
Invictus MD Strategies Corp.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS

For the three months ended April 30, 2016 and 2015
(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

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

The management of Invictus MD Strategies Corp. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. These unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

"Dan Kriznic"

Dan Kriznic
Director

"Drew Lawrenson"

Drew Lawrenson
Director

June 29, 2016

Invictus MD Strategies Corp.**Condensed interim consolidated statements of financial position**

(Unaudited - Expressed in Canadian dollars)

	April 30, 2016	January 31, 2016
ASSETS		
Current		
Cash	\$ 2,037,084	\$ 237,653
Accounts receivable (Note 5)	1,756,328	1,453,650
Prepaid expenses and other (Note 6)	59,000	56,530
Inventory (Note 7)	771,424	853,652
Assets held for sale (Note 11)	-	4,786,591
	4,623,836	7,388,076
Property and equipment (Note 8)	65,280	62,499
Intangible assets (Note 9)	921,709	861,150
	986,989	923,649
	\$ 5,610,825	\$ 8,311,725
LIABILITIES		
Current		
Bank indebtedness (Note 13)	\$ 289,524	\$ 470,662
Accounts payable and accrued liabilities (Note 12 & 15)	1,103,757	1,151,411
	1,393,281	1,622,073
Convertible loan (Note 14)	-	207,200
Deposit	-	50,000
Liabilities associated with assets held for sale (Note 11)	-	519,000
	1,393,281	2,398,273
SHAREHOLDERS' EQUITY		
Share capital (Notes 4 and 16)	3,870,886	3,875,263
Contributed surplus	384,539	384,539
Equity portion of convertible loan (Note 14)	-	68,361
Deficit	(1,079,752)	(698,014)
Equity attributable to owners of the Company	3,175,673	3,630,149
Non-controlling interest (Note 11)	1,041,871	2,283,303
	4,217,544	5,913,452
	\$ 5,610,825	\$ 8,311,725

Nature of operations (Note 1)

Approved and authorized for issuance on behalf of the Board on June 29, 2016:

"Dan Kriznic"
Director

"Drew Lawrenson"
Director

Invictus MD Strategies Corp.**Condensed interim consolidated statements of comprehensive income and loss****For the three months ended April 30, 2016 and 2015**

(Unaudited - Expressed in Canadian dollars)

	2016	2015
REVENUES	\$ 833,982	\$ 500
COST OF SALES	348,802	-
GROSS MARGIN	485,180	500
OPERATING EXPENSES		
Selling and marketing		
Investor relations	1,250	71,757
Sales and marketing	40,422	13,898
Travel	14,238	25,135
	55,910	110,790
General and administrative		
Depreciation	4,978	-
Filing and transfer agent fees	5,181	8,531
Insurance	1,233	-
Meals and entertainment	179	-
Management fees and wages (Note 15)	382,747	77,250
Office and general	114,871	40,502
Professional fees (Note 15)	39,608	60,660
Repairs and maintenance	5,081	-
Stock-based compensation (Note 16)	-	7,437
	553,878	194,380
Net loss from operations	(124,608)	(304,670)
OTHER ITEMS		
Other income	890	-
Foreign exchange and other	32,093	-
Bargain purchase gain (Note 11)	49,993	-
Loss on sale of SunBlaster	(163,984)	-
Share of profit of equity-accounted investees	-	13,563
	(81,008)	13,563
Net loss and comprehensive loss for the periods	\$ (205,616)	\$ (291,107)
Loss attributable to:		
Owners of the Company – loss	(381,738)	-
Non-controlling interest – income	176,122	-
	(205,616)	-
Net loss per share		
Basic and diluted	\$ (0.05)	\$ (0.08)
Weighted average number of common shares outstanding	4,033,429	3,452,372

Invictus MD Strategies Corp.

Condensed interim consolidated statements of changes in equity

(Unaudited - Expressed in Canadian dollars)

	Number of Shares	Share Capital \$	Contributed Surplus \$	Subscriptions Received \$	Equity Portion of Convertible Debt \$	Non- Controlling Interest \$	Deficit \$	Total \$
Balance, January 31, 2015	3,307,916	720,805	257,500	7,000	-	-	(710,091)	275,214
Shares issued for Focus Distribution acquisition	25,437	40,699	32,361	-	-	-	-	73,060
Shares issued for Prestige Worldwide Holdings acquisitions	171,000	256,500	-	-	-	-	-	256,500
Shares issued for Cannabis Health acquisition (Note 6)	100,000	170,000	48,045	-	-	-	-	218,045
Shares issued for consultation services relating to Future Harvest acquisition	4,085	6,127	-	-	-	-	-	6,127
Shares issued for consultation services	5,000	7,500	-	-	-	-	-	7,500
Stock-based compensation	-	-	7,437	-	-	-	-	7,437
Exercise of warrants	125,000	75,000	-	-	-	-	-	75,000
Private placements (net of share issuance costs)	841,050	1,097,363	142,076	(7,000)	-	-	-	1,232,439
Total comprehensive loss for the period	-	-	-	-	-	-	(291,107)	(291,107)
Balance, April 30, 2015	4,579,488	2,373,994	487,419	-	-	-	(1,001,198)	1,860,215
Balance, January 31, 2016	4,033,429	3,875,263	384,539	-	68,361	2,283,303	(698,014)	5,913,452
Non-controlling interest (Note 11)	-	-	-	-	-	(577,916)	-	(577,916)
Repayment of convertible debt	-	-	-	-	(68,361)	-	-	(68,361)
Distribution to non-controlling interest members (Note 16)	-	-	-	-	-	(839,638)	-	(839,638)
Share consolidation	-	(4,377)	-	-	-	-	-	(4,377)
Total comprehensive loss for the period	-	-	-	-	-	176,122	(381,738)	(205,616)
Balance, April 30, 2016	4,033,429	3,870,886	384,539	-	-	1,041,871	(1,079,752)	4,217,544

