1600978 Ontario Inc., operating as

# Natural MedCo

## FINANCIAL STATEMENTS

For the three and six month ended April 30, 2018

(Unaudited)

(Expressed in Canadian Dollars)

The accompanying unaudited interim financial statements for the three and six months ended April 30, 2018 have been prepared by management of 1600978 Ontario Inc. (o/a Natural MedCo) and have not been reviewed by such company's auditors.

## Statements of Financial Position
## (unaudited)

*(Expressed in Canadian Dollars)*

| | April 30, 2018 (unaudited) | October 31, 2017 (audited) |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | $ 441,387 | $ 91,400 |
| Other receivable and prepaid expenses | 295,647 | 76,767 |
| | 737,034 | 168,167 |
| Property and equipment *(Note 3)* | 4,148,791 | 1,899,513 |
| | $ 4,885,825 | $ 2,067,680 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank overdraft | $ - | $ 25,142 |
| Accounts payable and accrued liabilities | 837,417 | 624,498 |
| Class C special share liability | 976,000 | 976,000 |
| Due to related parties | - | 430,562 |
| Current portion of long-term debt *(Note 5)* | 1,569,228 | 2,198,719 |
| | 3,382,645 | 4,254,921 |
| **Shareholders' equity (deficiency)** | | |
| Share capital *(Note 6)* | 6,297,982 | 900,128 |
| Deficit | (4,794,802) | (3,087,369) |
| | 1,503,180 | (2,187,241) |
| | $ 4,885,825 | $ 2,067,680 |

**Statements of Profit or Loss**
**(unaudited)**
*(Expressed in Canadian Dollars)*

| | For the six month period ended April 30, 2018 (unaudited) | For the six month period ended April 30, 2017 (unaudited) | For the three month period ended April 30, 2018 (unaudited) | For the three month period ended April 30, 2017 (unaudited) |
|---|---|---|---|---|
| **Direct Costs** | | | | |
| Growing supplies and inputs | $ 69,808 | $ 84,893 | $ 59,064 | $ 7,537 |
| Salaries and wages | 453,723 | 41,509 | 255,892 | 25,152 |
| | 523,531 | 126,402 | 314,957 | 32,689 |
| **Expenses** | | | | |
| Advertising, marketing costs and promotion | 41 | - | 9 | - |
| Amortization | 77,944 | 62,814 | 38,972 | 31,407 |
| Repairs and maintenance | 13,829 | 2,710 | 9,727 | 1,682 |
| Consulting and contract work | 452,426 | 24,917 | 12,543 | 19,318 |
| Utilities | 58,091 | 20,290 | 31,245 | 14,390 |
| Freight and trucking | 4,384 | - | 4,560 | - |
| Insurance premiums | 5,211 | 5,035 | 8,321 | 2,355 |
| Interest and bank charges | 167,275 | 70,282 | 53,929 | 39,460 |
| Machinery fuel | 2,336 | 1,420 | 1,177 | 897 |
| Machinery repairs | 9,598 | 1,680 | 1,246 | 314 |
| Meals and entertainment | 1,357 | 1,262 | 790 | 740 |
| Permits and licences | 675 | 5,478 | 340 | 5,255 |
| Motor vehicle expenses | 10,230 | - | 2,088 | 3,441 |
| Office expenses | 45,512 | 20,431 | 18,617 | 15,923 |
| Equipment leases | 748 | - | 5,960 | - |
| Professional fees | 214,255 | 11,191 | 72,856 | 3,925 |
| Property taxes | 4,954 | 6,792 | 1,578 | 1,548 |
| Rent | 10,218 | - | - | - |
| Salaries and wages - management | 82,907 | 18,915 | 46,154 | - |
| Small tools | 8,677 | 1,319 | 2,939 | 86 |
| Travel expenses | 15,883 | 6,577 | 13,266 | 2,452 |
| | 1,186,551 | 261,112 | 326,317 | 143,192 |
| **Loss from Operation** | (1,710,082) | (387,513) | (641,274) | (175,881) |
| OTHER INCOME | 2,649 | 279 | 1,393 | 265 |
| **NET LOSS** | $ (1,707,433) | $ (387,234) | $ (639,881) | $ (175,616) |
| **Net Loss per share** | | | | |
| Basic and diluted | (0.02) | (322.70) | (0.01) | (146.35) |
| Weighted average number of shares | 78,562,550 | 1,200 | 80,014,550 | 1,200 |

