")
2168698 Alberta Ltd. ("2168698 AB")
Universal Cannabis Coaching Inc. ("UCC")
Western Cannabis Coaching Centre Inc. ("WCC")
1165962 BC Ltd. ("11659262 BC")
Clarity Cannabis Medical Centre Inc. ("CCMC")
Choom BC Retail Holdings Inc. ("Choom BC")
Choom Holdings USA Inc . ("Choom US")

These subsidiaries were acquired or formed during the year ended June 30, 2018 and period ended March 31, 2019. These condensed interim consolidated financial statements include the operating results of these subsidiaries from the date of acquisition or formation through to March 31, 2019.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

### Future Accounting Pronouncements

During the period ended March 31, 2019, the Company adopted the new accounting standard IFRS 9, Financial Instruments effective for the Company's annual period beginning July 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended June 30, 2018 is presented under IAS 39 *Financial Instruments: Recognition and Measurement*. There were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

The Company's marketable securities and investment consist of equity securities. For marketable securities and investment not held for trading, the Company may make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. The Company elected to designate its marketable securities as financial assets at FVTOCI, where they will be recorded initially at fair value. Subsequent changes in fair value will be recognized in other comprehensive income only and will not be recycled into income (loss) upon disposition. As a result of adopting IFRS 9, the net change in fair value of the marketable securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to profit or loss in the statement of loss and comprehensive loss.

During the period ended March 31, 2019, the Company adopted the requirements of IFRS 15 *Revenue from Contracts with Customers*, effective for the Company's annual period beginning July 1, 2018. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model. There was no material transitional impact on adoption to IFRS 15.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Future Accounting Pronouncements** (cont'd)

*IFRS 16 Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 *Leases*.

This standard is applicable to the Company's annual period beginning on or after July 1, 2019. Management is further analyzing the future effects of this standard and in discussions with the board regarding any impact the adoption of this standard may have.

*Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)*
The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for the Company's annual period beginning on July 1, 2019.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

**Asset acquisitions vs Business Combinations**

Management has had to apply judgment with respect to whether the acquisition of Medi-Can, IGC, SMP and the Medical Centre were business combinations or asset acquisitions. The assessments required management to assess the inputs, processes and outputs of the companies acquired at the time of acquisition. Pursuant to the assessment, Medi-can, IGC and SMP were considered to be asset acquisitions and the Medical Centre (as defined in note 12) a business combination.

**Determination of purchase price allocations and contingent consideration**

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates were made in determining the value of contingent consideration payments, including assessing the probability of the grant of the cultivation and production licenses, and when the cultivation and production licenses will be granted. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss**.**

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### Income Taxes

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

### Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning. Should those judgements prove to be inaccurate, management's continued use of the going concern assumptions be inappropriate.

### Interest rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debenture. The determination of the market interest rate is subjective and could materially affect the fair value estimate.

### Assets held for sale and discontinued operations

The Company uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Company also uses its judgment to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

### Valuation of Share-based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### Impairment of Property and Equipment and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

(Expressed in Canadian Dollars)

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### Estimated Useful Lives and Depreciation/Amortization of Property and Equipment and Intangible Assets

Depreciation/amortization of property and equipment and 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.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash equivalents are held in a cashable guaranteed investment certificate with a maturity dates of July 11, 2019 and November 23, 2019 with interest rates of 1.5% - 2%.

## 6. SHORT-TERM INVESTMENTS

At March 31, 2019 and at June 30, 2018 the Company held a $6,900 guaranteed investment certificate ("GIC") earning interest at approximately 0.60% per annum and maturing July 11, 2019.

The GIC is held as security for a corporate credit card and renewed automatically each year as such it has been reported as a short-term investment on the Company's statement of financial position.

## 7. ACCOUNTS RECEIVABLE

Accounts receivable are made up of $153,804 (June 30, 2018 - $107,114) sales tax receivable; $Nil (June 30, 2018 - $136,800) for refundable retail space application fees and $10,339 (June 30, 2018 $Nil) for refundable lease deposits. Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

## 8. MARKETABLE SECURITIES

Marketable securities consist of an investment in 6,667 (post consolidation of 6:1) common shares of YDreams Global Interactive Technologies Inc. (formerly Apple Capital Inc.). The fair value of $900 (June 30, 2018 - $1,053) of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation. During the period ended March 31, 2019, the Company recorded a $153 loss (March 31, 2018 - $166) of investment on marketable securities as a fair value loss in other comprehensive loss.

## 9. INVENTORY

Inventory is comprised of the following:

| | **March 31 2019** | June 30 2018 |
|---|---|---|
| Retail merchandise | **$19,979** | $26,705 |

Inventory relates to retail merchandise that are not anticipated to be sold within a year, as such, has been classified as a long-term asset.

(Expressed in Canadian Dollars)

## 10. PROPERTY AND EQUIPMENT

| | Leasehold Improvements | Assets under Construction | Furniture & Fixtures | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at June 30, 2017 | $ - | $ - | $ 19,665 | $ 19,665 |
| Assets acquired on acquisition | - | - | 350,640 | 350,640 |
| Assets acquired | 57,422 | - | 5,477 | 62,899 |
| Disposition of assets | - | - | (187,314) | (187,314) |
| Balance June 30, 2018 | 57,422 | - | 188,468 | 245,890 |
| Disposition of assets | **-** | **-** | **(165,470)** | **(165,470)** |
| Assets transferred to assets held for sale | **(62,560)** | **-** | **-** | **(62,560)** |
| Impairment | **(46,013)** | **-** | **-** | **(46,013)** |
| Assets acquired | **-** | **-** | **9,588** | **9,588** |
| Assets acquired or under option | **51,151** | **4,035,000** | **-** | **4,086,151** |
| Assets acquired on acquisition | **-** | **-** | **20,701** | **20,701** |
| **Balance March 31, 2019** | **$ -** | **$ 4,035,000** | **$ 53,287** | **$ 4,088,287** |
| | | | | |
| **Depreciation and impairment losses** | | | | |
| Balance at June 30, 2017 | $ - | $ - | $ 18,234 | $ 18,234 |
| Depreciation for the year | - | - | 27,268 | 27,268 |
| Disposition of assets | - | - | (25,587) | (25,587) |
| Balance at June 30, 2017 | $ - | $ - | $ 19,915 | $ 19,915 |
| Impairment for the period | | - | - | - |
| Depreciation for the period | - | - | 1,213 | 1,213 |
| **Balance March 31, 2019** | **$ -** | **$ -** | **$ 21,128** | **$ 21,128** |
| | | | | |
| **Carrying amounts** | | | | |
| Carrying value at June 30, 2018 | $ 57,422 | $ - | $ 168,553 | $ 225,975 |
| **Carrying value at March 31, 2019** | **$ -** | **$ 4,035,000** | **$ 32,160** | **$ 4,067,160** |

**10. PROPERTY AND EQUIPMENT** (cont'd)

During the period ended March 31, 2019 $20,701 (June 30, 2018 – $Nil) assets acquired on acquisition are in connection with the Medical Centre Acquisition as described in Note 12.

During the period ended March 31, 2019 $108,573 (June 30, 2018 - $Nil) in leasehold improvements in connection with Medi-can and IGC were impaired by $46,013 and then transferred to assets held for sale as described in Note 12. Leasehold Improvements relate to warehouse improvements in Medi-Can and IGC. As the space is not yet in use and was reclassified as held for sale during the nine month period ended March 31, 2019 (Note 20) there was no depreciation expense recorded for the period ended March 31, 2019 and the prior year ended June 30, 2018.

During the period ended March 31, 2019 assets acquired included assets under construction of $4,035,000 (June 30, 2018 - $Nil) for the purposes of building out retail locations in advance of approval of its retail license applications.

During the year ended June 30, 2018, the Company disposed of assets with a net book value of $161,727 to settle outstanding shareholder loans from the acquisition of Medi-Can of $250,000 (Note 12), resulting in a gain on debt settlement of $88,273 that was recorded in the statements of loss and comprehensive loss in the prior year ended June 30, 2018.