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

Invictus MD Strategies Corp.
Condensed interim consolidated statements of cash flows
For the three months ended April 30, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	2016	2015
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	\$ (205,616)	\$ (291,107)
Items not affecting cash:		
Stock-based compensation	-	7,437
Share of profit of equity-accounted investees	-	(13,563)
Interest expense	24,438	-
Depreciation	4,978	-
Bargain purchase gain	(49,993)	-
Share consolidation	(4,377)	-
Changes in non-cash working capital items:		
Accounts receivables	(302,678)	(8,769)
Prepaid expenses	(2,470)	(63,278)
Inventory	82,228	-
Due from related parties	-	18,034
Accounts payable and accrued liabilities	(225,891)	82,404
Net cash used in operating activities	(679,381)	(268,842)
INVESTING ACTIVITIES		
Deposits	-	12,314
Proceeds on sale of SunBlaster	3,050,000	-
Proceeds on sale of SunBlaster inventory	893,802	-
Acquisition of additional 15% of Future Harvest	(375,000)	(54,177)
Acquisition of Future Harvest – working capital payments	(152,922)	-
Purchase of property and equipment	(7,759)	-
Intellectual property	(73,171)	-
Investment in associates	-	(709,751)
Loans	-	(40,000)
Repayment of convertible loan	(300,000)	-
Net cash provided by (used in) investing activities	3,034,950	(791,614)
FINANCING ACTIVITIES		
Distribution to non-controlling interest members (Note 16)	(375,000)	-
Exercise of warrants	-	75,000
Issuance of common shares	-	1,257,576
Share issuance costs	-	(17,636)
Line of credit repayment	(181,138)	-
Net cash provided by (used in) financing activities	(556,138)	1,314,940
Change in cash during the period	1,799,431	254,484
Cash, beginning of period	237,653	350,214
Cash, end of period	\$ 2,037,084	\$ 604,698

SUPPLEMENTARY CASHFLOW INFORMATION (Note 19)

1. NATURE OF OPERATIONS

Invictus MD Strategies Corp. (formerly BioAB Strategies Ltd.) (“Invictus MD” or the “Company”) was incorporated pursuant to the British Columbia Business Corporations Act on February 11, 2014. The Company is primarily engaged in the investment, acquisition, and development of synergistic businesses in an effort to increase and sustain growth and value. The Company’s head office is located at 1108-1238 Seymour Street, Vancouver, British Columbia, V6B 6J3.

On December 19, 2014 the Company entered into a definitive agreement pursuant to which the Company acquired all of the issued and outstanding securities of Greener Pastures Marihuana Dispensary Ltd. (“GPMD”). GPMD was incorporated on January 23, 2014 under the British Columbia Business Corporations Act. The transaction was carried out by way of a three-cornered amalgamation whereby a wholly-owned subsidiary of the Company (“Newco”) amalgamated with GPMD to form a new corporate entity (“Amalco”). The former shareholders of GPMD were issued 2,197,912 common shares of the Company on the basis of one common share of the Company for every one GPMD common share held. Accordingly, this transaction was recorded as a reverse acquisition for accounting purposes, with GPMD being identified as the accounting acquirer. The resulting consolidated statements of financial position are presented as a continuance of GPMD and the comparative figures presented in the consolidated financial statements after the acquisition are those of GPMD.

Concurrent with this transaction, the Company changed its name to Invictus MD Strategies Corp., and effected a change in directors, management and business. The Company’s common shares began trading on the Canadian Securities Exchange under the trading symbol “IMH” effective December 23, 2014. The Company’s common shares also trade on the OTC under the symbol “IVTF”, and the Frankfurt Stock Exchange under the symbol “8IS”.

On March 11, 2016, the Company consolidated its issued and outstanding share capital on the basis of one post-consolidated common share for every 10 pre-consolidated common shares (Note 16). All references to share capital has been retroactively applied throughout these financial statements.

2. BASIS OF PREPARATION**Statement of compliance**

These unaudited condensed interim consolidated financial statements, including comparatives, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), in particular IAS 34, interim reporting, and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of Greener Pastures Marihuana Dispensary Ltd., Edison Vape Co. Ltd., Vitaleaf Management Inc., Prestige Worldwide Holdings Inc., Future Harvest Development Ltd., and Invictus MD Strategies Corp.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries are entities that the Company controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

				Percentage owned*	
				April 30, 2016	April 30, 2015
Greener Pastures Marihuana Dispensary Ltd.	BC, Canada			100%	100%
Edison Vape Co. Ltd.	BC, Canada			100%	NA
Vitaleaf Management Inc.	BC, Canada			100%	100%
Prestige Worldwide Holdings Inc.	BC, Canada			100%	100%
Future Harvest Development Ltd.	BC, Canada			75%	NA

*Percentage of voting power is proportion to ownership.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Significant accounting judgments and estimates

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

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

2. BASIS OF PREPARATION (continued)

Significant accounting judgments and estimates (continued)

Critical accounting estimates

- i. Inputs used in impairment calculations;
- ii. Determining fair value of identifiable assets acquired, liabilities assumed and consideration transferred for business combinations and asset acquisitions;
- iii. Value of inventories carried at the lower of cost and net realizable value; and
- iv. Measurement of deferred income tax assets and liabilities.

