

Acana Capital Corp.

Consolidated Financial Statements

Year ended September 30, 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

AUDITOR'S REPORT

To the Shareholders of Acana Capital Corp.

We have audited the accompanying consolidated financial statements of Acana Capital Corp., which comprise the consolidated statements of financial position as at September 30, 2017 and 2016, and the consolidated statements of income (loss), comprehensive income (loss), cash flows, and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Acana Capital Corp. as at September 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
October 25, 2017

Acana Capital Corp.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Note	September 30, 2017	September 30, 2016
		\$	\$
Assets			
Current assets			
Cash		2,591,533	31,487
Marketable securities	6	-	3,535,311
GST receivable		17,887	2,715
Prepays and deposit	5	183,694	-
		2,793,114	3,569,513
Non-current			
Notes receivable	9	1,050,000	-
Properties	7	-	6,663,162
Total assets		3,843,114	10,232,675
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	110,318	90,597
Notes payable	10	-	460,000
Due to related parties	12	-	1,489,737
Taxes payable		-	33,678
		110,318	2,074,012
Non-current liabilities			
Debenture	12	-	2,876,902
Notes payable	10	-	262,340
Deferred tax liability	15	-	11,855
Total liabilities		110,318	5,225,109
Shareholders' equity			
Share capital	11	6,525,343	2,509,793
Reserves	11	-	985,577
Retained earnings (deficit)		(2,792,547)	1,512,196
Total shareholders' equity		3,732,796	5,007,566
Total liabilities and shareholders' equity		3,843,114	10,232,675

Approved and authorized for issuance by the Board of Directors on October 25, 2017

"Spiro Kletas"
Director

"Sonny Janda"
Director

See accompanying notes to the consolidated financial statements

Acana Capital Corp.**Consolidated statements of income (loss)**

(Expressed in Canadian dollars)

Year ended September 30,	Note	2017	2016
		\$	\$
Expenses			
Consulting	12	302,791	58,070
Investor relations		208,217	-
Office and administration		24,123	24,964
Professional fees		36,483	17,448
Trust and filing fees		47,433	20,374
Total operating expenses		(619,047)	(120,856)
Change in fair value of marketable securities	6	-	2,238,385
Gain (loss) from disposition of marketable securities	6	(2,722,252)	70,995
Gain from disposition of properties	7	-	51,937
Consulting revenue	12	-	43,500
Recovery of bad debt	12	-	112,281
Interest expense	10,12	(255,224)	(721,368)
Income (loss) before income taxes		(3,596,523)	1,674,874
Deferred tax recovery (expense)	15	11,855	(11,855)
Income (loss) from continuing operations		(3,584,668)	1,663,019
Income (loss) from discontinued operations	4	(720,075)	1,430,596
Net income (loss)		(4,304,743)	3,093,615
Earnings (loss) per share, basic and diluted from continued operations		(0.15)	0.07
Earnings (loss) per share, basic and diluted from discontinued operations		(0.03)	0.06
Weighted average number of shares outstanding, basic and diluted		23,745,412	22,968,702

See accompanying notes to the consolidated financial statements

Acana Capital Corp.
Consolidated statements of comprehensive income (loss)
(Expressed in Canadian dollars)

Year ended September 30,	2017	2016
	\$	\$
Income (loss) for the year	(4,304,743)	3,093,615
Other comprehensive income (loss) to be		
Foreign currency translation loss	(354,707)	(184,788)
Reclassification of cumulative translation gain on disposition of subsidiaries	(630,870)	-
Comprehensive income (loss)	(5,290,320)	2,908,827
Comprehensive income (loss) attributable to:		
Equity holders of the Parent	(5,290,320)	2,958,410
Non-controlling interests	-	(49,583)
	(5,290,320)	2,908,827