1600978 ONTARIO INC. (operating as NATURAL MEDCO)

## Statements of Changes in Shareholders' Equity (Deficiency)
## (unaudited)

For the six months ended April 30, 2018

*(Expressed in Canadian Dollars)*

| | Share capital | | Deficit | | Total | |
|---|---|---|---|---|---|---|
| Balance, October 31, 2017 | $ | 900,128 | $ | (3,087,369) | $ | (2,187,241) |
| Shares issued for cash during the period | | 3,880,000 | | | | 3,880,000 |
| Shares issued for debt during the period | | 1,113,875 | | | | 1,113,875 |
| Shares issued for services during the period | | 403,979 | | | | 403,979 |
| Net loss for the six months | | | | (1,707,433) | | (1,707,433) |
| **Balance, April 30, 2018** | **$** | **6,297,982** | **$** | **(4,794,802)** | **$** | **1,503,180** |

1600978 ONTARIO INC. (operating as NATURAL MEDCO)

## Statements of Cash Flows
## (unaudited)

*(Expressed in Canadian Dollars)*

| | | For the six month period ended April 30, 2018 (unaudited) | | For the six month period ended April 30, 2017 (unaudited) |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Net loss | $ | (1,707,433) | $ | (387,234) |
| Add (deduct) items not involving cash: | | | | |
| Depreciation | | 77,944 | | 62,814 |
| Changes in non-cash working capital: | | | | |
| Other receivables | | 76,765 | | - |
| Accounts payable and accrued liabilities | | (103,788) | | (296,533) |
| Shares issued for services rendered | | 403,979 | | - |
| | | (1,252,533) | | (620,953) |
| **Cash flow from financing activities** | | | | |
| Advances/(repayment) to related parties | | (434,059) | | 66,894 |
| Common shares | | 5,894,003 | | - |
| Share conversion | | (900,128) | | - |
| Proceeds/(Repayment) of long term debt | | (629,491) | | 226,714 |
| | | 3,930,325 | | 293,608 |
| **Cash flow from investing activities** | | | | |
| Purchase of property and equipment | | (2,327,222) | | (58,946) |
| Other assets | | (559) | | 59,604 |
| Adjustment to retained earnings | | (24) | | - |
| | | (2,327,805) | | 658 |
| **Increase in cash** | | 349,987 | | (326,687) |
| **Cash, beginning of period** | | 91,400 | | 6,946 |
| **Cash, end of period** | $ | 441,387 | $ | (319,741) |

## 1. DESCRIPTION OF OPERATIONS

1600978 Ontario Inc. (Natural Medco) (the "Company") was incorporated provincially under the Business Corporations Act (Ontario) on February 2, 2005 and carries on the business of a greenhouse. The Company's primary business activity is the cultivation and sale of medical cannabis. The Company is a Licensed Producer under the Access to Cannabis for Medical Purposes Regulations and has applied for its sales license.As at April 30th, 2018, the Company had not yet received its sales license there was therefore no inventory or biological assets recognized in these financial statements.

To date, the Company has not yet realized profitable operations and has significant losses to date resulting in a cumulative deficit of $4,794,802 (October 31, 2017 - $3,087,369). As at April 30, 2018, the Company had cash of $441,387 (October 31, 2017 - $91,400) to settle current liabilities of $2,406,645 (October 31, 2017 - $3,278,921). In addition the Company has breached its debt covenants in relation to its credit facility. The Company has relied primarily on the support of its related parties and equity financing to continue its operations. The ability of the Company to continue operations is dependent upon obtaining additional financing. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to small cap companies. There can be no guarantee that the Company will be able to secure any required financing. These successive operating losses together with the challenges of securing requisite funding beyond the next twelve months, cast significant doubt on the Company’s ability to continue as a going concern and accordingly to its use of accounting principles applicable to a going concern. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

## 2. BASIS OF PRESENTATION

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Company's board of directors on July 9th, 2018.