Critical accounting judgments

- i. The evaluation of the Company's ability to continue as a going concern;
- ii. Assessment of indications of impairment;
- iii. The determination of categories of financial assets and financial liabilities;
- iv. Judgments used in the acquisition of Future Harvest Development Ltd;
- v. Judgements used in determining if the Company has significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are recognized on the statements of consolidated financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss. The company classifies its cash as fair value through profit or loss.

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 carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company classifies its accounts receivable and deposits as loans and receivables.

Held-to-maturity - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company does not have any assets classified as held-to-maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial assets (continued)**

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss. The Company does not have any assets held classified as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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 where impairment has arisen.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. The Company does not have any financial liabilities classified as fair value through profit or loss.

Other financial liabilities - This category includes trade and other payables. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its bank indebtedness, accounts payable, convertible loan and deposit as other financial liabilities.

Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When a Company entity transacts with an associate of the Company, profits and losses resulting from the transactions with the associate are recognized in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Assets held for sale**

Non-current assets and liabilities which comprise disposal groups are presented as assets held for sale where the asset is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan.

Non-current assets held for sale are carried at the lesser of carrying amount and fair value less costs to sell.

Impairment of non-current assets

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value-in-use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Intangible assets

Intangible assets consist mainly of trademarks, domain name and similar intangibles, including certain intellectual property, acquired by the Company. Acquired trademarks, domain name and similar assets are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of comprehensive loss but increases in intangible asset values are not recognized.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial statement or financial position date.

Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditures expected to be required to settle the obligation. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The increase in any provision due to the passage of time is recognized as accretion expense. Each provision will be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company recognizes the revenues from the sale of products upon shipment and subject to assurance of collection, which is when the Company can measure the amount of revenue reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, the risks and rewards of ownership of the goods have been transferred to the buyer and the Company no longer retains control over the goods sold.

Payments received from customers in advance of meeting all of the recognition criteria are recorded as deferred revenue and subsequently recognized as these criteria are met.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the relative fair value method with respect to the measurement of common shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair value of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from reserve for warrants to share capital.

Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

Inventory

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring the inventories to their present location and condition. The Company uses the weighted average method to determine the cost of inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold while taking into consideration the estimated selling costs. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain selling costs related to inventories are expensed in the period incurred.

Property and equipment

Equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Manufacturing equipment	Straight-line, 5 years
Computer hardware	Straight-line, 3 years
Office equipment	Straight-line, 5 years
Shop equipment	Straight-line, 5 years
Leasehold improvements	Straight-line, 5 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

Impairment of long-lived assets

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

Finance costs

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Share-based payments

The Company's stock option plan allows Company directors, executive officers, employees and consultants to acquire common shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity settled share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the grant date, and the fair value of non-employee options is measured at the date or over the period during which goods or services are received. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of each tranche of options granted, which do not vest immediately on grant, is recognized using the graded vesting method over the period during which the options vest. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payment expense is credited to the equity settled share-based payment reserve. If the options are later exercised, their fair value is transferred from the reserve to share capital.

When options expire, are cancelled or forfeited, the corresponding amount of share-based payment expense attributed to these options is reclassified from equity-settled share-based payment reserve to deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to prior years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Recent accounting pronouncements

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning after February 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Accounting standards adopted and effective February 1, 2014

As of February 1, 2014, the company adopted several new IFRS standards and amendments in accordance with the transitional provisions of each standard. The adoption of these standards did not have a significant impact on the financial statements of the Company.

The adoption of these standards did not impact the Company's financial statements.

- i. Amendments to IAS 32 – *Financial instruments, presentation*
- ii. Amendments to IAS 36 – *Impairment of assets*
- iii. IFRIC 21 – *Levies*

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after February 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

New accounting standards effective February 1, 2016

IAS 16 – Property, plant and equipment

In May 2014, the IASB amended IAS 16, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for property, plant and equipment that is based on revenue that is generated by an activity that includes the use of an asset is not allowed. The Company is evaluating the effect, if any, the amendment to IAS 16 will have on the Company's financial statements.

IAS 38 – Intangible assets

In May 2014, the IASB amended IAS 38, which is effective for annual periods beginning on or after January 1, 2016. The amendment clarifies that a depreciation method for intangible assets that is based on revenue that is generated by an activity that includes the use of an intangible asset is not allowed. Exceptions are allowed where the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Company is evaluating the effect, if any, the amendment to IAS 38 will have on the Company's financial statements.

New accounting standards effective February 1, 2018 and afterwards

IFRS 9 – Financial instruments, classification and measurement

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was subsequently amended in November 2013 to add new general hedge accounting requirements. The final version of IFRS 9 was issued in July 2014 and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

IFRS 15 - Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15, "Revenue from contracts with customers". The new standard is effective for fiscal years ending on or after January 1, 2018 and is available for early adoption.

IFRS 15 will replace IAS 11, "Construction contracts", IAS 18, "Revenue", IFRIC 13, "Customer loyalty programmes", IFRIC 15, "Agreements for the construction of real estate", IFRIC 18, "Transfers of assets from customers" and SIC 31, "Revenue – barter transactions involving advertising services". The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on February 1, 2019. The extent of the impact of adoption of this standard has not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16, “Leases”. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, “Leases”.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The extent of the impact of adoption of this standard has not yet been determined. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on February 1, 2022.