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(Expressed in Canadian Dollars)

## 11. INTANGIBLE ASSETS

| | Medi-can | IGC | Arbutus Brands | Clarity Option | Clarity Medical Clinics | Intellectual Property | Total |
|---|---|---|---|---|---|---|---|
| **Costs** | | | | | | | |
| Balance at June 30, 2017 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Additions | 2,849,835 | 7,621,382 | 78,541,183 | - | - | 713,000 | 89,725,400 |
| Balance at June 30, 2018 | 2,849,835 | 7,621,382 | 78,541,183 | - | - | 713,000 | $89,725,400 |
| **Additions** | **-** | **-** | **41,167,957** | **5,080,000** | **67,000** | **68,063** | **46,383,020** |
| **Impairment** | **(2,849,835)** | **(7,621,382)** | **(103,761,553)** | **-** | **-** | **-** | **(114,232,770)** |
| **Transfer to assets held-for-sale** | | | **(15,947,587)** | **-** | **-** | **-** | **(15,947,587)** |
| **Balance at March 31, 2019** | **$ -** | **$ -** | **$ -** | **$ 5,080,000** | **$ 67,000** | **$ 781,063** | **$ 5,928,063** |

During the period ended March 31, 2019 the Company recorded a $89,658,391 (June 30, 2018 - $Nil) loss on discontinued operations in connection with the divesture of SMP and the transfer to assets held for sale for Medi-can and IGC as described in Note 12, Note 20.

During the period ended March 31, 2019, the Company recorded $41,167,957 additions to the cultivation license application in Arbutus Brands upon receipt of the cultivation license (Note 12).

### Patient Lists

During the period ended March 31, 2019 the Company recorded the fair value of $67,000 for patients list acquired on the acquisition of the Medical Clinics as described in Note 12.

### Intellectual Property

*Website*

During the period ended March 31, 2019 the Company recorded $63,970 (June 30, 2018 $Nil) for the development of the online purchasing site to facilitate retails sales upon receipt of the Company obtaining a retail license.

*Trademarks*

During the period ended March 31, 2019 the Company recorded $4,093 for the development of Choom's trademarks.

## 11. INTANGIBLE ASSETS (cont'd)

**Intellectual Property** (cont'd)

*Other*

On June 5, 2018, Choom entered into an asset purchase agreement with a third party to acquire certain customer lists, customer data and intellectual property rights including websites (the "Purchased Assets"). Consideration for the Purchased Assets included:

(a) 575,000 common shares issued on June 5, 2018 with a fair value of $713,000; and
(b) a retention bonus ("Retention Bonus") that is earned during the 24-month period (the **"**Bonus Period**")** following the date upon which Choom or one of its affiliates is licensed to sell a cannabis product permitted to be sold in Canada either pursuant to the Cannabis Act or the ACMPR to the public for non-medical purposes in the Province of Saskatchewan.

The Retention Bonus includes:
(i) $100 for each customer on the customer list who during the Bonus Period makes a purchase from Choom or its affiliates; and
(i) $150 for each customer on the customer list who during the Bonus Period makes a second purchase from Choom or its affiliates.

The 575,000 common shares are to be held in escrow of which 10% 57,500 (1,250,000) were released on June 20, 2018 with the remaining balance of 517,500 to be released over the subsequent 36 months.

As these intangible assets are not yet in use, no amortization has been taken during the period ended March 31, 2019 and the prior year ended June 30, 2018.

**Clarity Cooperation Agreement**

Subsequent to an option agreement dated April 16, 2018 as amended and restated on August 31, 2018 and October 31, 2018 between the Company and Clarity Cannabis MD Holdings Inc. and Clarity Cannabis BC Ltd (the "Original Option") the Company further entered into a cooperation and option agreement (the "Cooperation Agreement") effective February 26, 2019 (the "Effective Date") with Clarity and the shareholders of Clarity (the "Optionors", together with Clarity, the "Covenantors") superseding the Original Option pursuant to which the Covenantors and the Company agreed to assist and cooperate with each other to, among other things, facilitate the realization of certain Retail

Opportunities and satisfy the conditions for the Company to be able to realize its option to purchase Clarity and/or the assets (the "Assets") relating to the Retail Stores and Retail Opportunities.

Pursuant to the Cooperation Agreement, the Covenantors agree to grant to the Company and the Company agrees to grant to the Covenantors, the exclusive option and right (the "**Option**") to acquire or sell, as the case may be, common shares of Clarity (the "Clarity Shares"), and prior thereto, to acquire or sell, as the case may be, the Assets associated with any or all of the Retail Stores or Retail Opportunities for a period of five years from the Effective Date (the "Exercise Period") in consideration of the Option Price (as set out hereinbelow).

Either the Company or Clarity may exercise the Option to effect a closing ("Closing") of:

a) the purchase and sale of Clarity Shares by the Company (the "Clarity Share Transaction");
b) a Closing of one or more purchases and sales of Assets associated with a Retail Store and/or;
c) a Closing of one or more purchases and sales of Assets associated with a Retail Opportunity at any time during the Exercise Period by delivering a written notice to the other parties thereto.

## 11. INTANGIBLE ASSETS (cont'd)

**Clarity Cooperation Agreement** (cont'd)

Consideration for the Option (the "Option Price") included:

1) the cash payment of $2,000,000 to the principal shareholder of Clarity (the "Principal") (paid);
2) the issuance of 5,000,000 common shares (the "Option Shares") to all of the shareholders of Clarity pro-rata (issued), subject to escrow release over two years; and
3) the issuance of an additional 1,000,000 common shares to a certain shareholder (issued);

The common shares were valued at $2,976,000 as determined by the market price when issued being $0.48 per share.

The 5,000,000 Option Shares are to be held in escrow of which 20% (1,000,000) were released on February 26, 2019 with the remaining balance of 4,000,000 to be released over the subsequent 24 months.

Pursuant to the Cooperation Agreement, the Company agreed to issue to the Principal's legal counsel a total of 200,000 Choom Shares (the "Counsel Shares") on the Effective Date. For greater certainty, the Counsel Shares do not form part of the Option Price or the Purchase Price.

The Counsel Shares were valued at $96,000 as determined by the market price when issued being $0.48 per share and were included in professional fees (See Note 22).

Consideration for the Purchase Price (for each Retail Store and each Retail Opportunity acquired by the Company on Closing of such acquisition) includes:

a) a cash payment of $500,010 payable to the Principle and $10 to Clarity; and
b) the issuance of 5,000,000 Choom Shares ("Payment Shares") to be issued to the Optionors based on each of the Optionors' pro rata holdings of Clarity Shares. (For greater certainty, 2,500,000 of such Payment Shares will be issued on the date the Company obtains governmental approval to acquire one of the Retail Stores or to operate any cannabis retail store in Alberta, and the balance of 2,500,000 Payment Shares are to be issued on the earlier of (A) the Closing and (B) Closing on the acquisition of the first Retail Store from Clarity by Choom.

   Any Payment Shares issued will be held in escrow by the Company and released from escrow to the Optionors as follows: 20% on issuance of such Choom Shares, and thereafter in four equal 20% releases every 6 months over 24 months commencing on the Effective Date. If there is a change of control of the Company, all Option Shares and Payment Shares held in escrow will be released from escrow to the Optionors.

## 12. ACQUISITIONS

**Medical Centre**

On November 19, 2018 the Company entered into two share purchase agreement with the shareholders of Clarity Cannabis Medical Centre Inc. ("Clarity Medical"), Universal Cannabis Coaching Inc. ("UCC"), 1165962 BC Ltd. ("1165962 BC") and Western Cannabis Coaching Inc. ("WCC") (collectively the "Medical Centre") to acquire the issued and outstanding shares of the Medical Centre. The transaction closed on December 10, 2018.

Consideration for the purchase was an aggregate cash payment of $100,001 and an aggregate 1,915,973 (the "Consideration Shares") being the $900,000 equivalent of Choom common shares calculated by the 10 day, VWAP.

Mr. Forbes is a director of the Company held an interest in the Medical Centre and was considered a related party in the transaction.

The 1,915,973 Consideration Shares are to be held in escrow of which 20% (383,193) were released December 10, 2018 with the remaining balance of 1,532,780 to be released over the subsequent 24 months.

(Expressed in Canadian Dollars)

**12. ACQUISITIONS** (cont'd)

**Medical Centre** (cont')

The acquisition of the Medical Centre is a proprietary telemedicine platform that provides important education, access and expertise for referring patients in the use of cannabis for medical purposes. The Medical Centre approach makes it simple for new patients to access legal medical cannabis products in Canada and streamlines the process of registering with a licensed producer.