See accompanying notes to the consolidated financial statements

Acana Capital Corp.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

Year ended September 30,	2017	2016
Cash (used in) provided by:	\$	\$
Operating activities		
Income (loss) for the year from continuing operations	(3,584,668)	1,663,019
Items not involving cash :		
Loss (gain) on disposition of marketable securities	2,722,252	(70,995)
Gain on disposition of properties	-	(51,937)
Unrealized change in fair value - marketable securities	-	(2,238,385)
Interest expenses	-	738,528
Deferred taxes	(11,855)	11,855
Unrealized foreign exchange	89,640	-
Changes in non-cash operating working capital		
Due to related party	-	(1,056,548)
Other receivables and prepaid	-	1,142
Accounts payable and accrued liabilities	19,721	(41,105)
Cash used in operating activities- continuing operations	(764,910)	(1,044,426)
Cash provided by operating activities- discontinued operations	6,347	269,632
Investing activities		
Acquisition of marketable securities	(125,000)	(591,011)
Proceeds from sales of marketable securities	938,059	42,080
Notes receivable	(1,050,000)	-
Addition of development cost and properties	-	(18,871)
Cash used in investing activities- continuing operations	(236,941)	(567,802)
Financing activities		
Proceeds from issuance of promissory notes	(460,000)	460,000
Issuance of shares for cash	4,015,550	25,000
Cash used in investing activities- continuing operations	3,555,550	485,000
Effect of holding cash in foreign currency	-	(84,740)
Increase (decrease) of cash	2,560,046	(942,336)
Cash, beginning of year	31,487	973,823
Cash, end of year	2,591,533	31,487
Supplementary information:		
Cash paid for interest	26,044	-
Cash paid for income taxes	-	-

See accompanying notes to the consolidated financial statements

Acana Capital Corp.

Consolidated statements of changes in shareholders' equity

(Expressed in Canadian dollars except for number of shares)

	Common shares		Reserve	Retained	Equity attributed to	Non-controlling	Total
	Number	Amount	Translation gain (loss)	earnings (deficit)	the equity holder of the Company		
		\$	\$	\$	\$	\$	\$
September 30, 2015	22,879,379	2,484,793	1,170,365	(1,581,419)	2,073,739	2,986,913	5,060,652
Disposition of a subsidiary	-	-	-	-	-	(2,937,330)	(2,937,330)
Shares issued for warrants exercised	119,048	25,000	-	-	25,000	-	25,000
Translation of subsidiaries	-	-	(184,788)	-	(184,788)	-	(184,788)
Net income for the year	-	-	-	3,093,615	3,093,615	(49,583)	3,044,032
September 30, 2016	22,998,427	2,509,793	985,577	1,512,196	5,007,566	-	5,007,566
Shares issuance - warrant exercise (Note 11)	2,553,333	536,200	-	-	536,200	-	536,200
Shares issuance - private placement (Note 11)	10,000,000	3,479,350	-	-	3,479,350	-	3,479,350
Share issuance - finders' fees (Note 11)	267,634	-	-	-	-	-	-
Translation of subsidiaries	-	-	(630,870)	-	-	-	(630,870)
Disposition of subsidiaries (Note 4)	-	-	(354,707)	-	(354,707)	-	(354,707)
Net loss for the year	-	-	-	(4,304,743)	(4,304,743)	-	(4,304,743)
September 30, 2017	35,819,394	6,525,343	-	(2,792,547)	4,363,666	-	3,732,796

See accompanying notes to the condensed consolidated financial statements

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Acana Capital Corp. (the “Company”) was incorporated on October 17, 2014 in British Columbia. The Company’s principal activity was the acquisition and development of real estate and farming properties. During the year ended September 30, 2017, the Company decided it would discontinue its principal activities in real estate and farming and pursue other business ventures (Note 3). All subsidiaries of the Company were disposed during the year end September 30, 2017 (Note 4).

On July 18, 2017, the Company consolidated its issued and outstanding common shares on a 2.1:1 basis. The Company’s warrants have been adjusted to account for the 2.1:1 consolidation in accordance to the terms and conditions of such warrants. All current and comparative references to the number of shares, warrants, weighted average number of common shares and earnings (loss) per share reflects the consolidation.

The Company’s head office is located at Suite 1500-1055 West Georgia St. Vancouver, BC V6E 4N7. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “ACM”.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements were authorized for issue by the Board of Directors on October 25, 2017.

