# CANNABIX TECHNOLOGIES INC.

Condensed Interim Financial Statements

(Unaudited)

October 31, 2014

(Expressed in Canadian dollars)

## UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six months ended October 31, 2014.

**CANNABIX TECHNOLOGIES INC.**
Statements of financial position
(Expressed in Canadian dollars)

| | October 31, 2014 $ (unaudited) | April 30, 2014 $ |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash | 683,426 | 241,261 |
| Amounts receivable | 36,084 | 1,058 |
| Prepaid expenses | 25,729 | 41,667 |
| Total current assets | 745,239 | 283,986 |
| Non-current assets | | |
| Intangible assets (Note 4) | 497,812 | – |
| Mineral property costs (Note 3) | 22,800 | 22,800 |
| Total non-current assets | 520,612 | 22,800 |
| Total assets | 1,265,851 | 306,786 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 44,714 | 26,857 |
| Due to related parties (Note 5) | – | 1,800 |
| Flow-through premium liability (Note 6) | 53,035 | 53,035 |
| Total liabilities | 97,749 | 81,692 |
| Shareholders' Equity | | |
| Share capital (note 6) | 2,325,321 | 862,704 |
| Share subscriptions receivable (Note 6) | 12,500 | – |
| Contributed surplus | 481,317 | 164,161 |
| Deficit | (1,651,036) | (801,771) |
| Total shareholders' equity | 1,168,102 | 225,094 |
| Total liabilities and shareholders' equity | 1,265,851 | 306,786 |

Nature of operations and continuance of business (Note 1)
Commitments (Note 3 and 9)
Subsequent events (Note 13)

Approved on behalf of the Board on December 11, 2014:

| | |
|---|---|
| */s/ "Ravinder Mlait"* | */s/ "Bryan Loree"* |
| Ravinder Mlait, Director | Bryan Loree, Director |

(The accompanying notes are an integral part of these financial statements)

**CANNABIX TECHNOLOGIES INC.**
Statements of comprehensive loss
(Expressed in Canadian dollars)

| | Three months ended October 31, 2014 $ | Three months ended October 31, 2013 $ | Six months ended October 31, 2014 $ | Six months ended October 31, 2013 $ |
|---|---|---|---|---|
| Revenue | – | – | – | – |
| Operating expenses | | | | |
| Research & Development | 50,508 | – | 59,122 | – |
| Consulting fees | 58,660 | – | 112,160 | – |
| Investor relations | 252,391 | 340 | 270,937 | 923 |
| Mineral exploration costs (Note 3) | 113,824 | 637 | 113,824 | 637 |
| Office and miscellaneous | 5,340 | 44 | 6,748 | 65 |
| Professional fees | 16,380 | 61,675 | 40,010 | 80,486 |
| Filing & Exchange fees | 1,997 | 5,070 | 23,518 | 5,070 |
| Transfer agent fees | 3,617 | – | 28,602 | – |
| Stock-based compensation | (312,683) | – | 194,344 | – |
| Total operating expenses | 190,034 | 67,766 | 849,265 | 87,181 |
| Net loss before other income | (190,034) | (67,766) | (849,265) | (87,181) |
| Other income | | | | |
| Flow-through share premium | – | – | – | – |
| Net loss and comprehensive loss | (190,034) | (67,766) | (849,265) | (87,181) |
| Loss per share, basic and diluted | (0.01) | (0.01) | (0.03) | (0.02) |
| Weighted average shares outstanding | 41,480,051 | 4,486,727 | 32,953,534 | 4,486,727 |

(The accompanying notes are an integral part of these financial statements)