4. REVERSE ACQUISITION AND LISTING EXPENSE

The transaction described in Note 1, for accounting purposes, is considered to be outside the scope of IFRS 3 - *Business Combinations* since Invictus MD had limited inputs, processes, and outputs – as defined by IFRS 3 - prior to the transaction. Activities were limited to the management of cash resources and the maintenance of its stock exchange listing and did not constitute a business for accounting purposes. As a result, the transaction is accounted for in accordance with IFRS 2 - *Share-based Payment* whereby the Company is deemed to have issued shares in exchange for the net assets or liabilities together with its listing status at the fair value of the consideration received.

Since the issuance of common shares of the Company to the former shareholders of GPMD on closing the acquisition is considered within the scope of IFRS 2, and the Company cannot identify specifically some or all of the goods or service received in return for the allocation of the shares, the value in excess of the net identifiable assets or obligations plus liabilities assumed by the Company acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing expense.

In connection with the transaction described above and in Note 1, the Company issued 50,000 common shares of the Company to a third-party as a finders' fee.

The listing expense is summarized as follows:

Fair value of share based consideration allocated:

Deemed issuance of common shares and value of 500,000 warrants	\$	385,109
Issuance of 50,000 common shares to finder		75,000
		<u>460,109</u>
Identifiable net assets acquired:		
Cash and cash equivalents		(446,690)
Other assets		(93,242)
Liabilities		432,567
		<u>(107,365)</u>
Professional fees related to the transaction		80,170
Total listing expense	\$	432,914

Invictus MD Strategies Corp.**Notes to the condensed interim consolidated financial statements****For the three months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars)

5. ACCOUNTS RECEIVABLE

		April 30, 2016		January 31, 2016
Input tax receivable	\$	6,571	\$	57,741
Trade receivables		1,749,757		1,395,909
Note receivable		700,000		-
Total	\$	1,756,328	\$	1,453,650

6. PREPAID EXPENSES

		April 30, 2016		January 31, 2016
Legal retainer	\$	1,845	\$	-
Trade shows		-		18,150
Rent		1,050		8,207
Other		56,105		30,173
Total	\$	59,000	\$	56,530

7. INVENTORY

		April 30, 2016		January 31, 2016
Inventory	\$	771,424	\$	853,652

Inventories are recorded at lower of cost or net realizable value. Costs include the purchase price plus additional costs necessary to bring each product to its current condition, net of discounts. The net realizable value is the estimated selling price during the ordinary course of business, less estimated costs required to complete the sale. Cost of inventory is determined using the weighted average method.

8. PROPERTY, PLANT AND EQUIPMENT

	As at April 30, 2016			January 31, 2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Manufacturing equipment	\$ 29,160	\$ (12,959)	\$ 16,201	\$ 17,516
Computer hardware	7,618	(2,961)	4,657	5,035
Office equipment	4,228	(1,334)	2,894	2,738
Shop equipment	48,946	(8,653)	40,293	35,875
Leasehold improvements	1,780	(545)	1,235	1,335
Total	\$ 91,732	\$ (26,452)	\$ 65,280	\$ 62,499

9. INTANGIBLE ASSETS

	As at April 30, 2016			January 31, 2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intellectual property	\$ 898,608	\$ -	\$ 898,608	\$ 825,438
Meters schematics	8,201	-	8,201	8,201
Other	14,900	-	14,900	27,511
Total	\$ 921,709	\$ -	\$ 921,709	\$ 861,150

10. INVESTMENT IN ASSOCIATES**The Edison Vape Co.**

On January 26, 2015, the Company acquired 40% of Edison Vape Co. Ltd. ("Edison"), by way of subscribing to 4,000 shares at a price of \$0.01 per common share for cash consideration of \$40 and providing a non-interest bearing shareholder's loan of \$40,000. Pursuant to the transaction, upon completion of a 6-month development period, and for a period of 120 days following the completion of the development period, the Company had the option to purchase the remaining 60% of the common shares of Edison.

On October 31, 2015, the Company exercised its option to acquire the remaining 60% of the shares in Edison as described in Note 11.

11. ACQUISITIONS AND DISPOSITIONS**Cannabis Health Sciences Inc.**

On February 11, 2015, the Company entered into a share purchase agreement with Cannabis Health Sciences Inc. ("Cannabis Health"), a British Columbia corporation, pursuant to which the Company had acquired all of the issued and outstanding common shares of Cannabis Health, representing a 100% interest in exchange for a cash payment of \$45,000, the issuance of 30,000 incentive stock options, and the issuance of up to 100,000 common shares of the Company based on certain escrow provisions.

For accounting purposes the acquisition of Cannabis Health was considered a business combination and accounted for using the acquisition method. The results of operations from Cannabis Health have been included in the consolidated financial statements since the date of acquisition until the time of sale.

On November 30, 2015, the Company sold its interest in Cannabis Health. Under the terms of the agreement, the company has sold 100 per cent of its shares in Cannabis Health to an arm's length party in exchange for consideration of \$275,000 consisting of \$25,000 cash and \$250,000 in deferred advertising. The Company will also receive a 3-per-cent perpetual royalty based on gross sales generated by Cannabis Health to begin 12 months after the closing date. The Company recorded a nominal amount related to the value of the deferred advertising as receipt is based on certain contingent future events which the Company has not control over. As a result, the Company recorded a loss on disposal of \$153,892 related to its investment.

In the event of a subsequent sale by the purchaser, the royalty agreement will terminate and the company will be entitled to receive the following cash payment:

- 50 per cent of the gross proceeds generated by the purchaser for a period of 18 months from the closing date;
- 25 per cent of the gross proceeds generated by the purchaser thereafter, terminating 10 years from the closing date.

Pursuant to the sale of Cannabis Health, an aggregate of 66,667 common shares, previously issued under the original acquisition agreement and held in escrow subject to certain performance targets, have been cancelled and returned to treasury of the Company at this time.