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company's functional currency, as determined by management is the Canadian dollar. These financial statements are presented in Canadian dollars.

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## 2. BASIS OF PRESENTATION *(continued)*

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying financial statements are set out below:

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing parts of the property, plant and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of loss and comprehensive loss as incurred.

Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

| | | |
|---|---|---|
| Buildings- greenhouses | 4% | declining balance method |
| Greenhouse equipment | 20% | declining balance method |
| Machinery and equipment | 20% | declining balance method |
| Office equipment | 20% | declining balance method |
| Motor vehicles | 30% | declining balance method |
| Computer equipment | 55% | declining balance method |
| Fences and security | 20% | declining balance method |

No amortization is taken on assets under construction until the relevant asset has been put into use. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate

Impairment of non-financial assets

Intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

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## 2. BASIS OF PRESENTATION *(continued)*

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

At initial recognition, the Company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss: a financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statements of loss and comprehensive loss within other expense (income) in the period in which they arise.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Available for sale financial assets: Available for sale assets are non-derivative financial assets that are designated as available for sale and are not categorized into any of the other categories described above. They are initially recognized at fair value including direct and incremental transaction costs. They are subsequently recognized at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale, when the cumulative gain or loss is transferred to the statements of loss and comprehensive loss. Interest is determined using the effective interest method, and impairment losses and translation differences on monetary items are recognized in the statements of loss and comprehensive loss. The Company does not have any available for sale assets.

(iv) Financial liabilities at amortized cost: Financial liabilities at amortized cost are composed of accounts payable. Trade payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

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## 2. BASIS OF PRESENTATION *(continued)*

Impairment of financial assets carried at amortized cost

At each statement of financial position date, the Company assesses whether there is objective evidence a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the statements of loss and comprehensive loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For practical reasons, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

Loss per common share, basic and diluted

Basic loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Contingently issuable shares (including shares held in escrow) are not considered outstanding common shares and consequently are not included in the loss per share calculations.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options and warrants. Stock options and warrants have been excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

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## 2. BASIS OF PRESENTATION *(continued)*

Provisions

A provision is recognized when the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued but have not yet been applied in preparing these financial statements, as set out below:

- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after January 1, 2018 and earlier adoption is permitted.

- IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier adoption is permitted.

- In January 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low value assets; however, this exemption can only be applied by lessees. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application if IFRS 15 is also applied.

The Company does not believe the adoption of these polices will have any material impact on its financial statements.

## 3. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | **Net book value** |
|---|---|---|---|
| Land | $ 160,000 | $ - | **$ 160,000** |
| Buildings | 3,994,191 | 478,838 | **3,515,353** |
| Greenhouse equipment | 103,344 | 55,891 | **47,453** |
| Motor vehicles | 22,225 | 21,895 | **330** |
| Computer equipment | 83,261 | 45,341 | **37,920** |
| Machinery and equipment | 345,935 | 271,690 | **74,245** |
| Office equipment | 3,762 | 2,112 | **1,650** |
| Fences and security | 516,211 | 204,371 | **311,840** |
| | $ 5,228,929 | $ 1,080,138 | **$ 4,148,791** |

## 4. RELATED PARTIES

Key management includes directors and officers of the Company. Compensation paid to key management for the six month period ended April 30, 2018 amounted to $82,907 (year ended October 31, 2017 - $205,435).