There are medical conditions that may benefit from cannabis when it comes to treating several health issues including chronic pain, PTSD, seizures, tremors, and general anxiety. The Medical Centre's team of cannabis trained general and specialist physicians, nurses, pharmacists, and coaches all work together to ensure patients get optimal medical care. The Medical Clinic will provide education to patients on the best use of medical cannabis products as an alternative to pharmaceuticals.

In accordance with IFRS 3, Business Combinations, the substance of a transaction constitutes a business combination as the Medical Centre meets the definition of a business under the standard. The acquisition of the Medical Centre was accounted for as a business combination and, accordingly, the assets acquired, the liabilities assumed have been recorded at their respective estimated fair values a of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued and cash paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate fair value of the four operating clinics.

The Consideration Shares were valued at $977,146 as determined by the market price when issued being $0.51 per Consideration Share.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

| | | |
|---|---|---|
| Fair value of 1,915,973 Choom common shares issued | $ | **977,146** |
| Cash Payment | | **100,002** |
| Total Purchase Price | $ | **1,077,148** |
| | | |
| Cash | $ | **15,350** |
| Taxes recoverable and other receivables | | **11,791** |
| Property and equipment | | **20,701** |
| Intangible assets (patient lists) | | **67,000** |
| Goodwill | | **980,801** |
| Trade payables | | **(18,495)** |
| Net assets acquired | $ | **1,077,148** |

Goodwill is attributed to the workforce and profitability of the acquired business. It will not be deductible for tax purposes. A pre-tax discount rate of 23.4% was used in the fair value assumptions for the patients lists.

(Expressed in Canadian Dollars)

**12. ACQUISITIONS** (cont'd)

**Arbutus Brands**

*International Tungsten Inc. ("ITI")*

On March 16, 2018, and subsequently amended on June 13, 2018, the Company entered into an amalgamation agreement between the Company, Arbutus and ITI (collectively the "Amalgamation Agreement"). On June 15, 2018, pursuant to the Amalgamation Agreement, the Company acquired all the issued and outstanding common shares of ITI and ITI amalgamated with Arbutus (the "ITI Transaction"), for the following consideration:

(a) each ITI Shareholder received 0.99784 of a Choom common share in exchange for each one common share of ITI issued and outstanding resulting in 52,031,110 Choom common shares being issued to ITI shareholders;
(b) 1,000,000 ITI stock options (the "ITI Options") to be issued by ITI to a third party (the "ITI Option Holder") concurrent with the closing of the SMP Acquisition (as described herein below) were cancelled and the ITI Option Holder was granted 1,000,000 options to purchase Choom common shares, with an exercise price of $0.35 per share and a five-year term;
(c) in connection with the closing of the ITI Transaction, Choom paid a finder's fees of 4,000,000 common shares to third parties; and.
(d) the original ITI special warrants were cancelled and the key shareholders of SMP holding the ITI special warrants received a pro-rata based percentage holdings of ITI common shares were issued an aggregate of 39,958,890 Choom common share commitments (the "Choom Share Commitments"). The issuance of Choom common shares pursuant to the Choom Share Commitments are subject to the following conditions:

    (ii) if a cultivation license is granted on or before June 15, 2019 each Choom Share Commitment will entitle the holder to exchange each Choom Share Commitment on a one to one basis for each Choom common share;
    (iii) if a cultivation license is granted after June 15, 2019 and Choom has not exercised its right to assign SMP's application each Choom Share Commitment will entitle the holder to receive 0.75 of a Choom common share.

As the issuance of Choom's common shares pursuant to the Choom Share Commitments were contingent on the grant of a cultivation license, the probability of the grant of a cultivation license could not be reasonably estimated at the time of purchase and as such, it was not included in the purchase price. Any Choom shares issued pursuant to the Choom Share Commitments will be subject to certain conditions and escrow requirements ranging from 6.25% - 25% released on the date of grant of a license and thereafter released 18.75% to 33.33% every 6 months thereafter. The purchase price equation is as follows:

| | |
|---|---|
| Fair value of 52,031,110 Choom common shares issued | $71,282,621 |
| Fair value of 1,000,000 ITI replacement options issued | 1,310,513 |
| Advance to ITI | 131,053 |
| Transaction costs | 5,657,606 |
| Total Purchase Price | $78,381,793 |
| | |
| Cash | $ 2,226 |
| Taxes recoverable and other receivables | 6,801 |
| Prepaids | 2,238 |
| Property and equipment | 163,326 |
| License | 78,541,183 |
| Trade payables | (69,480) |
| Shareholders loans | (264,501) |
| Net assets acquired | $78,381,793 |

The transaction costs were included in the ITI Acquisition costs which include legal, share-based payment expenses and finder's fee costs. The 1,000,000 ITI Options replaced for Choom options have a fair value of $1,310,513. The fair value of the stock options was determined using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate of 1.93%, volatility of 148.74%, expected life of 5 years, expected dividend yield of 0.00% and estimate forfeitures of nil.

**12. ACQUISITIONS** (cont'd)

**Arbutus Brands** (cont'd)

*International Tungsten Inc. ("ITI") (cont'd)*

*Specialty Medijuana Products*

Separate from the Amalgamation Agreement between the Company, Arbutus, and ITI, on March 9, 2018, prior to the Amalgamation Agreement, ITI entered into a share exchange agreement with SMP and SMP shareholders (collectively, the "SMP Shareholders") subsequently amended and restated on June 13, 2018 (collectively (the "SMP Agreement"). Pursuant to the SMP Agreement, ITI acquired all of the issued and outstanding common shares of SMP in consideration for 38,313,985 common shares of ITI (the "SMP Acquisition"). Following the completion of the SMP Acquisition:

(a) ITI became the "Resulting Issuer";
(b) SMP became a wholly-owned subsidiary of ITI and the business of the combined entity after giving effect to the SMP Acquisition, included the business of SMP;
(c) The original shareholders of ITI held an aggregate of 13,829,915 shares of the Resulting Issuer ("Resulting Issuer Common Shares"), representing approximately 27% of the then issued and outstanding Resulting Issuer Common Shares;
(d) SMP Shareholders held an aggregate of 38,313,985 Resulting Issuer Common Shares, representing approximately 73% of the then issued and outstanding Resulting Issuer Common Shares.

As such SMP is the continuing entity for accounting purposes. The SMP Acquisition did not meet the definition of a business combination, accordingly SMP accounted for the SMP Acquisition in accordance with IFRS 2 Share-based Payment. Consideration paid in excess of net assets of SMP acquired are accounted for as listing fee, and subsequently excluded from the net assets of ITI in the Amalgamation Agreement. The purchase price was determined based on the share price of ITI on June 15, 2018.

On October 17, 2018, SMP received its cultivation license from Health Canada. Accordingly, management estimated the fair value of the Choom Share Commitments based market share price to be $41,167,957 and recorded it as an addition to the Arbutus intangible asset (Note 11).

As at March 31, 2019 1,873,542 Choom Share Commitments remained outstanding at an aggregate value of $1,929,749 as determined by the market price of $1.03 being the share price of on the date the cultivation license was granted.

During the period ended March 31, 2019 124,902 common shares were issued pursuant to the Choom Share Commitments at value of $$66,198 as determined by the market price when issued being $0.53 per share resulting in a gain on issuance of $62,451.

During the year ended June 30, 2018, the Company repaid $11,000 of the shareholder loans in connection with the SMP Transactions. The outstanding balance at March 31, 2019 is $4,000 (June 30, 2018 - $253,501).

**Medican**

On August 30, 2017, the Company by way of a share purchase agreement, further amended on October 17, 2017 (collectively the "Share Purchase Agreement") between the Company, Medi-Can Health Solutions Ltd. ("Medi-Can") and Medi-Can shareholders (collectively, the "Medi-Can Shareholders") acquired all of the issued and outstanding common shares of Medi-Can (the "Acquisition"). Medi-can is in the business of cultivating and selling marijuana for medical purposes and related products under the ACMPR.