VitaLeaf Management Inc.

On March 31, 2015, the Company entered into a share purchase agreement with Cannabis Health Expo Inc. ("Cannabis Health Expo"), a British Columbia corporation, pursuant to which the Company has acquired all of the issued and outstanding common shares of Cannabis Health Expo, representing a 100% interest in exchange for cash payment of \$1,200 and then changed the name to VitaLeaf Management Inc. ("VitaLeaf").

VitaLeaf continues to remain inactive during the period and management does not intend to pursue any business activities using the Company.

11. ACQUISITIONS AND DISPOSITIONS (continued)**Prestige Worldwide Holdings Inc.**

On March 3, 2015, the Company purchased a 100% interest in Prestige Worldwide Holdings Inc. ("Prestige") in exchange for 171,000 common shares to the shareholder of Prestige, which was subject to the concurrent closing of the initial acquisition of Future Harvest Development Ltd. ("Future Harvest"), and will issue additional common shares as Future Harvest achieves certain EBITDA milestones (up to an aggregate of 900,000 common shares), as outlined below:

- (a) 182,250 Invictus shares if the Company acquires the first additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:
 - (i) 105,000 shares on the later of (i) December 31, 2015 and (ii) 45 days after Future Harvest achieves a \$1 million EBITDA milestone (the "EBITDA \$1 million Date"); and
 - (ii) 77,250 shares on the later of (i) June 30, 2016 and (ii) 45 days after the EBITDA \$1 million Date.
- (b) 182,250 Invictus shares if the Company acquires the second additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:
 - (i) 60,750 shares on the later of (i) June 30, 2016 and (ii) 45 days after the EBITDA \$1 million Date;
 - (ii) 18,000 shares on the later of (i) June 30, 2016 and (ii) 45 days after Future Harvest achieves a \$2 million EBITDA milestone (the "EBITDA \$2 million Date"); and
 - (iii) 103,500 shares on the later of (i) December 31, 2016 and (ii) 45 days after the EBITDA \$2 million Date.
- (c) 182,250 Invictus shares if the Company acquires the third additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:
 - (i) 52,500 shares on the later of (i) December 31, 2016 and (ii) 45 days after the EBITDA \$2 million Date;
 - (ii) 69,000 shares on the later of (i) June 30, 2017 and (ii) 45 days after the EBITDA \$2 million Date; and
 - (iii) 60,750 shares on the later of (i) June 30, 2017 and (ii) 45 days after Future Harvest achieves a \$3 million EBITDA milestone (the "EBITDA \$3 million Date").
- (d) 182,250 Invictus shares if the Company acquires the fourth additional block of 13.75% of the Future Harvest Shares (acquired), based on the following release schedule:
 - (i) 26,250 shares on the later of (i) June 30, 2017 and (ii) 45 days after the EBITDA \$3 million Date; and
 - (ii) 156,000 shares on the later of (i) December 31, 2017 and (ii) 45 days after the EBITDA \$3 million Date.

The purpose of acquiring Prestige was to facilitate the acquisition of Future Harvest and as a result the Company capitalized the costs related to the stepped purchase of Prestige.

11. ACQUISITIONS AND DISPOSITIONS (continued)

Future Harvest Development Ltd.

On March 3, 2015, the Company entered into an agreement to indirectly acquire, through its interest in Prestige, up to 75% of the common shares of Future Harvest, a company located in Kelowna, B.C., for an aggregate purchase price of up to \$1,875,000.

The Company has acquired a total of 75% interest in Future Harvest by making the initial \$500,000 payment on March 3, 2015; a subsequent payment of \$343,750 on May 4, 2015 to acquire an additional 13.75%; and on June 30, 2015, accelerated its option to acquire an additional 26.25% by issuing 2,750,001 common shares of the Company at a deemed price of \$1.35, and making a cash payment of \$285,000 to the shareholders of Future Harvest.

On February 1, 2016, an additional 15% interest was acquired bringing the Company's total ownership to 75%. In exchange for the additional 15% of the shares of Future Harvest, the Company paid \$375,000 in cash to certain shareholders of Future Harvest. A bargain purchase gain in the amount of \$49,993 was recognized during the three months ended April 30, 2016. During the year ended January 31, 2016, the Company recognized bargain purchase gain in the amount of \$1,209,734.

The table below summarizes the acquisition Future Harvest:

Consideration paid:

Cash paid	\$	1,503,750
2,750,000 common shares issued		412,500
Remaining carrying value of equity interest		416,250
Cash paid – working capital adjustment		152,922
	\$	2,485,422

Consideration received:

Assets acquired:

Cash	\$	248,780
Accounts receivable		832,698
Inventory		1,502,354
Other assets		120,624
Intangible assets		3,991,975
		6,696,431

Less liabilities assumed:

Accounts payable and accrued liabilities		538,548
Bank indebtedness		359,649
Deferred income taxes		519,000
		1,417,197

Net assets		5,279,234
Less: Non-controlling interest		(1,534,085)
		3,745,149
Consideration paid		(2,485,422)
Bargain purchase gain	\$	1,259,727

11. ACQUISITIONS AND DISPOSITIONS (continued)

Future Harvest Development Ltd. (continued)

On February 1, 2016, the Company sold its SunBlaster product line, consisting of inventory of \$794,617 and intangibles of \$3,991,974.