**CANNABIX TECHNOLOGIES INC.**
Statement of changes in equity
(Expressed in Canadian dollars)

| | Share capital | | Share subscriptions receivable | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| | Number of shares | Amount $ | $ | $ | $ | $ |
| Balance, April 30, 2013 | 4,486,727 | 267,167 | – | 85,897 | (298,364) | 54,700 |
| Net loss | – | – | – | – | (87,181) | (87,181) |
| Balance, October 31, 2013 | 4,486,727 | 267,167 | – | 85,897 | (385,545) | (32,481) |
| Share issued pursuant to initial public offering placement – non flow-through | 6,628,100 | 662,810 | – | – | – | 662,810 |
| Shares issued pursuant to initial public offering - flow-through | 859,000 | 128,850 | – | – | – | 128,850 |
| Reduction for flow-through share premium | – | (42,950) | – | – | – | (42,950) |
| Shares issued as finders' fees pursuant to initial public offering | 798,710 | 79,871 | – | – | – | 79,871 |
| Share issuance costs | – | (293,044) | – | – | – | (293,044) |
| Shares issued pursuant to mineral property purchase agreement | 300,000 | 15,000 | – | – | – | 15,000 |
| Shares issued pursuant to termination of mineral property option agreement | 1,500,000 | 45,000 | – | – | – | 45,000 |
| Fair value of stock options | – | – | – | 78,264 | – | 78,264 |
| Net loss | – | – | – | – | (416,226) | (416,226) |
| Balance, April 30, 2014 | 14,572,537 | 862,704 | – | 164,161 | (801,771) | 225,094 |
| Shares issued pursuant to private placements | 15,759,841 | 775,492 | 12,500 | – | – | 787,992 |
| Shares issued as a finder's fee on private placements | 564,900 | 28,245 | – | – | – | 28,245 |
| Shares issued pursuant to warrants exercised | 3,850,000 | 332,500 | – | – | – | 332,500 |
| Shares issued pursuant to options exercised | 50,000 | 5,000 | – | – | – | 5,000 |
| Shares issued pursuant to licensing agreement | 7,500,000 | 375,000 | – | – | – | 375,000 |
| Warrants issues pursuant to licensing agreement | – | – | – | 122,812 | – | 122,812 |
| Fair value of stock options | – | – | – | 194,344 | – | 194,344 |
| Share issuance costs | – | (53,620) | – | – | – | (53,620) |
| Net loss | – | – | – | – | (849,265) | (849,265) |
| Balance, October 31, 2014 | 42,297,278 | 2,325,321 | 12,500 | 481,317 | (1,651,036) | 1,168,102 |

(The accompanying notes are an integral part of these financial statements)

**CANNABIX TECHNOLOGIES INC.**
Statements of cash flows
(Expressed in Canadian dollars)

| | Three months ended October 31, 2014 $ | Three months ended October 31, 2013 $ | Six months ended October 31, 2014 $ | Six months ended October 31, 2013 $ |
|---|---|---|---|---|
| Operating activities | | | | |
| Net loss | (190,034) | (67,766) | (849,265) | (87,181) |
| Item not involving cash: | | | | |
| Stock-based compensation | (312,683) | – | 317,156 | – |
| Changes in non-cash operating working capital: | | | | |
| Amounts receivable | (17,661) | (3,021) | (22,526) | 910 |
| Accounts payable | 13,723 | 65,232 | 17,858 | 82,248 |
| Flow-through share premium | – | – | – | – |
| Prepaid expenses | 58,209 | – | 15,937 | – |
| Due to related parties | – | – | (1,800) | – |
| Net cash used in operating activities | (448,446) | (5,555) | (522,640) | (4,023) |
| Investing activities | | | | |
| Patent pending acquisition costs | – | – | (497,812) | – |
| Mineral property acquisition costs | – | – | – | – |
| Net cash used in investing activities | – | – | (497,812) | – |
| Financing activities | | | | |
| Proceeds from issuance of common shares | 82,500 | – | 1,528,737 | – |
| Subscription receivable | – | – | (12,500) | – |
| Share issuance costs | – | – | (53,620) | – |
| Net cash provided by financing activities | 82,500 | – | 1,462,617 | – |
| Change in cash | (365,946) | (5,555) | 442,165 | (4,023) |
| Cash, beginning of period | 1,049,372 | 7,555 | 241,261 | 6,023 |
| Cash, end of period | 683,426 | 2,000 | 683,426 | 2,000 |
| Supplemental disclosures: | | | | |
| Interest paid | – | – | – | – |
| Income taxes paid | – | – | – | – |

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Operations

Cannabix Technologies Inc. (the “Company”) is a public company listed on the Canadian Securities Exchange (“CSE”) and trades under the symbol BLO. The Company was incorporated on April 5, 2011 under the BC Business Corporations Act as West Point Resources Inc. and on August 12, 2014 the name of the Company was changed. The address of the Company’s corporate office and its principal place of business is 7934 Government Road, Burnaby, BC.