Pursuant to the Share Purchase Agreement on November 16, 2017, the Company acquired all of the issued and outstanding common shares of Medi-Can in consideration for:

(Expressed in Canadian Dollars)

**12. ACQUISITIONS** (cont'd)

**Medican** (cont'd)

(a) an aggregate of 12,500,000 Choom common shares (the "Consideration Shares") (issued) to be held in escrow of which 10% (1,250,000) were released on October 18, 2017 with the remaining balance of 11,250,000 to be released over the subsequent 36 months see Note 16;

(b) a $2,500,000 convertible note (the "Acquisition Note"), which at the election of the Company, can be either:

(i) redeemed by way of cash payment to the Medi-Can Shareholders on the date that is the fifth trading day after the public dissemination of a news release announcing the receipt by Medi-Can of a Cultivation/Production License under the ACMPR (the "Trigger Date"), or
(ii) converted by issuance to the Medi-Can Shareholders of $2,500,000 in Common Shares valued using the 20-day volume-weighted average trading price determined on the Trigger Date; and

(c) agreement to re-pay $300,000 of the shareholder loans (re-paid).

The Acquisition did not meet the definition of a business combination under IFRS 3 Business Combinations and accordingly has been accounted for as an asset acquisition.

The Consideration Shares issued have a fair value of $0.17 per common share of Choom, totaling $2,125,000. The transaction costs have been included in the Acquisition costs which include advisory, legal, accounting and filing fees.

As part of the share-purchase agreement to acquire Medi-Can, the Company entered into the Acquisition Note with the Medi-can Shareholders for an aggregate amount of $2,500,000 (the "Principal Balance"). The Acquisition Note is unsecured and non-interest bearing. Of the $2,500,000 Principal Balance, $375,000 is due to John Doo Jin Oh, a director of the Company. The payment of the Principal Balance is contingent on the receipt by Medi-Can of a Cultivation/Production License under the ACMPR. As at June 30, 2018, the probability of the receipt of the cultivation/production license could not be reasonably estimated, and as such, was not included as consideration in the purchase of Medi-Can. As at March 31, 2019 receipt of the Licenses remained outstanding. The purchase price equation is as follows:

| | | |
|---|---|---|
| Fair value of 12,500,000 common shares issued | $ | 2,125,000 |
| Transaction costs | | 612,636 |
| Total Purchase Price | $ | 2,737,636 |
| | | |
| Cash | $ | 20 |
| Accounts receivables | | 4,067 |
| Property and equipment | | 187,314 |
| License | | 2,849,835 |
| Trade payables | | (3,600) |
| Shareholders loans | | (300,000) |
| Net assets acquired | $ | 2,737,636 |

During the year ended June 30, 2018, the Company repaid $50,000 of the outstanding shareholders loan acquired in Medi-Can. The remaining $250,000 was settled with the disposition of assets (Note 10) as at June 30, 2018.

(Expressed in Canadian Dollars)

**12. ACQUISITIONS** (cont'd)

**Island Green**

The Company entered into a share purchase agreement dated April 17, 2018 with Island Green Cure Ltd. ("IGC") on to acquire all of the issued and outstanding shares in the capital of IGC for the following consideration:

at closing, an aggregate total of 8,000,000 Choom common shares to be issued to the shareholders of IGC (the "IGC Consideration Shares") 8,000,000 to be held in escrow of which 10% (800,000) were released on October 18, 2017 with the remaining balance of 11,250,000 to be released over the subsequent 36 months see Note 16;

(a) ; and

(b) after the receipt by IGC of a production license, Choom common shares where the number of shares to be issued will be determined by dividing $2,000,000 by the 10-day volume-weighted average trading price of the shares on the tenth trading day after the public dissemination of a news release announcing IGC's receipt of a license under the ACMPR (the "IGC Share Commitment").

On May 2, 2018 the Company closed the acquisition of IGC and accordingly issued IGC Consideration Shares to the shareholders of IGC and issued a further 500,000 Choom common shares in finders' fees to a related party to a consultant of the Company. Additionally, included in the IGC Consideration Shares issued to IGC shareholders, were 536,000 Choom common shares to a related party of a consultant of the Company (the "IGC Finder Shares").

IGC's assets include its application to become a Licensed Producer and all property, assets, contracts, plans and intellectual property used or intended to be used by IGC in connection with its proposed business as a Licensed Producer.

The IGC Acquisition did not meet the definition of a business combination and has been accounted for as an asset acquisition.

The fair value of the IGC Consideration Shares and Finder Shares have been included at a fair value of $0.89 per common share. The transaction costs include advisory, legal, accounting and filing fees. The IGC Share Commitments are contingent on the grant of a production license to IGC. The probability of the grant of a production license could not be reasonably estimated as at June 30, 2018, and therefore, was not included in the purchase price. As at March 31, 2019 receipt of the production license remained outstanding. The purchase price equation is as follows:

| | |
|---|---|
| Fair value of 8,000,000 Choom common shares issued | $7,120,000 |
| Transaction costs | 484,732 |
| Total Purchase Price | $7,604,732 |
| | |
| License | $7,621,382 |
| Trade payables | (16,650) |
| Net assets acquired | $7,604,732 |

*Saskatchewan Other*

Choom made several applications with the Saskatchewan Liquor and Gaming Authority ("SLGA") for cannabis retail permits in 32 Zones across the province. The SLGA has made 51 cannabis retail permits available in 32 zones through a Request for Proposal process and is expected to award the permits via lottery. The Company paid $168,800 for these applications, of which as at March 31, 2019 $Nil (June 30, 2018 - $136,800) is included in accounts receivable (note 7) for applications rejected.

During the period ended March 31, 2019 the Company received a refund of $136,000 on application costs and expensed an amount of $800 (March 31, 2018 - $Nil) for the balance not received.

(Expressed in Canadian Dollars)

## 13. TRADE AND OTHER PAYABLES

| | Note | **March 31 2019** | June 30 2018 |
|---|---|---|---|
| Trade payables | | **$968,547** | $713,744 |
| Due to related parties | 16 | **50,798** | 33,964 |
| Total | | **$1,019,345** | $747,708 |

## 14. CONVERTIBLE DEBENTURE

On November 2, 2018 the Company completed a non-brokered private placement of a debenture (the “Offering”) in the principal amount of $20,000,000 in Choom with Aurora Cannabis Inc. (“Aurora”), convertible into common shares of Choom (“Common Shares”) at a conversion price of $1.25 per Common Share and will mature on November 2, 2022. Aurora has also secured the right to acquire up to 40% of the Company at $2.75 per Common Share.

The Offering is an unsecured convertible debenture (the “Debenture”) maturing in four years (the “Maturity Date”), convertible into Common Shares: (i) at the option of Aurora, any time prior to the Maturity Date at a conversion price of $1.25 per Common Share, subject to a minimum conversion amount of $5,000,000, and (ii) at the option of Choom any time after the hold period has expired and the volume weighted average trading price (“VWAP”) of the Common Shares on the Canadian Securities Exchange (the “Exchange”) is $3.00 or more for a period of 10 consecutive trading days.

The Debenture is non-transferrable and bears an annual interest rate of 6.5% calculated semi-annually, payable annually in arrears on the anniversary date. Aurora may elect to receive interest payments in Common Shares in lieu of cash at a price per Common Share equal to the VWAP of the Common Shares on the Exchange for the 20 trading days ending prior to the date on which such interest payment is due.

In connection with the Offering, the Company also issued to Aurora, for no additional consideration, 95,760,367 Common Share purchase warrants at an exercise price of $2.75, subject to adjustments in accordance with the terms thereof, to allow Aurora to increase its pro rata equity interest in Choom to approximately 40% (the “Warrants”) expiring on November 02, 2020. Additionally, the Company issued 703,881 pro-rata warrants (the “Pro-Rata Warrants”) at an exercise price of $1.25 expiring on November 2, 2020.

The Company determined the conversion feature, Warrants and Pro-Rata Warrants components of the convertible debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the Debenture between the liability and equity components. The Company valued the debt component of the Debenture by calculating the present value of principal and interest payments, discounted at a rate of 21.9% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn. Based on this calculation the liability component is $11,569,081 and the residual equity component is $8,591,949. As at March 31, 2019 accretion and interest of $960,666 (June 30, 2018 - $Nil) is recorded in the condensed consolidated interim statements of loss and comprehensive loss.

## 15. SHARE CAPITAL AND RESERVES

### a) Common Shares

The Company’s authorized share capital is an unlimited number of common shares with no par value.