The total consideration is paid as follows:

- \$50,000 cash deposit (paid);
- \$3 million cash payable on the closing Date (paid);
- an amount equal to inventory on hand, at cost, as determined and payable within 30 days from February 1, 2016 (paid);
- the final reconciliation payment, including any adjustments to freight based on actual spend, is due in cash on June 30, 2016;
- a management fee payable to Future Harvest of 2.8% of gross SunBlaster sales until June 30, 2016; and
- operating cost recoveries of approximately \$24,000 per month until June 30, 2016, or such other time as mutually agreed to.

The table below summarizes the sale of SunBlaster:

The fair value of consideration received:

Cash received	\$	3,943,802
Amounts receivable		700,000
	\$	4,643,802
Asset sold		
Intellectual property – SunBlaster	\$	(3,991,975)
Patent and trademarks – SunBlaster		(12,612)
Transaction costs relating to sale of SunBlaster		(625,000)
Liabilities associated with SunBlaster		519,000
Inventory sold		(884,699)
Net assets		(4,995,286)
Consideration received		4,643,802
Loss on sale of SunBlaster production	\$	351,484

Edison Vape Co. Ltd.

On October 31, 2015, the Company exercised its option to acquire the remaining 60% of the shares in Edison. Accordingly, the Company has entered into a share purchase agreement effective October 31, 2015, to acquire the remaining 60% of the shares in Edison from the investors. The Company now owns 100% of the shares of Edison.

Under the terms of the agreement, the Company has issued to the investors the following:

1. 180,000 common shares of the Company;
2. 100,000 common shares of the Company, subject to escrow provisions whereby such common shares may not be released until Edison has earned an aggregate of \$2.5 million in gross revenues;
3. 66,667 common shares of the Company, subject to escrow provisions whereby such common shares may not be released until Edison has earned an aggregate of \$12.5 million in gross revenues.

11. ACQUISITIONS AND DISPOSITIONS (continued)

Edison Vape Co. Ltd. (continued)

The first escrow issuance and the second escrow issuance are subject to a top-up mechanism, such that if the volume-weighted average trading price of the Company's common shares on the Canadian Securities Exchange for the seven most recent trading days immediately preceding the first sales milestone is below \$5, or below \$7.50 as of the second sales milestone, then the company has the option to issue either additional common shares, cash payment or a combination thereof to the inventors, such that the aggregate value of the consideration issued at each milestone is equal to \$500,000 and provided that the issuance of any additional common shares is not less than an issue price of \$0.10.

As part of the agreement, Edison and the inventors have entered into a royalty agreement, whereby the inventors will receive a royalty in perpetuity equal to 3 per cent of gross sales once Edison achieves cumulative gross revenue in the amount of \$500,000.

The Company has accounted for the purchase as an asset acquisition as Edison did not meet the definition of a business under IFRS 3. The Company's initial investment was accounted for as an equity investment as it held 40% of Edison prior to October 31, 2015. On October 31, 2015, the carrying value of the Company's equity interest was \$10,163 and the fair value was \$266,666 which resulted in a gain of \$256,503. The Company valued the intangible assets acquired in the transaction by using the value of the consideration given as the value of the asset at the time of acquisition could not be estimated reliably.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are comprised of the following:

		April 30, 2016		January 31, 2016
Accounts payable	\$	1,087,028	\$	1,134,461
Accrued liabilities		16,950		16,950
Due to related parties		(221)		-
	\$	1,103,757	\$	1,151,411

13. BANK INDEBTEDNESS

Bank indebtedness consists of a secured line of credit for Future Harvest Development Ltd. The amounts are due on demand and bear interest at the Bank's Prime Interest Rate plus 1.75 percent per annum. The maximum facility available amounts to \$100,000 CND, and \$390,000 USD. The loan is secured by a general security agreement creating a first priority security interest in all property of Future Harvest Development Ltd.

14. CONVERTIBLE LOAN

In order to finance the accelerated acquisition of Future Harvest Development Ltd., the Company received a \$300,000 secured and convertible non-interest-bearing loan ("Loan") with no fixed terms of repayment from a company controlled by the Company's CEO of the Company. The loan is convertible into common shares at the lender's option at a price equal to \$0.18.

For accounting purposes, the Loan contains both a liability component and an equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company allocated the original \$300,000 principal of the Loan to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 13% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. Including the impact of the costs of issuance, applying the effective interest method, the liability component of the Loan bears an effective annual interest rate of 13%. As described in Note 19, the Company issued 33,333 common shares to the CEO as compensation for providing the loan. The shares had a fair value of \$60,000 and have been recorded against the value of the liability component and will be accreted over the expected life of the loan. During the three months ended April 30, 2016, the loan was repaid in full.

	April 30, 2016	January 31, 2016
Equity component	\$ -	\$ 68,361
Liability component, at the date of issuance	231,639	231,639
Transaction costs balance	(42,500)	(42,500)
Accretion of interest	18,061	18,061
Repayment of convertible loan	(207,200)	-
Liability component, end of period	\$ -	\$ 207,200

15. RELATED PARTY TRANSACTIONS AND BALANCES**Key management compensation**

All transactions with related parties have occurred in the normal course of operations. Key management is comprised of directors and executive officers.

During the period ended April 30, 2016, the Company was charged \$189,375 (2015 - \$24,000) in management fees by a company controlled by the CEO of the Company, which includes a bonus paid of \$144,375 as a result of the services provided relating to the sale of SunBlaster. As of April 30, 2016, \$50 remains outstanding.

During the period ended April 30, 2016, the Company was charged \$41,000 (2015 - \$16,250) in management fees by a company controlled by the CFO of the Company, which includes a bonus paid of \$20,000 as a result of the services provided relating to the sale of SunBlaster. As of April 30, 2016, \$Nil remains outstanding.