## 5. LONG TERM DEBT

| | |
|---|---|
| Mainstreet commercial mortgage loan bearing interest at 9.85% per annum, repayable in monthly blended payments of $7,689. The loan matures on August 21, 2022. | **$ 620,448** |
| Round Plains Ginseng Farms Inc. loan bearing interest at 14.5% per annum, repayable in monthly interest only payments. | **948,780** |
| | **1,569,228** |
| Amounts payable within one year | **(1,569,228)** |
| | **$ -** |

The commercial mortgage with Mainstreet is part of a credit facility which includes a line of credit up to$25,000. As at April 30, 2018 the line of credit balance was $25,000. The Company is required under the credit facility agreement to maintain certain financial ratios at the end of each reporting period. At April 30, 2018, the Company was not compliant with all financial covenants under the credit facility. As a result, the balance of the mortgage payable has been classified as current. Mainstreet has not called the loan as at April 30, 2018 and the Company is currently in negotiations with Mainstreet to rectify the breach.

## 6. SHARE CAPITAL

Authorized:

| | |
|---|---|
| Unlimited | Common shares; voting, non-cumulative discretionary dividends |
| Unlimited | Class C special shares; non-voting, non-cumulative discretionary dividends not to exceed the prescribed rate of interest set by the CRA. |

*(continues)*

## 6. SHARE CAPITAL *(continued)*

Issued:

| | | | |
|---|---|---|---|
| 976,000 | Class C special shares | $ | **976,000** |
| 80,795,707 | Common shares | | **6,297,982** |
| | | **$** | **7,273,982** |

## 7. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as related party advances, long-term debt including the current portion and share capital.

The Company's objective with respect to its capital management is to ensure it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through issuance of shares and funding received from related parties.

There have been no changes to the Company's objectives and what it manages as capital since the prior fiscal year. The Company is subject to externally imposed capital requirements through its credit facility.

## 8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company has classified its cash as fair value through profit and loss ("FVTPL"), other receivables as loans and receivables, and accounts payable and accrued liabilities and due to related parties and long-term debt as other financial liabilities.

The carrying values of cash, other receivables, due to related parties, and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data
Financial risk factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's cash is held at a major Canadian bank. The Company regularly monitors the credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Other receivables consists of HST tax receivable.

(b) Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. All of the Company's financial liabilities are due within one year. See note 1 for further disclosure on the companies going concern assertion.

(c) Interest rate risk

The Company is not subject to any significant interest rate risk from its liabilities, which are all non-interest bearing instruments.

## 9. INCOME TAXES

No provision for current or future tax has been recognized since the Company does not have its license to sell and therefore collectability and recoverability is unknown.

## 10. SUBSEQUENT EVENTS

Subsequent to the end of the period the following significant events have occurred;

Shareholder Meeting

On May 28, 2018, the Company held a special meeting of its shareholders to approve certain matters related to the transactions including the amalgamation (the "Amalgamation") of the Company with a wholly-owned subsidiary of Carlaw and articles of amendment (the "Articles of Amendment") effecting a split of the Common Shares, on a 1:2 basis, and removing certain private company restrictions, all of which were approved.

Amalgamation Agreement

On June 14, 2018, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Carlaw and its wholly owned subsidiary to effect the Amalgamation. In accordance with the terms of the Amalgamation Agreement, all issued and outstanding securities of the Company will be exchanged for securities of Carlaw having substantially the same terms on a one-for-one basis.

Articles of Amendment

On June 14, 2018, the Company filed the Articles of Amendment.

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## 10. SUBSEQUENT EVENTS *(continued)*

Equity Offerings

On June 15, 2018, the Company completed a non-brokered private placement (the “Non-Brokered Private Placement”) of 17,852,600 Common Shares at a subscription price of $0.25 per Common Share, and a brokered private placement (the “Brokered Private Placement”, and together with the Non-Brokered Private Placement, the “Equity Offerings”) of 25,340,000 subscription receipts (each, a “Subscription Receipt”) at a subscription price of $0.25 per Subscription Receipt, for aggregate gross proceeds of approximately $10.8 million. In connection with the Brokered Private Placement, the Company entered into an agency agreement with Haywood Securities Inc. (“Haywood”), and PI Financial Corp., as co-lead agents, Echelon Wealth Partners and INFOR Financial Inc. (collectively, the “Agents”) to sell the Subscription Receipts on a best-efforts basis.