(Expressed in Canadian Dollars)

## 15. SHARE CAPITAL AND RESERVES (cont'd)

### a) Common Shares (cont'd)

The following is a summary of changes in share capital from July 1, 2017 to March 31, 2019:

| | Number | Issue Price | Total |
|---|---|---|---|
| Balance June 30, 2017 | 66,686,975 | - | $7,035,733 |
| Issued for private placement | 3,333,333 | $0.15 | 500,000 |
| Issued for private placement | 5,000,000 | $0.20 | 1,000,000 |
| Issued for private placement | 5,400,000 | $0.50 | 2,700,000 |
| Issued for private placement | 14,225,353 | $0.71 | 10,100,001 |
| Issued for Medi-can purchase | 12,500,000 | $0.17 | 2,125,000 |
| Issued for IGC purchase | 8,000,000 | $0.89 | 7,120,000 |
| Issued for finders' fee IGC purchase | 500,000 | $0.89 | 445,000 |
| Issued for ITI purchase | 52,031,110 | $1.37 | 71,282,621 |
| Issued for finders' fee ITI purchase | 4,000,000 | $1.37 | 5,480,000 |
| Issued for purchase of intellectual property | 575,000 | $1.24 | 713,000 |
| Issued for shares for debt | 3,150,000 | $0.31 | 976,500 |
| Issued for compensation | 200,000 | $0.91 | 182,000 |
| Issued for compensation | 60,000 | $1.24 | 74,400 |
| Exercise of options | 400,000 | $0.18 | 72,000 |
| Exercise of options | 200,000 | $0.17 | 34,000 |
| Exercise of warrants | 2,198,017 | $0.25 | 549,504 |
| Exercise of warrants | 287,500 | $0.75 | 215,625 |
| Fair value of options transferred on exercise | - | - | 88,959 |
| Share issue costs | - | - | (331,624) |
| Balance at June 30, 2018 | 178,747,288 | - | $110,362,719 |
| **Exercise of warrants** | **2,146,150** | **$0.25** | **536,538** |
| **Exercise of warrants** | **60,000** | **$0.75** | **45,000** |
| **Exercise of options** | **50,000** | **$0.17** | **8,500** |
| **Fair value of options transferred on exercise** | **-** | **-** | **7,710** |
| **Issued for purchase of Medical Centre** | **1,915,973** | **$0.51** | **977,146** |
| **Issued shares for Cooperation Agreement** | **6,000,000** | **$0.48** | **2,880,000** |
| **Issued Counsel Shares pursuant to Cooperation Agreement** | **200,000** | **$0.48** | **96,000** |
| **Issued shares pursuant to Share Commitments** | **124,902** | **$0.53** | **66,198** |
| **Issued compensation shares** | **100,000** | **$0.56** | **56,000** |
| **Share issue costs** | **-** | **-** | **(434,639)** |
| **Balance at March 31, 2019** | **189,344,313** | **-** | **114,601,171** |

During the period ended March 31, 2019 the Company issued the following:

Pursuant to the exercise of share purchase warrants the Company issued an aggregate 2,146,150 common shares at an exercise price of $0.25 per common share and 60,000 common shares at an exercise price of $0.75 per common share.

Pursuant to the exercise of options the Company issued 50,000 common shares at an exercise price of $0.17 per common share.

Pursuant to the purchase of the Medical Centre acquisition as described in Note 12 hereinabove, the Company issued an aggregate 1,915,973 common shares as consideration. The common shares were valued at $977,146 as determined by the market price when issued being $0.51 per shares.

## 15. SHARE CAPITAL AND RESERVES (cont'd)

### a) Common Shares (cont'd)

Pursuant to the grant of the Cooperation Agreement as described in Note 11 hereinabove, the Company issued an aggregate 6,000,000 common shares as consideration. The common shares were valued at $2,880,000 as determined by the market price when issued being $0.48 per shares.

Pursuant to the grant of the Cooperation Agreement as described in Note 11 hereinabove, the Company issued 200,000 Counsel Shares. The Counsel Shares were valued at $96,000 as determined by the market price when issued being $0.48 per shares – See Note 17 and 22.

Pursuant to the SMP Acquisition as described in Note 12 hereinabove, the Company issued an aggregate 124,902 common shares pursuant to the Choom Share Commitments. The common shares were valued at $68,198 as determined by the market price when issued being $0.53 per share.

Pursuant to a consulting agreement the Company issued 100,000 common shares as compensation. The common shares were valued at $56,000 as determined by the market price when issued being $0.56 per share – See Note 17 and 22.

Issued July 1, 2017 to June 30, 2018:

On June 19, 2018, pursuant to a consulting agreement, the Company issued 60,000 common shares as compensation. The common shares were valued at $74,400 as determined by the market price when issued being $1.24 per share.

On June 15, 2018, the Company completed a non-brokered private placement and issued 14,225,353 shares at a price of $0.71 per share for gross proceeds of $10,100,001. The Company has paid aggregate cash finder's fees in connection with the financing of $252,192.

On June 15, 2018, the Company issued 52,031,110 common shares pursuant to the ITI Acquisition as described in Note 11 hereinabove. Additionally, the Company issued 4,000,000 common shares as finders' fees. The ITI Consideration Shares and Finders Shares were valued at an aggregate $76,762,621 as determined by the market price when issued being $1.37 per share.

On June 2, 2018, the Company issued 575,000 common shares for consideration of the Purchased Assets as described in Note 11 hereinabove. The common shares were valued at $713,000 as determined by the market price when issued being $1.24 per share.

On May 3, 2018, pursuant to a consulting agreement, the Company issued 200,000 common shares as compensation. The common shares were valued at $182,000 as determined by the market price when issued being $0.91 per share.

On May 2, 2018 the Company issued 8,000,000 common shares pursuant to the IGC Acquisition as described in Note 11 hereinabove. Additionally, the Company issued a further 500,000 common shares as finders' fees. The IGC Consideration Shares and Finders Shares were valued at an aggregate $7,565,000 as determined by the market price when issued being $0.89 per share.

On February 6, 2018 the Company completed a non-brokered private placement and issued 5,400,000 units (the "Unit") at a price of $0.50 per Unit for gross proceeds of $2,700,000. Each Unit consist of one common share and one half of one non-transferable share purchase warrant (the "Warrant"). Each Warrant is exercisable by the holder to acquire one additional common share at a price of $0.75 until August 6, 2019. Pursuant to the Company's accounting policy, the warrants were assigned a residual value of $nil. The Company has paid aggregate cash finder's fees in connection with the financing of $49,138.

(Expressed in Canadian Dollars)

## 15. SHARE CAPITAL AND RESERVES (cont'd)

### a) Common Shares (cont'd)

On December 19, 2017 the Company completed a non-brokered private placement and issued 5,000,000 units (the "Unit") at a price of $0.20 per Unit for gross proceeds of $1,000,000. Each Unit consists of one common share and one non-transferable share purchase warrant (the "Warrant"). Each Warrant is exercisable by the holder to acquire one additional common share at a price of $0.25 until June 18, 2019. Pursuant to the Company's accounting policy, the warrants were assigned a residual value of $nil. The Company has paid aggregate cash finder's fees in connection with the financing of $4,970.

On November 24, 2017 pursuant to the settlement of debt, the Company issued 3,150,000 common shares at an issue price of $0.31 per share extinguishing an aggregate of $535,500 in outstanding trade payables to non-related parties resulting in a loss on debt settlement of $441,000.

On November 16, 2017 pursuant to the Acquisition as described in Note 11, the Company issued 12,500,000 common shares. The Consideration Shares were valued at $2,125,000 as determined by the market price when issued being $0.17 per share.

On September 27, 2017, the Company completed a non-brokered private placement of 3,333,333 units (a "Unit") at a price of $0.15 per Unit for gross proceeds of $500,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at $0.25 until March 27, 2019. Pursuant to the Company's accounting policy, the warrants were assigned a residual value of $nil. The Company has paid aggregate cash finder's fees in connection with the financing of $25,324.

During the year ended June 30, 2018 the Company issued 600,000 common shares pursuant to the exercise of options at exercise prices ranging from $0.17 - $0.18 per share for proceeds of $106,000. Fair value of $88,959 was transferred from contributed surplus to capital stock for these options exercised.

During the year ended June 30, 2018 the Company issued 2,198,017 common shares pursuant to the exercise of share purchase warrants at exercise price of $0.25 per share and 287,500 common shares pursuant to the exercise of share purchase warrants at an exercise price of $0.75 per share for proceeds of $765,129.