16. SHARE CAPITAL**Authorized common shares**

The Company has an unlimited number of common shares without par value authorized for issuance and an unlimited amount of non-voting and non-participating Class A redeemable preferred shares. Class A preferred shares – As at April 30, 2016 157,330 class A preferred shares are outstanding.

Common shares issued

- a) On December 19, 2014, in connection with the transaction described in Note 1, the Company issued 219,791 common shares of the Company to the GPMD shareholders on the basis of one Invictus MD share for every one GPMD common share held. The Company also issued 500,000 common shares of the Company to a third-party as finders' fee.
- b) In addition, the Company entered into an escrow agreement. Pursuant to the escrow agreement, 210,891 common shares were to be held in escrow, of which 10% were released on December 23, 2014, which was the date the common shares of the Company were listed and posted for trading on the exchange, and 15% will be released every six months thereafter to December 23, 2017. In addition, the shares held in escrow are subject to release provisions contingent on the Company reaching certain earnings milestones.
- c) Concurrently, the Company completed a private placement of 275,467 common shares for gross proceeds of \$413,200 at a price of \$15.0 per common share. The Company incurred \$5,000 of share issuance costs.
- d) On March 5, 2015, the Company issued 5,000 common shares to a company that provided consultation services in relation to the Company's transaction described in Note 1.
- e) On March 6, 2015, the Company closed a non-brokered private placement. The Company issued 513,333 common shares for gross proceeds of \$770,000 at a price of \$15.0.
- f) On April 29, 2015, the Company closed the first tranche of a non-brokered private placement through the issuance of 327,717 units at \$15.0 per unit for gross proceeds of \$491,575. Each unit consists of one common share and one share purchase warrant exercisable at \$25.0 for a period of 12 months from the date of issue. The Company paid finders' fees of \$11,403 in cash and issued 7,602 share purchase warrants to acquire common shares on the same terms as the warrants issued to subscribers. The shares are subject to a four-month hold from the date of issue. On May 26, 2015, the Company closed the second and final tranche of the private placement through the issuance of 214,350 units at \$15.0 per unit for gross proceeds of \$321,526. Each Unit consists of one common share and one transferable share purchase warrant exercisable at \$25.0 for a period of 12 months from the date of issue. Finder's fees paid in connection with the second tranche total \$5,600 in cash, plus 3,733 finder's warrants to acquire common shares on the same terms as the warrants issued to subscribers. Included in subscriptions receivable is \$1,905, which is due from an arm's length subscriber.
- g) On June 30th, 2015, the Company acquired, indirectly through its subsidiary, Prestige Worldwide Holdings Inc., an additional 26.25% of the shares of Future Harvest Development Ltd. ("Future Harvest") pursuant to the purchase and sale agreement dated March 3, 2015. The Company's total interest in Future Harvest is 60%. In exchange for the additional 26.25% of the shares of Future Harvest, the Company paid \$285,000 in cash and, at the option of the Future Harvest shareholders, issued 275,000 common shares. The Company has the option to acquire an additional 15% of the Future Harvest shares which was completed subsequent to yearend.
- h) On June 30th, 2015, the Company received a \$300,000 secured and convertible non-interest-bearing loan from the CEO of the Company (Note 14). As consideration for the loan, 33,333 bonus common shares were issued.
- i) On September 16, 2015, the Company settled outstanding debt of \$14,300 through the issuance of 11,440 common shares. The common shares are subject to a hold period until January 16, 2016.
- j) On October 27, 2015, the Company entered into a share exchange agreement with certain escrowed common shareholders whereby 1,708,912 escrowed common shares have been voluntarily cancelled and replaced with 1,708,912 non-voting and non-participating Class A preferred shares on the basis of one Class A preferred share for each 100 escrow common shares.

Invictus MD Strategies Corp.**Notes to the condensed interim consolidated financial statements****For the three months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars)

- k) On October 31, 2015, the Company exercised its option to acquire the remaining 60% of the shares in Edison Vape Co. Ltd. ("Edison"). Under the terms of the agreement and as consideration, the company issued the following:
1. 180,000 common shares of the Company, which may not be traded until March 1, 2016;
 2. 100,000 common shares of the Company, subject to escrow provisions whereby such common shares may not be released until Edison has earned an aggregate of \$2.5 million in gross revenues;
 3. 66,667 common shares of the Company, subject to escrow provisions whereby such common shares may not be released until Edison has earned an aggregate of \$12.5 million in gross revenues.
- o) On March 11, 2016, the Company, announced that it is proceeding with a consolidation of its issued and outstanding share capital on the basis of one post-consolidated common share for every 10 pre-consolidated common shares. No fractional shares will be issued. Any fractional share will be rounded down to the nearest whole number. As a result of the consolidation, the 40,334,296 common shares that were issued and outstanding will be reduced to 4,033,429 common shares. The effect of the share consolidation on earnings per share amounts has been applied retrospectively in these consolidated financial statements. The option and warrants amounts have also been adjusted to reflect the consolidation.

Escrow shares

As at January 31, 2016, the Company has 166,667 common shares held in escrow with the following escrow provisions:

- 100,000 shares to be released once Edison has earned an aggregate of \$2.5 million in gross revenues;
- 66,667 shares to be released once Edison has earned an aggregate of \$12.5 million in gross revenues.

Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. During the period, the Company granted options; the changes to the option schedule are indicated in below.

During the period ended April 30, 2016, the Company recognized share-based compensation of \$Nil (April 30, 2015 - \$7,437) that was recorded in the consolidated statement of comprehensive loss. Stock options were granted with a total fair value of \$222,207.