The Company’s primary business is the development of the Cannabix marijuana breathalyzer. In addition, The Company holds a mineral exploration property in Quebec, Canada. It has not yet been determined whether the property contains mineral reserves that are economically recoverable. The operations of the Company will require various licences and permits from various governmental authorities which are or may granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2014, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $1,651,036. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

## 2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

(b) Use of Estimates

The preparation of the financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the useful life and recoverability of impairment of mineral property costs, determination of reclamation provisions, measurement of

**2. Significant Accounting Policies** (continued)

(b) Use of Estimates (continued)

share-based payments, fair values of financial instruments, and deferred income tax asset valuation allowances.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(d) Mineral Property Costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

(e) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

(f) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

**2. Significant Accounting Policies** (continued)

(g) Income Taxes

*Current income tax*

Current income tax assets and liabilities for the current 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. 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 income tax*

Deferred income tax is provided using the balance sheet method 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 income 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 income tax asset to be utilized. Deferred income 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**(h)** Financial Instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss (“FVTPL”). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities. Financial instruments comprise cash and cash equivalents, accounts payable, and amounts due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

*Financial assets*

The Company has classified its cash at FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in income.

*Financial liabilities*

The Company has classified its accounts payable and due to related parties as other financial liabilities. Accounts payable are recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. The Company derecognizes a financial liability when it its contractual obligations are discharged, cancelled or expire.

**2. Significant Accounting Policies** (continued)

(i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented, the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

(j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

(k) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

(l) Stock-based payments

The Company grants share-based awards to employees, directors and consultants providing similar services as an element of compensation. The fair value of the awards is recognized over the vesting period as share-based compensation expense and contributed surplus. The fair value of share-based payments is determined using the Black-Scholes option pricing model using estimates at the date of the grant. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management’s best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the statement of income with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When stock options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to share capital.

Share-based payments arrangements with non-employees in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company will measure their value by reference to the fair value of the equity instruments granted.

**2. Significant Accounting Policies** (continued)

(m) Adoption of new or amended accounting standards

**New accounting standards adopted by the Company**

The mandatory adoption of the following new and revised accounting standards and interpretations on May 1, 2013 had no significant impact on the Company's financial statements for the years presented:

**IFRS 10 – *Consolidated Financial Statements***
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of the previous IAS 27 Consolidated and Separate Financial Statements.

**IFRS 11 – *Joint Arrangements***
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IFRS 11, proportionate consolidation is no longer permitted.

**IFRS 12 – *Disclosure of Interests in Other Entities***
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

**IFRS 13 – *Fair Value Measurement***
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement.

**IFRIC 20 – Production *Stripping Costs***
In October 2011, the IASB issued IFRIC 20, which requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate (i) that it is probable future economic benefits will flow to the entity, (ii) the component of the ore body for which the access has been improved is identifiable, (iii) the costs related to the stripping activity associated with that component can be reliably measured.

**IAS 1 – *Presentation of Financial Statements***
In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be reclassified to profit or loss in future periods.

**IAS 27 – *Separate Financial Statements***
As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 has been reissued to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

**2. Significant Accounting Policies** (continued)

(m) Adoption of new or amended accounting standards (continued)

**New accounting standards adopted by the Company** (continued)

**IAS 28 – *Investments in Associates and Joint Ventures***
As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended to provide accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 is applied by all entities that are investors with joint control of, or significant influence over, an investee.

**IAS 36 – *Impairment of Assets***
In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal. Management does not expect that the adoption of this standard will have a significant effect on the financial statements of the Company.

**IFRIC 21 – *Levies***
In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Management does not expect that the adoption of this standard will have a significant effect on the financial statements of the Company.

**Accounting Standards and Amendments Issued But Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2014.

The following standard will be adopted effective May 1, 2018:

**IFRS 9 – *Financial Instruments***
In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. The Company is currently evaluating the impact the final interpretation is expected to have on the financial statements of the Company.

(Expressed in Canadian dollars)

## 3. Mineral Property Costs

*Mineral property acquisition costs capitalized:*

| | Ruby Range $ | Monster Lake $ |
|---|---|---|
| Balance, April 30, 2013 & October 31, 2013 | 50,000 | – |
| Additions | – | 22,800 |
| Impairment | (50,000) | – |
| Balance, April 30, 2014 & October 31, 2014 | – | 22,800 |

*Mineral exploration cost expensed:*

Six month period ended October 31, 2014

During the three month period ended October 31, 2014, the Company incurred $113,824 in exploration expenses relating to the Monster Lake South property

No exploration costs were incurred on the Ruby Range or Monster Lake South property during the six month period ended October 31, 2013.