### b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2017 to March 31, 2019:

| | Number | Weighted Average Price |
|---|---|---|
| Balance at June 30, 2017 | - | - |
| Issued | 9,366,667 | $0.50 |
| Exercised | (2,485,517) | $0.25 |
| Balance at June 30, 2018 | 6,881,150 | $0.50 |
| **Exercised** | **(2,206,150)** | **$0.26** |
| **Balance at March 31, 2018** | **4,675,000** | **$0.50** |

As at March 31, 2019, the share purchase warrants have a weighted average remaining contractual life of 0.49 years (June 30, 2018 – .99) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

| Number | Price Per Share | Expiry Date |
|---|---|---|
| **2,322,500** | **$0.25** | **18-Jun-19** |
| **2,352,500** | **$0.75** | **6-Aug-19** |
| **4,675,000** | | |

## 15. SHARE CAPITAL AND RESERVES (cont'd)

### c) Escrow Shares

(Expressed in Canadian Dollars)

As at March 31, 2019 there were 17,983,487 (June 30, 2018 – 17,527,500) common shares held in escrow as follows:

i) 7,500,000 common shares (June 30, 2018 – 11,250,000) held in escrow in connection with the Medi-can Acquisition as described in Note 12. Every six months, 1,875,000 common shares are released from escrow;
ii) 4,320,000 common shares (June 30, 2018 – 5,760,000) held in escrow in connection with the IGC Transaction as described in Note 12. Every six months, 1,440,000 are released from escrow;
iii) 431,250 common shares (June 30, 2018 – 517,500) held in escrow in connection with the Purchased Assets as described in Note 11. Every six months 86,250 are released from escrow;
iv) 4,000,000 common shares (June 30, 2018 – Nil) held in escrow in connection with the Clarity Cooperation Agreement as described in Note 11. Every six months 1,000,000 shares are released from escrow; and
v) 1,532,780 common shares (June 30, 2018 – Nil) held in escrow in connection the Clarity Medical Clinic acquisition as described in Note 11. Every six months 383,193 shares are released from escrow.

## 16. SHARE-BASED PAYMENTS

### a) Option Plan Details

The Company adopted a stock option plan (the “Plan”) to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date.

The following is a summary of changes in options from July 1, 2018 to March 31, 2019:

| Grant Date | Expiry Date | Exercise Price | Opening Balance | Granted | Exercised | Cancelled/ Expired | Closing Balance | Vested and Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| 16-Nov-17 | 16-Nov-22 | $0.17 | 2,950,000 | - | (50,000) | - | 2,900,000 | 2,900,000 | - |
| 27-Feb-18 | 27-Feb-23 | $0.75 | 600,000 | - | - | - | 600,000 | 500,000 | 100,000 |
| 19-Mar-18 | 19-Mar-23 | $1.06 | 500,000 | - | - | - | 500,000 | 500,000 | |
| 11-Apr-18 | 11-Apr-23 | $0.84 | 50,000 | - | - | - | 50,000 | 50,000 | - |
| 13-Apr-18 | 13-Apr-23 | $0.91 | 110,000 | - | - | - | 110,000 | 110,000 | - |
| 7-May-18 | 7-May-23 | $0.88 | 50,000 | - | - | - | 50,000 | 50,000 | - |
| 10-May-18 | 10-May-23 | $0.84 | 100,000 | - | - | - | 100,000 | 100,000 | - |
| 15-Jun-18 | 15-Jun-23 | $0.35 | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | - |
| 19-Jun-18 | 19-Jun-23 | $1.26 | 700,000 | - | - | - | 700,000 | 475,000 | 225,000 |
| 20-Jun-18 | 20-Jun-23 | $1.41 | 250,000 | - | - | - | 250,000 | 250,000 | - |
| 1-Aug-18 | 1-Aug-23 | $1.28 | - | 250,000 | - | - | 250,000 | 93,750 | 156,250 |
| 17-Aug-18 | 17-Aug-23 | $1.07 | - | 100,000 | - | - | 100,000 | - | 100,000 |
| 7-Nov-18 | 7-Nov-20 | $0.91 | | 1,710,000 | - | - | 1,710,000 | 1,092,500 | 617,500 |
| 10-Dec-18 | 10-Dec-23 | $0.47 | | 200,000 | - | - | 200,000 | - | 200,000 |
| 11-Mar-19 | 11-Mar-24 | $0.69 | | 1,110,000 | - | - | 1,110,000 | 1,110,000 | - |
| 15-Mar-19 | 15-Mar-24 | $0.69 | | 100,000 | - | - | 100,000 | 100,000 | - |
| | | | 6,310,000 | 3,470,000 | (50,000) | - | 9,730,000 | 8,331,250 | 1,398,750 |
| Weighted Average Share Price | | | $0.53 | $0.84 | $0.17 | | $0.64 | $0.49 | $0.94 |
| Weighted Average Life Remaining (years) | | | 4.58 | 1.50 | - | - | 3.65 | 3.74 | 3.14 |

(Expressed in Canadian Dollars)

## 16. SHARE-BASED PAYMENTS (cont'd)

### a) Option Plan Details (cont'd)

The following is a summary of changes in options from July 1, 2017 to June 30, 2018:

| Grant Date | Expiry Date | Exercise Price | Opening Balance | Granted | Exercised | Cancelled/Expired | Closing Balance | Vested and Exercisable | Unvested |
|---|---|---|---|---|---|---|---|---|---|
| 20-Dec-12 | 20-Dec-17 | $0.15 | 445,000 | | - | (445,000) | - | - | - |
| 7-Feb-13 | 7-Feb-18 | $0.18 | 150,000 | - | - | (150,000) | - | - | - |
| 8-Feb-13 | 8-Feb-18 | $0.18 | 475,000 | - | (400,000) | (75,000) | - | - | - |
| 15-Mar-13 | 15-Mar-18 | $0.15 | 125,000 | - | - | (125,000) | - | - | - |
| 16-Nov-17 | 16-Nov-22 | $0.17 | - | 3,150,000 | (200,000) | - | 2,950,000 | 2,950,000 | - |
| 27-Feb-18 | 27-Feb-23 | $0.75 | - | 600,000 | - | - | 600,000 | 225,000 | 375,000 |
| 19-Mar-18 | 19-Mar-23 | $1.06 | - | 500,000 | - | - | 500,000 | 150,000 | 350,000 |
| 11-Apr-18 | 11-Apr-23 | $0.84 | | 50,000 | - | - | 50,000 | 50,000 | - |
| 13-Apr-18 | 13-Apr-23 | $0.91 | | 110,000 | - | - | 110,000 | 110,000 | - |
| 7-May-18 | 7-May-23 | $0.88 | | 50,000 | - | - | 50,000 | 50,000 | - |
| 10-May-18 | 10-May-23 | $0.84 | | 100,000 | - | - | 100,000 | 100,000 | - |
| 15-Jun-18 | 15-Jun-23 | $0.35 | | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| 19-Jun-18 | 19-Jun-23 | $1.26 | | 700,000 | - | - | 700,000 | 130,000 | 570,000 |
| 20-Jun-18 | 20-Jun-23 | $1.41 | | 250,000 | - | - | 250,000 | 125,000 | 125,000 |
| | | | 1,195,000 | 6,510,000 | (600,000) | (795,000) | 6,310,000 | 4,890,000 | 1,420,000 |
| Weighted Average Share Price | | | $0.24 | $0.52 | $ 0.18 | $0.16 | $0.53 | 0.36 | 1.05 |
| Weighted Average Life Remaining (years) | | | 1.57 | 4.63 | - | - | 4.64 | 4.58 | 4.67 |

### b) Fair Value of Options Issued During the Period

During the period ended March 31, 2019, the weighted average fair value at grant date of options granted was $0.52 (2018 - $0.97) per option. During the period ended March 31, 2019, there were 6,510,000 (March 31, 2018 – 4,050,000) options granted of which 4,890,000 were exercisable under the Plan with a weighted average contractual life of 4.64 (June 30, 2018 – 4.58) years.