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value, and are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries:

Name	Country of incorporation	Ownership as at September 30,	
		2017	2016
Acana USA Inc. (“Acana USA”) (Note 4)	USA	Nil	100%
Acana Capital LLC (“Acana LLC”) (Note 4)	USA	Nil	100%
Tucson Houghton LLC (“Tucson LLC”) (Note 4)	USA	Nil	Nil

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation. When the Company loses control over a subsidiary, it derecognizes the related assets, liabilities, non-controlling interest and other components of equity, while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and assumptions (continued)

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value of financial instruments, the fair value of properties, the useful life of properties, the fair value of share-based payments and the recoverability and measurement of deferred tax assets and liabilities.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, the determination of the functional currencies of the parent and subsidiaries, and the classification of financial instruments.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted amounts are not presented when the effect of the computations are anti-diluted.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss ("FVTPL") - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss. The Company classifies marketable securities as FVTPL.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated cash and notes receivable as loan and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Other financial liabilities – Other financial liabilities are initially recognized at fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective rate amortization process. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Canadian dollars which is the parent company's functional currency. The functional currency of all of the Company's US subsidiaries is the US dollar.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of income (loss) in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's foreign translation reserve.

Properties

Properties were comprised of parcels of lands used for real estate projects which are developed, to be developed, or are in development, and two parcels of land that are being used for agricultural activity.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties (continued)

The Company accounted for all the lands and buildings in connection with the Company's real estate projects in accordance with IAS 40 - Investment Property. The Company capitalized the acquisition and expenses development costs in the period in which they were incurred.

Subsequent to initial recognition, properties were stated at cost. In the absence of active markets, the fair value of these properties cannot be reliably measured.

The Company amortized its properties once they are available for use at 39 years straight line (commercial real estate properties).

Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The Company amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Revenue Recognition

Rental income is recognized when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the lease will flow to the Company;
- the stage of completion of the lease at the end of the reporting period can be measured reliably; and
- the costs incurred for and to complete the lease can be measured reliably.

Warrants

Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares. If the proceeds from the offering are less than or equal to the fair market value of shares issued, a fair value of \$Nil is assigned to the warrants.

Income taxes

Current income tax:

Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Discontinued operations

The Company classifies non-current assets and disposal groups as held for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less costs to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discontinued operations (continued)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- a) Represents a separate major line of business or geographical area of operations;
- b) Is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c) Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 4. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Accounting standards issued but not yet applied

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2017, and have not been applied in preparing these financial statements.

IFRS 9 Financial Instruments

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing *IAS 39 Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- a) Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- b) Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- c) Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- d) Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is applicable for the Company's fiscal year commencing October 1, 2018.

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards issued but not yet applied (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- a) Identify the contract with the customer
- b) Identify the performance obligations in the contract
- c) Determine the transaction price
- d) Allocate the transaction price to the performance obligations in the contracts
- e) Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is applicable for the Company's fiscal year commencing October 1, 2018.

The Company intends to adopt the standards when they become effective. The Company has not yet determined the impact of these standards on its financial statements. Management does not expect other accounting standards issued to have an impact on the Company's financial statements.

3. CHANGE OF BUSINESS

On September 24, 2017, the Company entered into an agreement (the "Share Exchange Agreement") with Blockchain Technology Group Inc. ("Blockchain"). Pursuant to the Share Exchange Agreement, the Company will complete a reverse takeover and acquire, from the shareholders of Blockchain (the "Blockchain Shareholders"), all of the issued and outstanding shares of Blockchain to the shareholders of Blockchain on a pro rata basis by issuing the greater of 27,000,000 common shares of the Company or 1.3395 common shares of the Company per one common share of Blockchain outstanding at closing (the "Exchange Ratio") and Blockchain will become a wholly-owned subsidiary of the Company (the "Acquisition"). Blockchain's outstanding options and warrants at closing of the Acquisition will become convertible into common shares of the Company, based on the Exchange Ratio.