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2016	2015
Risk-free interest rate	0.66%	-
Expected life	2.00 years	-
Volatility	160.22%	-
Dividend rate	-	-

- a) On February 2, 2015, the Company issued 30,000 stock options exercisable at \$1.50 expiring on February 2, 2020 for advisory services provided.
- b) On February 11, 2015, the Company issued 30,000 stock options exercisable at \$1.70 expiring on February 11, 2020 as part of a purchase agreement.
- c) On March 11, 2015, the Company issued 15,000 stock options exercisable at \$1.50 expiring on March 11, 2020 for advisory services provided.

Invictus MD Strategies Corp.**Notes to the condensed interim consolidated financial statements****For the three months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars)

- d) On April 15, 2015, the Company issued 15,000 stock options exercisable at \$1.50 expiring on April 15, 2020 for advisory services provided.
- e) On April 21, 2015, the Company issued 15,000 stock options exercisable at \$1.95 expiring on April 21, 2020 for advisory services provided.
- f) On April 29, 2015, the Company issued 25,000 stock options exercisable at \$1.50 expiring on April 29, 2020 for advisory services provided.
- g) On June 24, 2015, the Company issued 15,000 stock options exercisable at \$1.50 expiring on June 24, 2020 for advisory services provided.
- h) On August 14, 2015, the Company issued 12,500 stock options exercisable at \$1.50 expiring on August 14, 2020 for advisory services provided.

	Options outstanding	Weighted average exercise price	Weighted average remaining years
Balance, January 31, 2015	-	\$ -	-
Options granted	157,500	1.58	3.92
Balance, January 31, 2016 and April 30, 2016	157,500	\$ 1.58	3.92

A summary of the Company's options outstanding as of April 30, 2016 is as follows:

Options outstanding	Price per share	Expiry date
30,000	\$ 1.50	February 2, 2020
30,000	1.70	February 11, 2020
15,000	1.70	March 11, 2020
15,000	1.50	April 15, 2020
15,000	1.95	April 21, 2020
25,000	1.50	April 29, 2020
15,000	1.50	June 24, 2020
12,500	1.50	August 14, 2020
157,500	\$ 1.58	

Invictus MD Strategies Corp.**Notes to the condensed interim consolidated financial statements****For the three months ended April 30, 2016 and 2015**

(Expressed in Canadian dollars)

16. SHARE CAPITAL (continued)**Warrants**

A continuity schedule of the Company's outstanding share purchase warrants for the period ended April 30, 2016 is as follows:

	Warrants outstanding		Weighted average exercise price	Weighted average remaining years
Balance, January 31, 2015	500,000	\$	0.60	0.34
Warrants exercised	(475,000)		0.60	0.00
Warrants expired	(25,000)		0.60	0.00
Warrants granted – Private placement	326,447		2.50	0.24
Warrants granted – Private placement	214,350		2.50	0.32
Warrants granted – Finders' warrants	7,602		2.50	0.24
Warrants granted – Finders' warrants	3,733		2.50	0.32
Warrants granted – Smokazon acquisition	30,000		5.00	1.01
Balance, January 31, 2016	582,132		2.63	0.31
Warrants expired	(334,049)		2.50	0.00
Balance, April 30, 2016	248,083	\$	2.80	0.07

At April 30, 2016, the Company had outstanding share purchase warrants exercisable to acquire common shares of the Company as follows:

Expiry date	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life (in years)
February 4, 2017	30,000	\$ 5.00	0.04
May 26, 2016	218,083	2.50	0.03
	248,083	\$ 2.80	0.07

Dividends

The following dividends were declared by Future Harvest to non-controlling minority interest members of Future Harvest as a result of the sale of the SunBlaster product line for the three months ended April 30, 2016:

	2016	2015
13,994 dollars per outstanding shares of Future Harvest (2015: Nil)*	\$ 839,638	\$ -

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and convertible loan. The fair values of cash, accounts receivable, bank indebtedness and accounts payable approximate their carrying values because of their current nature.

Fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The financial instruments recorded at fair value on the statements of financial position are comprised of cash which is measured using Level 1 of the fair value hierarchy. There were no significant transfers between Level 1 and Level 2.

At April 30, 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	2,037,084	-	-	2,037,084

At January 31, 2016:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	237,653	-	-	237,653

Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk. The Company reduces its credit risk on cash by placing its cash with institutions of high credit worthiness.

The Company manages credit risk for accounts receivable through established credit monitoring activities.

As at April 30, 2016, the Company's exposure is the carrying value of the financial instruments.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained cash at April 30, 2016 in the amount of \$2,037,084, in order to meet short-term business requirements. At April 30, 2016, the Company had accounts receivable of \$1,718,828 and accounts payable and accrued liabilities of \$1,253,757. All accounts payable and accrued liabilities are current.

Market risk

Market risk consists of currency risk and interest rate risk. These are discussed further below.

Currency risk

The Company is exposed to financial risk related to fluctuations in foreign exchange rates. For the period ended April 30, 2016, the Company recorded a foreign exchange gain of \$32,093.

Interest rate risk

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's convertible loan is non-interest bearing.

18. MANAGEMENT OF CAPITAL

The Company's objectives in managing capital are to ensure sufficient liquidity to finance its corporate administration and working capital. The Company manages its liquidity to minimize shareholder dilution whenever possible. The Company manages its capital through regular board meetings and ongoing review of financial information. The Company defines capital as all components of equity and convertible debt. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its operations and strategic acquisitions. To secure the additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing. The Company is not subject to any externally imposed capital requirements.

19. SUPPLEMENTARY CASHFLOW INFORMATION

During the period ended April 30, 2016, the Company has not entered into significant non-cash transactions.