### c) Expenses Arising from Share-based Payment Transactions

The model inputs for options granted or vested during the period ended March 31, 2019 included:

| Grant Date | Expiry Date | Share Price at Grant Date | Exercise Price | Risk-Free-Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|---|---|---|---|---|---|---|---|
| 1-Aug-18 | 1-Aug-23 | $1.25 | $1.28 | 2.25% | 5 | 147.48% | 0% |
| 17-Aug-18 | 17-Aug-23 | $1.07 | $1.07 | 2.25% | 5 | 147.48% | 0% |
| 7-Nov-18 | 7-Nov-20 | $0.90 | $0.91 | 2.27% | 5 | 146.43% | 0% |
| 10-Dec-18 | 10-Dec-23 | $0.51 | $0.47 | 1.93% | 5 | 146.73% | 0% |
| 11-Mar-19 | 11-Mar-24 | $0.69 | $0.69 | 1.43% | 5 | 148.23% | 0% |
| 15-Mar-19 | 15-Mar-24 | $0.69 | $0.69 | 1.43% | 5 | 148.23% | 0% |
| 16-Nov-17 | 16-Nov-22 | $0.17 | $0.17 | 2.08% | 5 | 148.01% | 0% |

Expected volatility is based on the historical volatility of the Company's market share price.

Total expenses arising from share-based payment transactions recognized during the period ended March 31, 2019 were $3,166,936 (2018 - $748,507). The remaining amount of $542,518 that have yet to vest will be expensed as the remaining unvested options vest.

(Expressed in Canadian Dollars)

## 17. ADMINISTRATIVE AND GENERAL EXPENSES

| | | | Three Months Ended March 31 | | Nine Months Ended March 31 | | |
|---|---|---|---|---|---|---|---|
| | Note | | **2019** | 2018 | **2019** | | 2018 |
| **Administrative and General Expenses:** | | | | | | | |
| Accounting and legal | 22 | $ | **635,761** | 104,351 | **1,588,020** | $ | 158,041 |
| Conferences | | | **22,817** | 29,466 | **66,166** | | 29,466 |
| Consulting | 18,22 | | **613,246** | 120,636 | **1,545,873** | | 326,244 |
| Investor relations, website development and marketing | | | **502,975** | 367,916 | **1,362,643** | | 457,201 |
| Office and administration fees | | | **164,638** | 15,214 | **238,551** | | 34,383 |
| Regulatory fees | | | **10,206** | 2,842 | **45,261** | | 37,642 |
| Rent | 18 | | **165,310** | 6,000 | **245,241** | | 37,200 |
| Shareholder communications | | | **105,920** | 24,599 | **189,996** | | 32,289 |
| Terminated lease expenses | | | **1,605** | - | **123,419** | | - |
| Transfer agent fees | | | **4,998** | 6,803 | **9,225** | | 12,788 |
| Travel | | | **123,027** | 4,451 | **211,991** | | 4,632 |
| Wages | | | **106,591** | 682,278 | **142,920** | | - |
| | | $ | **2,457,094** | 682,278 | **5,769,306** | $ | 1,129,886 |

## 18. RELATED PARTY TRANSACTIONS

### a) Key Management Compensation

| | | **March 31 2019** | | March 31 2018 |
|---|---|---|---|---|
| Key management personnel compensation comprised: | | | | |
| Consulting fees | **$** | **585,005** | $ | 211,144 |
| Administration | | **16,769** | | - |
| Share based payments | | **988,200** | | 112,500 |
| | **$** | **1,589,973** | $ | 323,644 |

(Expressed in Canadian Dollars)

## 18. RELATED PARTY TRANSACTIONS (cont'd)

i) Consulting fees of $180,000 (2018 – $90,000) were paid to 0954041 BC Ltd. ("0954041"), a company controlled by Chris Bogart, the Company's President and Chief Executive Officer.
ii) Consulting fees of $114,171 (2018 - $31,144) were paid to Minco Corporate Management Inc. ("Minco"), a company controlled by Terese Gieselman, the Company's Chief Financial Officer and Secretary.
iii) Consulting fees of $95,000 (2018 - $90,000) were paid to Craig Schneider ("Schneider") a company controlled by Schneider, an individual with significant influence over the Company. In addition, rental fees of $Nil (2018 - $30,000) were charged by Schneider.
iv) Consulting fees of $72,000 (2018 - $Nil) were incurred to Chris Gagan, the Company's Vice President of Marketing.
v) Consulting fees of $123,833 (2018 - $Nil) were incurred to MDC Forbes Inc. ("Forbes") a company controlled by Michael Forbes the Company's Chief Operating Officer and a director of the Company;
vi) Administration fees of $16,769 (2018 - $Nil) were paid or accrued to Minco in relation to providing administrative and accounting employment services.

### b) Related Party Liabilities

The following amounts owing to related parties are included in trade and other payables:

| | | | **March 31 2019** | | June 30 2018 |
|---|---|---|---|---|---|
| Minco | Consulting Fees | $ | **39,996** | $ | 17,374 |
| Chris Gagan | Consulting Fees | | **-** | | 16,590 |
| MDC Forbes Inc/M. Forbes | Expenses | | **5,552** | | - |
| Craig Schneider | Consulting Fees | | **5,250** | | |
| | | $ | **50,798** | $ | 33,964 |

### c) Advances

In connection with the Original Option and Cooperation Agreement as described in Note 11 as at March 31, 2019 the Company has advanced an aggregate $4,870,000 which is included in prepaid and advances to secure certain retail locations. These advances are considered related party advances as Mr. Forbes has a controlling interest in Clarity until such time as the Company exercises the Clarity Option. In the event the Company does not acquire a retail site included in the Cooperation Agreement any advance in relation to that retail site will convert to loan at an interest rate of 6% due and payable with in one year upon such conversion (Note 11).

### d) Transactions

In connection with the SMP Acquisition and Divesture, the Medical Centre Acquisition and the Cooperation Agreement, Mr. Forbes a director of the Company had an interest in each transaction considered to be related party transactions wherein:

i) In connection with the SMP Divesture, Mr. Forbes was issued 659,814 Share Commitments of which 36,656 common shares had been issued as of March 31, 20109;
ii) in connection with the Cooperation Agreement Included in the consideration is 8,867,000 Choom Shares and $2.5 million due to Mr. Forbes pursuant to the terms of the agreement.
iii) In connection with the acquisition of the Medical Center Mr. Forbes was issued 638,658 Choom Shares and cash of $66,667 as part of the consideration.

See Note 11 and 12.

In connection with the Cooperation Agreement Mr. Schneider is an Optionor and was issued an aggregate of 1,075,500 Option Shares of which 60,400 remain in escrow as described in Note 11.

(Expressed in Canadian Dollars)

## 19. LOSS PER SHARE

| | | March 31 2019 | | March 31 2019 |
|---|---|---|---|---|
| Loss from continuing operations attributable to ordinary shareholders | $ | (9,909,245) | $ | (2,605,884) |
| Weighted average number of common shares | | 180,965,874 | | 79,602,547 |
| Basic and diluted loss per share from continuing operations | $ | (0.05) | $ | (0.03) |
| Loss from discontinued operations attributable to ordinary shareholders | | (89,658,391) | | $nil |
| Weighted average number of common shares | | 179,486,471 | | 79,602,547 |
| Basic and diluted loss per share from discontinued operations | $ | (0.50) | $ | - |

## 20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the period ended March 31, 2019 management changed the Company's strategic plan to focus on developing a network of retail stores which will feature a curated selection of products from various licensed producers resulting in the decision not to pursue the cultivation sector of the cannabis industry. The Company divested and sold its 90.2% interest in SMP to the original key shareholders and reclassified Medi-can and IGC to assets held for sale.

As the Company changed its focus to retail, management decided the operations for Medi-can and IGC meet the definitions of assets held for sale and discontinued operations under IFRS 5. Consequently, assets and liabilities of Medi-can and IGC were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of Medi-can and IGC have been classified from the Company's continuing operations to loss from discontinued operations as a single line in condensed consolidated interim statements of loss and comprehensive loss.

Accordingly to IFRS 5, on the reclassification of disposal groups as assets held for sale and discontinued operations, the Company remeasured the net assets of Medi-can and IGC to fair value. During the period ended March 31, 2019 impairment expense of $2,849,835 and $7,621,382 was recorded against license applications in Medi-can and IGC (Note 11), and $46,013 to property and equipment (Note 10), which is included in loss from discontinued operations (Note 20).