The Acquisition is expected to constitute a fundamental change under the policies of the Canadian Securities Exchange ("CSE"). Completion of the Acquisition is subject to a number of conditions including, but not limited to, satisfactory due diligence and acceptance of the acquisition by the CSE.

In conjunction with the Acquisition, Company issued 10,000,000 common shares at \$0.35 per share through a private placement for gross proceeds of \$3,500,000. The Company paid finders a cash commission of \$20,650 and issued 267,634 finders' shares with a fair value of \$93,672 (Note 11).

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

4. DISPOSITION OF SUBSIDIARIES

During the year ended September 30, 2017, the Company disposed of its subsidiaries as follows:

- a) On June 7, 2017, Acana USA incorporated a company, Tucson LLC, under the laws of Arizona, USA.
- b) On July 19, 2017, the Company assigned its 100% interest in Acana LLC to Ebrands Holding Corp. (“Ebrands”).
- c) On July 21, 2017, Acana USA transferred the title the Tucson Building (Note 7) to Tucson LLC for the consideration of \$13.
- d) On July 25, 2017, Acana USA assigned its 100% interest in Tucson LLC to Ebrands.
- e) On July 28, 2017, the Company sold its 100% interest in Acana USA to a director of the Company for the consideration of \$10 (note 12).

In connection with the assignment of interests in Acana LLC and Tucson LLC to Ebrands, Ebrands issued a promissory note with a principal of \$4,417,270 as consideration for the assignment. The note is secured with the personal property of Ebrands, bears interest at the 4.95% per annum and is due on demand. The promissory note was settled in full with the assumption of related party payables of \$4,469,888 (Note 12).

The loss on disposition and de-recognition of the subsidiaries is summarized as follows:

	2017
	\$
Consideration	4,417,270
Assets disposed by the Company	
Properties	(6,298,589)
Liabilities assumed by the Purchaser	
Notes payable	295,513
Net working capital deficiency of subsidiaries	53,830
Realization of cumulative foreign currency translation	630,870
Loss on disposition of subsidiaries	(901,106)

During the year ended September 30, 2016, the Company entered into an agreement whereby the Company sold its 50% interest in the JDLP partnership in exchange for US\$2,875,000 (\$3,711,138).

	2016
	\$
Proceeds	3,711,138
Assets disposed by the Company	
Farming equipment	909,849
Biological assets	3,152,651
Properties	3,907,448
Liabilities assumed by the Purchaser	
Bank indebtedness	(79)
Accounts payable and accrued liabilities	(2,680,082)
Net assets disposed of	5,289,787
NCI at date of disposal	2,937,330
Gain on disposition	1,418,681

Acana Capital Corp.
Notes to the consolidated financial statements
Years ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

4. DISPOSITION OF SUBSIDIARIES (Continued)

The operations that were disposed of are considered to be discontinued operations of the Company with the following details:

	2017	2016
	\$	\$
Rental income	282,698	375,840
Rental expenses	(35,006)	(46,539)
Amortization	(58,130)	(147,478)
Office and administration	(2,329)	(119,070)
Interest expenses	(6,202)	(17,160)
Income tax	-	(33,678)
	181,031	11,915
Gain (loss) on disposition of subsidiaries	(901,106)	1,418,681
	(720,075)	1,430,596

5. PREPAIDS AND DEPOSITS

	2017	2016
	\$	\$
Prepays	103,694	-
Deposits	80,000	-
	183,694	-

6. MARKETABLE SECURITIES

The Company's marketable securities comprised of shares and share purchase warrants of public companies. Information of the Company's holdings of marketable securities for the fiscal 2017 is as follows:

	\$
Balance as at September 30, 2015	677,000
Additions	622,335
Disposals	(33,704)
Unrealized gain on marketable securities	2,238,385
Realized gain on marketable securities	31,295
Balance as at September 30, 2016	3,535,311
Additions	125,036
Disposals	(3,660,347)
Balance as at September 30, 2017	-

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6. MARKETABLE SECURITIES (Continued)

On August 8, 2016, the former Chief Executive Officer (“former CEO”) of the Company donated to the Company 1,000,000 share purchase warrants of a public company with a common director with a fair value of \$31,294. The fair value of the warrants were determined using the Black-Scholes option pricing model with the following assumptions:

	August 8, 2016
Expected life of warrants	3.28 years
Annualized volatility	97%
Risk-free interest rate	1.13%
Dividend rate	0%

On August 25, 2016, the Company exercised all warrants held.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	September 30, 2017	September 30, 2016
Expected life of warrants	-	4.72
Annualized volatility	-	195%
Risk-free interest rate	-	0.62%
Dividend rate	-	0%

7. PROPERTIES

The continuity of the Company’s properties for the year ended September 30, 2017 are as follows:

	September 30, 2016	Disposition	Accumulated amortization	Effect of foreign exchange	September 30, 2017
48th Ave Land	\$ 257,064	\$ (245,109)	\$ -	\$ (11,955)	\$ -
49th Ave Land	96,169	(91,697)	-	(4,472)	-
6565 Lang Ave	316,992	(302,250)	-	(14,742)	-
Vineyard Plaza	2,904,604	(2,769,257)	-	(135,077)	-
Bader Road Lot	181,252	(172,823)	-	(8,429)	-
Tuscon Building	2,907,081	(2,717,183)	(58,130)	(131,768)	-
Total	\$ 6,663,162	\$ (6,298,589)	\$ (58,130)	\$ (306,443)	\$ -

During the year ended September 30, 2017, the Company disposed of its subsidiaries (Note 4).

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7. PROPERTIES (Continued)

The continuity of the Company's properties for the year ended September 30, 2016 are as follows:

	September 30, 2015	Additions	Disposition	Accumulated amortization	Effect of foreign exchange	September 30, 2016
48th Ave Land	\$ 262,415	\$ -	\$ -	\$ -	(5,351)	\$ 257,064
49th Ave Land	98,170	-	-	-	(2,001)	96,169
6565 Lang Ave	303,411	19,767	-	-	(6,186)	316,992
106 Glenn*	615,145	-	(602,741)	-	(12,404)	-
860 Corning *	3,364,829	-	(3,296,980)	-	(67,849)	-
Vineyard Plaza	2,965,056	-	-	-	(60,452)	2,904,604
Bader Road Lot**	370,047	-	(181,293)	-	(7,502)	181,252
Tuscon Building	3,045,680	-	-	(77,287)	(61,312)	2,907,081
Total	\$ 11,024,753	\$ 563,623	\$ (4,081,014)	\$ (77,287)	\$ (223,057)	\$ 6,663,162

*106 Glenn and 860 Corning were disposed when 50% of JDLP was sold (Note 4).

**Bader Road Lot: Vacant land located in Elk Grove, California, USA. During the year ended September 30, 2016, the Company sold 50% of the Bader Road Lot. The consideration was the settlement of the loan in the principal amount of \$211,926 (USD \$165,000) and accrued interest of \$16,913 (USD \$13,168). The loan was secured by the Bader Road Lot (Note 10). The Company recorded a gain of \$51,937.

Vineyard Plaza: Vacant land which was intended for commercial building development

48 Ave Land: Vacant land which was intended for multi-family development.

49 Ave Land: Vacant land which was intended for multi-family development.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade payables	\$ 53,036	\$ 55,719
Interest payable (Note 10)	-	19,878
Accrued liabilities	57,282	15,000
	\$ 110,318	\$ 90,597

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9. NOTES RECEIVABLE

During the year ended September 30, 2017, the Company issued notes receivable of \$1,050,000 to Blockchain. These notes include an unsecured, non-interest bearing note receivable totalling \$50,000 due on December 31, 2017 and non-interest bearing note totalling \$1,000,000 due on March 29, 2018 which is secured by a general security agreement over all Blockchain property. The notes have been classified as non-current as the Company expects to realize through its planned acquisition of Blockchain (Note 3).

As at September 30, 2016, the Company had \$nil notes receivable outstanding.

10. NOTES PAYABLE

As at September 30, 2017, the Company had \$nil notes payable outstanding. All notes payable, including the principal and interest accrued, have been fully paid or assumed by a third party in connection with the disposition of subsidiaries during the year (Note 4). During the year ended September 30, 2017, the Company recorded interest expense of \$25,757.