*Ruby Range Property*

On November 9, 2011 and amended last on September 10, 2013, the Company entered into an option agreement with Rockhaven Resources Ltd. to acquire a 100% interest in the Ruby Range property located in the Yukon, Canada. On February 10, 2014 the option agreement with Rockhaven Resources Ltd. was terminated.

Furthermore, pursuant to the option agreement, the Company issued 1,500,000 common shares of the Company valued at $45,000 to Rockhaven Resources Ltd. upon termination. The Company also paid cash termination costs of $36,855. All acquisition costs previously capitalized, totaling $50,000, were written-off. All claims in the Ruby Range property were returned to Rockhaven Resources Ltd.

*Monster Lake South (“Hazeur”) Property*

On February 10, 2014 the Company entered into an agreement to purchase 100% of the early stage exploration property known as the Monster Lake South or “Hazeur” gold property (the “Property”) in Quebec, Canada. As consideration, the Company paid $7,800 in cash and issued 300,000 common shares of the Company valued at $15,000.

The Property is subject to a 2% net smelter returns (“NSR”) royalty payable by the Company. Payments of the NSR interests shall begin nine months after the property is deemed to be in commercial production.

## 4. Intangible Assets

Intangible asset acquisition costs capitalized:

| | Cost $ |
|---|---|
| Balance, April 30, 2014 | – |
| Additions | 497,812 |
| Balance, October 31, 2014 | 497,812 |

**4. Intangible Assets** (continued)

*Cannabix Breathalyzer*

On June 5, 2014, the Company and Cannabix entered into a definitive licensing agreement. The definitive licensing agreement ("definitive agreement") provides West Point Resources Inc. (the licensee) exclusive right, title, and interest in United States Patent application from Cannabix (the licensor). The territory covered in the agreement is the United States and its territories and possessions, and all other countries that are deemed to constitute the North American Continent. In consideration for the Licensed Patent, the Company issued 7,500,000 million common shares to current shareholders of Cannabix Breathalyzer Inc. and issued 7,500,000 million warrants exercisable at $0.075 (exercisable for a period of 12 months, expiring on June 26, 2015) to Cannabix Breathalyzer Inc.

The definitive agreement outlines future share payments upon reaching the following milestones: The issuance of 7,500,000 of common shares of West Point within 14 business days of prototype delivery to the Company. Furthermore, upon receipt of the final patent, the company will issue 5,000,000 common shares of the Company. There is no assurance that a prototype or that a final patent will be issued by the U.S. patent office.

**5. Key Management Compensation and Related Party Transactions**

(a) During the three month period ended October 31, 2014, the amount of $54,000 (2013 – $nil) was paid in consulting fees to Directors or Officers of the Company.

(b) During the period ended October 31, 2014, the amount of $194,344 (2013 - $nil) was recognized as stock-based compensation for stock options granted to officers and directors of the Company.

(c) As at October 31, 2014, the amount of $nil (2013 - $1,800) was owed to directors of the Company, which is non-interest bearing, unsecured, and due on demand.

**6. Share Capital**

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

Share issuance for the period ended October 31, 2014:

(a) On October 2, 2014, the Company issued 600,000 common shares in connection with the exercise of warrants.

(b) On September 30, 2014, the Company issued 250,000 common shares in connection with the exercise of warrants.

(c) On September 29, 2014, the Company issued 250,000 common shares in connection with the exercise of warrants.

(d) On July 14, 2014, the Company issued 200,000 common shares in connection with the exercise of warrants.

(e) On July 9, 2014, the Company issued 570,000 common shares in connection with the exercise of warrants.

(f) On July 8, 2014, the Company issued 930,000 common shares in connection with the exercise of warrants.

(g) On July 4, 2014, the Company issued 1,050,000 common shares in connection with the exercise of warrants.

**6. Share Capital** (continued)

(h) On July 4, 2014, the Company issued 50,000 common shares in connection with the exercise of 50,000 stock options.

(i) On June 30, 2014, the Company closed a non-brokered private placement for gross proceeds of $787,992 through the sale of 15,759,841 units. Each unit was priced at $0.05 and comprised of one common share and one-half of one non-transferrable common share purchase warrant exercisable at $0.10 per common share for a period of 12 months from the date of closing. At July 31, 2014, $12,500 was still receivable.