On December 10, 2018 the Company entered into a share purchase agreement with the original key shareholders of SMP whereby Arbutus (Choom's wholly owned subsidiary), divested 90.2% of its interest in SMP in exchange for the cancellation of 37,970,445 Share Commitments (the "SMP Divesture"). Choom completed the SMP Divesture resulting in Choom indirectly holding an indirect 9.8% interest in SMP through Arbutus. The Company recorded $1,732,665 as long-term investments representing the 9.8% interest in SMP.

The SMP Divesture resulted in a loss from discontinued operations of $78,691,407 representing the elimination of assets and liabilities in SMP and impairment of intangible assets.

(Expressed in Canadian Dollars)

## 20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

As at March 31, 2019, net assets held for sale comprise of the following:

| | | March 31 2019 |
|---|---|---|
| **Assets held for sale** | | |
| Cash | $ | **20** |
| Accounts receivable | | **53,532** |
| Deposit | | **400,086** |
| Property and equipment | | **62,560** |
| **Total assets held for sale** | $ | **516,199** |
| **Liabilities held for sale** | | |
| Trade and other payables | | **20,250** |
| **Total liabilities held for sale** | $ | **495,949** |

The results of the operations of SMP, Medi-can and IGC are presented as discontinued operations for the period ended March 31, 2019:

| | March 31 2019 | March 31 2018 |
|---|---|---|
| General and Administrative costs | | |
| Consulting fees | **$ 5,000** | $ - |
| Office and administration | **(801)** | - |
| Professional fees | **7,512** | - |
| Rent | **438,043** | - |
| Loss before other items | **(449,754)** | $ - |
| Other items | | |
| Loss on the sale of asset | **(78,691,407)** | - |
| Impairment on property and equipment | **(46,013)** | |
| Impairment on intangibles | **(10,471,217)** | - |
| Total other items | **(89,208,637)** | - |
| Total loss for the period | **$ (89,658,391)** | $ - |

(Expressed in Canadian Dollars)

## 20. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

Cash flows from discontinued operations are as follows:

| | **March 31 2019** | March 31 2018 |
|---|---|---|
| **Cash used by discontinued operations** | | |
| **Operating Activities:** | | |
| **Net loss from discontinued operations** | **$ (89,658,391)** | $ - |
| Items not affecting cash | | |
| Impairment of equipment | **46,013** | - |
| Impairment of licenses | **10,471,217** | - |
| Loss on sale of SMP | **78,691,407** | - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | **(34,456)** | - |
| Prepaid expense | **44,454** | - |
| **Net cash used in discontinued operations** | **$ (439,756)** | $ - |
| **Investing Activities:** | | |
| Purchase of equipment | **(51,151)** | - |
| Cash at beginning of period | **32** | - |
| **Net cash used in discontinued operations** | **$ (490,875)** | $ - |

## 21. SEGMENT REPORTING

The Company pursuant to a change of business on November 17, 2017 and had one reportable operating segment of cultivation in the cannabis industry. As a result of the Company's decision to focus on the retail segment as well as the patient counselling with the recent acquisition of the Medical Centre, the Company divested its investment in SMP to 9.8% and transferred Medi-can and IGC to assets held for sale. The Company's non-current assets as at March 31, 2019 and June 30, 2018 are all in Canada.

## 22. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the periods ended March 31, 2019 and 2018 the following transactions were excluded from the statements of cash flows:

i) A compensation charge of $56,000 (2018 - $Nil) associated with the issuance of 100,000 (2018 – Nil) common shares was recorded as consulting fees at March 31, 2019 - see Note 15;

ii) A compensation charge of $96,000 (2018 - $Nil) associated with the issuance of 200,000 (2018 – Nil) common shares was recorded as legal fees at March 31, 2019 - see Note 15;

iii) Pursuant to the Cooperation Agreement $5,080,000 (2018 - $Nil) was recorded for the issuance of 6,000,000 common shares See Note 11;

iv) Pursuant to the acquisition of the Medical Centre $977,146 (2018 - $Nil) was recorded for the issuance of 1,915,973 common shares see Note 11;

v) Pursuant to settlement of debt of $Nil (2018 - $535,500) the issuance common shares of (2018 -3,150,000), (See Note 15).

## 23. COMMITMENTS

**<u>ABcann Medicinals Inc.</u>**

Choom entered into a binding supplier agreement with ABcann Medicinals Inc. ("**ABcann**") dated March 16, 2018, whereby ABcann, a Licensed Producer, will supply Choom with premium cannabis products subject to regulatory approval (the "**ABcann Supply Agreement**"). The term of the ABcann Supply Agreement is for three years, with automatic renewal for two additional two-year terms unless terminated by either Choom or ABcann upon providing six months written notice. The obligations of the parties under the ABcann Supply Agreement with respect to the purchase and sale of cannabis products will arise upon a mutually-agreed upon launch date that is dependent on receiving required regulatory approval.

**Medican Leasehold Premises**

Pursuant to the acquisition of Medican as described in Note 11, the Company assumed the lease agreement (the "Medican Lease) for the leasehold premises located in Vernon, BC dated for reference May 15, 2016 for a three-year term at an annual payable lease amount of $68,700. The Medican Lease is renewable for a further three-year term upon six months prior notice to the expiry of May 15, 2019. As March 31, 2019 the Company did not elect to renew the Medi-can Lease which expired on May 15, 2019.

**Island Green Cure Leasehold Premises**

Pursuant to the closing of the ICG Acquisition on May 2, 2018 as described in Note 12, the Company assumed the lease agreement (the "IGC Lease") for the leasehold premises located in Chemanius, BC (the "IGC Leasehold Premises") for a term of five years at an annual lease amount payable of $88,908. The terms of the IGC Lease require the full-term lease amount of $444,540 be deposited with an escrow agent on or before June 30, 2018 (the "Rent Deposit"). The Rent Deposit shall be credited at an amount of $7,409 per month during the term of the ICG Lease. Furthermore, in accordance with the terms of the IGC Lease, initial payments and termination of existing tenancy to the current tenant, include $100,000 upon execution of the IGC Lease (paid) and a further $300,000 within 90 days of the current tenant vacating the IGC Leasehold Premises (paid). As at March 31, 2019 $Nil (June 30, 2018 - $88,908) is classified as a current asset in prepaids and deposit and $Nil (June 30, 2018 - $355,632) is classified as a long-term deposit. All amounts were transferred to assets held for sale (note 20).

**Office Lease**

Effective May 1, 2018 the Company has assumed its current office space lease (previously held by Etoby Management Limited – see Note 16), on a month to month basis at a monthly rate of $8,644 per month.

**Retail Leasehold Premises**

On October 15, 2018 the Company through its wholly owned subsidiary 2151414 AB entered into a sub-lease for a five-year term. The terms of the lease include a $15,000 sublease inducement (paid) a minimum monthly rent of $10,644 per month with the first twelve months prepaid $127,732 (paid) which in included in prepaid expenses.

**Deposits**

Choom through its wholly owned US subsidiary, entered into a non-binding letter of intent dated March 22, 2019 wherein Choom USA was granted the option to purchase an equity interest in a New Jersey based (the "NJ Company") medical retail dispensary applicant in New Jersey's upcoming Request of Applications ("RFA") that also intends to enter into recreational cannabis retail upon legalization. Included in deposits is a refundable deposit of $675,500 (US$500,000) to Choom at any time prior to the execution of a definitive agreement.

**Acquisition**

The Company as at June 30, 2018 had advanced a $500,000 refundable deposit in connection with a non-binding agreement to acquire the rights to certain parcel of land including other buildings, facilities and assets to be credited toward the purchase price**.** During the period ended March 31, 2019 the Company elected not proceed with the acquisition and the $500,000 was returned to the Company.

(Expressed in Canadian Dollars)

**23. COMMITMENTS** (cont'd)

**Future Commitments**

Cash commitments for minimum lease payments in relation to the commitments described above as at March 31, 2019 and June 30, 2018 are payable as follows:

| | **March 31 2019** | June 30 2018 |
|---|---|---|
| Not later than 1 year | **$ 202,707** | $ 796,707 |
| Later than 1 year and not later than 5 years | **144,000** | 2,520,000[1] |
| | **$ 346,707** | $ 3,316,707 |

(1) Pursuant to the SMP Divesture as described in Note 12 and 20, the lease commitments are to the account of SMP.