As at September 30, 2016, the Company had the following notes payable denoted in US dollars:

Principal in USD	Principal In CAD	Non- Current	Interest	Terms	Security
			\$	\$	
100,000	131,170	131,170	7,259	Interest of 4% for the first 2 years and 5% per annum thereafter, due on May 19,	48 th Ave
100,000	131,170	131,170	6,843	Interest of 4% per annum due on July 1, 2018	6565 Lang Avenue
200,000	262,340	262,340	14,102		

As at September 30, 2016, the Company had the following unsecured notes payable denoted in Canadian dollars:

Principal	Interest	Terms
\$	\$	
300,000	4,685	Interest at 6% per annum, due on demand
100,000	918	Interest at 5% per annum, due on demand
60,000	173	Interest at 5% per annum, due on demand
460,000	5,776	

During the year ended September 30, 2016, the Company borrowed from an arm's length party an amount of \$1,000,000. The principal of \$1,000,000 and interest of \$25,000 were fully repaid as at September 30, 2016.

As at September 30, 2016, accrued interest of \$19,878 is included in accounts payable and accrued liabilities (Note 8).

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11. SHARE CAPITAL

Authorized

Unlimited number of common shares and preferred shares without par value.

Issued

On July 18, 2017, all issued and outstanding common shares of the Company was consolidated such that every 2.1 existing common share has been consolidated into one new share of the Company.

During the year ended September 30, 2017, the Company issued the following common shares:

- 2,553,333 common shares issued in August 2017 at \$0.21 per share for total proceeds of 536,200 for exercise of warrants;
- 10,000,000 common shares issued at \$0.35 per share through a private placement for the gross proceeds of \$3,500,000 (Note 3); and
- 267,634 finder's shares issued at \$0.35 per share with a fair value of \$93,672 in connection with the private placement.

Pursuant to the aforementioned private placement, the Company paid \$20,650 in finders' fees.

During the year ended September 30, 2016, 119,047 warrants were exercised into 119,047 common shares for gross proceeds of \$25,000.

Warrants

	Number of Warrants
Balance, September 30, 2015	6,000,000
Exercised	(119,047)
Balance, September 30, 2016	5,880,953
Exercised	(2,553,333)
Balance, September 30, 2017	3,327,620

As at September 30, 2017, warrants outstanding have an exercise price of \$0.21 per share and expire on March 11, 2020 and have a weighted average remaining life of 2.45 (2016 – 3.45) years.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

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12. RELATED PARTY TRANSACTIONS

Key Management Compensation

During the year ended September 30, 2017, consulting fees paid to the Company's officers was \$nil (2016 - \$25,000).

During the year ended September 30, 2017, consulting fees paid to a director of the Company was \$253,544 (2016 - \$5,000).

Compensation to related parties

During the year ended September 30, 2017, consulting fees paid to a company with a common director was \$nil (2016 - \$3,000).

During the year ended September 30, 2017, consulting fees and rent paid to a company with common key management was \$nil (2016 - \$32,800).

Debenture

As at September 30, 2016, the Company had a debenture with a principal of \$2,876,902 payable to the Company's former CEO and his spouse. The debenture bore interest at 10% per annum, was due on March 25, 2018 and is secured against all of the Company's interests in the US.

In addition to the interest, the holder of the debenture was also entitled to the following:

- A bonus of \$400,000 upon the Company having earned its first net income of \$1,000,000 from its operations; and
- Another bonus of \$400,000 upon the Company having earned its second net income of \$1,000,000 from its operations.

During the year ended September 30, 2017, the Company accrued interest of \$235,670 (2016 - \$689,444) and settled \$4,469,888 of the total principal and interest outstanding on the debenture whereby, in conjunction with a loan agreement, the balance was assumed by the borrower (Note 4). As at September 30, 2017, the total principal and interest outstanding was \$nil (2016 - \$4,095,293).