(j) On June 20, 2014, the Company issued 7,500,000 common shares pursuant to the Cannabix Breathalyzer Inc. agreement.

Share issuances for the year ended April 30, 2014:

(a) On March 5, 2014, the Company issued 300,000 common shares valued at $15,000 pursuant to the agreement to purchase the Monster Lake South property.

(b) On February 7, 2014, the Company issued 1,500,000 common shares valued at $45,000 upon termination of the Ruby Range option agreement.

(c) On December 16, 2013, the Company completed its Initial Public Offering ("IPO") for listing on the TSXV. The Company issued 6,628,100 non flow-through units ("NFT") at a price of $0.10 per unit and 859,000 flow-through ("FT") units at a price of $0.15 per FT unit for gross proceeds of $791,660. Each NFT unit consisted of one common share and one-half of one non-transferable common share purchase warrant exercisable at $0.20 per non flow-through common share for a period of 60 months from the closing date of the IPO. Each FT unit consisted of one common share and one-half of one non-transferable common share purchase warrant exercisable at $0.25 per common share for a period of 60 months from the closing date of the IPO. The Company paid finders' fees of $79,166 and issued 798,710 common shares to the finders valued at $79,871. The Company also incurred other share issuance costs of $134,007.Of the 8,285,810 shares issued, 3,075,000 shares were placed in escrow, of which 307,500 were released, leaving 2,767,500 shares remaining in escrow. The remaining shares will be released in tranches of 15% every six months.The Company allocated $42,950 of the proceeds as a flow-through share premium. As no eligible expenditures were incurred against the Company's associated flow-through commitment to April 30, 2014, the entire flow-through premium liability remains.

Share issuances for the year ended April 30, 2013:

(a) On February 13, 2013, the Company issued 148,227 units at $0.15 per unit for gross proceeds of $22,234. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.25 until February 13, 2015. No consideration or value was allocated to the warrants as they had no intrinsic value at the time the units were issued.

(b) On December 10, 2012, the Company issued 126,000 flow-through units at $0.25 per unit for gross proceeds of $31,500. Each unit consisted of one flow-through share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of $0.35 until December 10, 2014. No consideration or value was allocated to the warrants as they had no intrinsic value at the time the units were issued. The Company paid finder's fees and commission of $2,520.

(c) On May 1, 2012, the Company issued 73,000 common shares at a price of $0.20 per share as a finder's fee in connection with the December 30, 2011 and the January 4, 2012 private placements.

(Expressed in Canadian dollars)

**6. Share Capital** (continued)

Share issuances for the year ended April 30, 2012:

(a) On January 4, 2012, the Company issued 687,500 shares at $0.20 per share for gross proceeds of $137,500. On February 1, 2013, 380,250 share purchase warrants were issued pursuant to this share issuance. Each warrant is exercisable at $0.25 until January 27, 2017.

(b) On December 30, 2011, the Company issued 452,000 flow-through shares at $0.25 per share for gross proceeds of $113,000. The Company paid finder's fees and commission of $18,897. As at April 30, 2012, the related eligible exploration expenditures have been incurred, and the flow-through share tax renouncement has been made.

(c) On July 4, 2011, the Company issued 3,000,000 founders' shares at $0.0084 per share for proceeds of $25,200.

(d) On April 5, 2011, the Company issued 200 shares to Directors of the Company at $0.01 per share, these were subsequently returned to treasury on July 4, 2011.

(e) On April 5, 2011, the Company issued and returned to treasury, one incorporation share.

## 7. Stock Options

The following table summarizes the continuity of the Company's stock options:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, April 30, 2013 & October 31, 2013 | – | – |
| Granted | 1,445,000 | 0.10 |
| April 30, 2014 | 1,445,000 | 0.10 |
| Granted | 2,780,000 | 0.125 |
| Exercised | (50,000) | 0.10 |
| Outstanding, October 31, 2014 | 4,175,000 | 0.12 |

The fair value of stock options granted during the three month period ended October 31, 2014 was $194,344, which was charged to operations. An adjustment of ($312,683) was made during the period. All options fully vested upon grant. No stock options were granted during the period ended October 31, 2013.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

| | 2014 | 2013 |
|---|---|---|
| Risk-free interest rate | 1.78% | – |
| Expected life (in years) | 5 | – |
| Expected volatility | 115% | – |

Expected volatility was forecasted based on the historical volatility of comparable companies for the term of 10 years.