The gross proceeds of the Brokered Private Placement, less: (A) fifty percent of the Agents’ cash fees (as described below); (B) certain expenses of the Agents; and (C) fifty percent of the gross proceeds of the Brokered Private Placement, which were paid to the Company net of the corporate finance fee (as described below) and certain other payables were paid as directed by the Company, were deposited in escrow (such funds, collectively with all interest earned thereon, the “Escrow Funds”) until the satisfaction of certain release conditions, including all conditions precedent to the Amalgamation, have been met (the “Release Conditions”).

Upon the satisfaction of the Release Conditions, each Subscription Receipt will be converted into one Common Share without payment of any additional consideration or further action on the part of the holder thereof; and at the effective time of the Amalgamation, each Common Share will be exchanged for one common shares in the capital of Carlaw (subsequent to Carlaw completing a 1:2 stock split).

In connection with the Brokered Private Placement, the Agents received a cash fee equal to 7% of the aggregate gross proceeds of the Brokered Private Placement. The Agents also received such number of compensation options equal to 7% of the number of Subscription Receipts issued by the Company (each, an “Equity Compensation Option”) each being exercisable for one Common Share at a price of $0.25 per share for a period of two years from the date the Release Conditions are satisfied. In connection with the Amalgamation, each Equity Compensation Option will be exchanged into one compensation option of Carlaw (now, the “Resulting Issuer”). In addition, the Agents also received a corporate finance fee of $150,000 plus applicable taxes and an additional 675,000 Equity Compensation Options.

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## 10. SUBSEQUENT EVENTS *(continued)*

Debenture Offering

Concurrently with the closing of the Brokered Private Placement, the Company also completed a private placement (the "Debenture Offering") of 10,000 debenture units (the "Debenture Units") for aggregate gross proceeds $10,000,000, each Debenture Unit consisting of (i) a $1,000 principal amount senior unsecured convertible debenture of the Company maturing two years from the date of issue and bearing interest at 10.0% per annum (a "Debenture"); and (ii) common share purchase warrants (each, a "Warrant") exercisable for up to 3,333 Common Shares at an exercise price per share of $0.35 for a period of two years from the date of issue. The Debentures are convertible into that number of Common Shares computed on the basis of the principal amount of the Debentures divided by the conversion price of $0.30 per share at the holder's option or upon mandatory conversion at the request of the Company in the event that at any time following four months plus one day following the Amalgamation, for any ten consecutive trading days, the volume weighted average closing price of the shares of the Resulting Issuer on the TSXV is greater than $0.60. Upon conversion of the Debentures, the holder will also receive a cash payment equal to the additional interest amount that such holder would have received if it had held the Debentures for the period of one year from the date of conversion provided that such period shall not extend past the maturity date of the Debentures.

The gross proceeds of the Debenture Offering were deposited in escrow (such funds, collectively with all interest earned thereon, the "Debenture Escrow Funds") until the satisfaction of certain release conditions, including all conditions precedent to the Amalgamation, have been met (the "Debenture Escrow Release Conditions"). In connection with the Amalgamation, the Debentures and the Warrants will be exchanged for debentures and warrants of the Resulting Issuer having substantially the same terms and maturing or expiring, as applicable, two years from the date the Debenture Escrow Release Conditions are satisfied.

In connection with certain financial advisory services provided by Haywood in connection with the Debenture Offering, Haywood received a cash fee of $500,000 plus applicable taxes as well 2,333,333 compensation options (each, an "Debenture Compensation Option") each being exercisable for one NMC Common Share at a price of $0.30 per share for a period of two years from the date the Release Conditions are satisfied. In connection with the Amalgamation, each Debenture Compensation Option will be exchanged into one compensation option of the Resulting Issuer.

Sales License

On June 25, 2018, the Company announced that it had been granted permission to sell medicinal cannabis under the ACMPR.

Amalgamation

On June 28, 2018, the Company changed its name to Natural MedCo Ltd. and closed the Amalgamation. Both Escrow Release Conditions and the Debenture Escrow Release Conditions have been satisfied.