Marketable securities

As at September 30, 2017, the Company's marketable securities included common shares and warrants with a total cost of \$nil (2016 - \$420,001) and a total fair value of \$nil (2016 - \$1,301,020) of companies with common directors or officers with the Company. As at September 30, 2017, the Company has disposed of all marketable securities.

During the year ended September 30, 2017, the Company sold certain marketable securities for proceeds of \$322,000 (2016 - \$nil) to companies with directors in common and recognized a gain on disposition of marketable securities of \$146,000 (2016 - \$nil).

Recovery of bad debt

During the year ended September 30, 2016, the Company recorded a recovery from bad debt of \$112,281, which was related to a promissory note receivable from a company with common directors and officers.

Due to related parties

As at September 30, 2017, the Company had \$nil (2016 - \$1,489,737) due to directors.

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12. RELATED PARTY TRANSACTIONS (Continued)

Promissory note payable

During the year ended September 30, 2016, the Company entered into a promissory note with a company controlled by the former CEO, whereby the Company agreed to pay a principal balance of \$300,000. The note was unsecured, bore interest of 6% per annum and was due on demand.

During the year ended September 30, 2017, the Company repaid the full principal and interest on the note of \$318,740 (2016 - \$nil) and recorded interest expense of \$13,341 (2016 - \$4,681).

Other income

During the year ended September 30, 2017, the Company received \$nil (2016 - \$40,000) for consulting services provided to a company with a common director.

13. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Credit risk is the risk associated with a counterparty's inability to fulfill its payment obligation. The Company's primary exposure to credit risk is on its cash which is held in bank accounts. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Market risk includes foreign exchange risk, interest rate risk, and price risk. Market risk is managed principally through diversification of investments. Management monitors the overall market risk position on a quarterly basis.

Price Risk

The Company is not exposed to price risk as at September 30, 2017.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not currently exposed to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

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13. FINANCIAL RISK MANAGEMENT (Continued)

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	2017	2016
Loans and receivables:	\$	\$
Cash	2,591,533	31,487
Notes receivable	1,050,000	-
FVTPL:		
Marketable securities	-	3,535,311

Financial liabilities included in the statement of financial position are as follows:

	2017	2016
Non-derivative financial liabilities:	\$	\$
Trade payables	53,036	55,719
Interest payable	-	19,878
Due to related parties	-	1,489,737
Debenture	-	2,876,902
Notes payable	-	772,340

Fair Value

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

September 30, 2017	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	2,591,533	-	-

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13. FINANCIAL RISK MANAGEMENT (Continued)

Fair Value (continued)

September 30, 2016:	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	31,487		
Marketable Securities	3,104,940	-	430,371
	3,136,427	-	430,371

14. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its properties and biological assets and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the year.

15. INCOME TAXES

A reconciliation of the expected income tax recovery based on the combined Canadian federal and provincial income tax rate of 26% to the actual income tax recovery is as follows:

	2017	2016
	\$	\$
Net income (loss) for the year	(4,316,598)	3,105,470
Expected income tax recovery at the statutory tax rate	(984,000)	937,000
Impact of different foreign statutory tax rates on earnings	(138,000)	-
Non-deductible expenditures and non-taxable revenues	(364,000)	(492,000)
Effect of foreign exchange and other	(131,000)	(27,000)
Adjustment to prior year provision	(557,000)	291,000
Disposal of subsidiary	625,000	550,000
Marketable securities	(352,000)	-
Share issue costs	(4,000)	-
Change in unrecognized deferred assets	2,518,000	(1,247,000)
Total income tax expense (recovery)	(12,000)	12,000

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15. INCOME TAXES (continued)

The Company has the following deferred tax liabilities which have been recognized:

	2017	2016
	\$	\$
Non-capital loss carry-forwards	1,998,000	449,000
Marketable securities	-	(352,000)
Properties	4,000	-
Total deferred tax assets	2,002,000	97,000
Unrecognized deferred tax liabilities	(2,002,000)	(109,000)
Net deferred tax liabilities	-	(12,000)

The Company's has approximately \$7,684,000 in Canadian non-capital tax losses will commence to expire in 2035.