The weighted average fair value of stock options granted during the period ended October 31, 2014 was $0.125 per stock option.

(Expressed in Canadian dollars)

**7. Stock Options** (continued)

On February 13, 2013, the Company adopted a stock option plan. Under the Company's stock option plan, the exercise price of each option is determined by the Board. Options vest immediately when granted and expire ten years from the date of the grant, unless the Board establishes more restrictive terms. The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12-month period is limited to 5% of the issued shares of the corporation.

**8. Share Purchase Warrants**

The following table summarizes the continuity of share purchase warrants:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Balance, April 30, 2013 | 63,000 | 0.35 |
| Issued | 464,443 | 0.25 |
| Balance,October 31, 2013 | 527,443 | 0.26 |
| Issued pursuant to IPO | 3,314,050 | 0.20 |
| Issued pursuant to IPO | 429,500 | 0.25 |
| Balance, April 30, 2014 | 4,270,993 | 0.21 |
| Issued pursuant to licensing agreement | 7,500,000 | 0.075 |
| Issued pursuant to private placement | 7,879,920 | 0.10 |
| Exercised | (3,850,000) | 0.09 |
| Balance, October 31, 2014 | 15,800,913 | 0.17 |

The weighted average fair value of warrants granted during the six month period ended October 31, 2014 was $0.09 per warrant.

As at October 31, 2014, the following share purchase warrants were outstanding:

| Expiry date | Exercise price | Number of warrants | Remaining contractual life (years) |
|---|---|---|---|
| | $ | | |
| December 10, 2014 | 0.35 | 63,000 | 0.12 |
| December 10, 2014 | 0.35 | 10,080 | 0.12 |
| February 13, 2015 | 0.25 | 74,113 | 0.54 |
| January 27, 2017 | 0.25 | 380,250 | 2.50 |
| December 16, 2018 | 0.20 | 2,964,050 | 4.38 |
| December 16, 2018 | 0.25 | 429,500 | 4.38 |
| June 26, 2015 | 0.075 | 4,000,000 | 0.66 |
| June 30, 2015 | 0.10 | 7,879,920 | 0.66 |
| | | 15,800,913 | |

(Expressed in Canadian dollars)

**8. Share Purchase Warrants** (continued)

During the year ended April 30, 2013, the Company issued 46,580 warrants to the agents of private placements (see Note 6). The fair values for warrants issued have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

| | 2013 |
|---|---|
| Share price | $ 0.15 – $0.20 |
| Risk-free interest rate | 1.22% – 1.37% |
| Expected life (in years) | 2 – 5 |
| Expected volatility | 113% – 125% |
| Expected dividend yield | 0% |

**9. Commitments**

(a) The Company closed a flow-through portion of the IPO on December 16, 2013 and is committed to spending approximately $128,850 by December 31, 2014, as part of the flow-through funding agreements related to mineral properties. As at October 31, 2014, the company has incurred exploration expenditures of $113,824.

(b) The Company closed a flow-through portion of a private placement closed in December 2012. The Company is committed to spending approximately $31,500 by December 31, 2014, as part of the flow-through funding agreements related to mineral properties. As at October 31, 2014, the Company has spent the entire amount on exploration expenditures.

(c) The Company indemnifies the subscribers of flow-through shares from any tax consequences that could arise if the Company failed to meet its commitments under the flow-through subscription agreements.

**10. Financial Instruments and Risks**

(a) Fair Values

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at October 31, 2014 as follows:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets for identical instruments (Level 1) $ | Significant other observable inputs (Level 2) $ | Significant unobservable inputs (Level 3) $ | Balance, October 31, 2014 $ |
| Cash | 683,426 | – | – | 683,426 |

The fair values of other financial instruments, which include accounts payable and due to related party approximate their carrying values due to the short-term maturity of these instruments.

**10. Financial Instruments and Risks** (continued)

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST/HST receivables which are due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

(d) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

**11. Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

**12. Segmented Information**

The Company operates in two industries, but only one geographic segment within the mineral resource industry with all current exploration activities conducted in Canada. The operations of the breathalyzer development currently take place in Canada.

**13. Subsequent events**

On November 20, 2014, 1,275,000 common shares were issued in connection with the exercise of warrants.

On November 28, 2014, 50,000 common shares were issued in connection with the exercise of warrants.