CANNABIX TECHNOLOGIES INC.

Financial Statements

April 30, 2015 and 2014

(Expressed in Canadian dollars)

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Cannabix Technologies Inc.

We have audited the accompanying financial statements of Cannabix Technologies Inc. which comprise the statements of financial position as at April 30, 2015 and 2014, the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Cannabix Technologies Inc. as at April 30, 2015 and 2014 and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Cannabix Technologies Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
August 27, 2015

CANNABIX TECHNOLOGIES INC.

Statements of financial position
As at April 30, 2015 and 2014
(Expressed in Canadian dollars)

	2015	2014
	$	$
Assets		
Current assets		
Cash	759,910	241,261
Short-term investments	517,250	-
Amounts receivable	11,836	1,058
Prepaid expenses	624	41,667
Total current assets	1,289,620	283,986
Non-current assets		
Deferred costs (Note 5)	3,760,312	–
Mineral property costs (Note 3)	–	22,800
Total non-current assets	3,760,312	22,800
Total assets	5,049,932	306,786
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	69,597	26,857
Due to related parties (Note 6)	–	1,800
Flow-through premium liability (Note 7)	–	53,035
Total liabilities	69,597	81,692
Shareholders’ Equity		
Share capital (Note 7)	6,839,196	862,704
Contributed surplus	744,682	164,161
Deficit	(2,603,543)	(801,771)
Total shareholders’ equity	4,980,335	225,094
Total liabilities and shareholders’ equity	5,049,932	306,786

Nature of operations and continuance of business (Note 1)
Subsequent event (Note 13)

Approved on behalf of the Board on August 27, 2015:

/s/ “Ravinder Mlait” — Ravinder Mlait, Director

/s/ “Bryan Loree” — Bryan Loree, Director

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

CANNABIX TECHNOLOGIES INC.
Statements of comprehensive loss
For the years ended April 30, 2015 and 2014
(Expressed in Canadian dollars)

	2015	2014
	$	$
Operating expenses		
Advertising and promotion	244,250	–
Consulting fees (Note 6)	287,160	–
Insurance	8,800	–
Investor relations	41,667	164,859
Mineral exploration costs (Note 3)	129,430	18,489
Office and miscellaneous	7,134	20,288
Plan of arrangement costs (Note 4)	46,980	–
Professional fees	40,735	38,178
Research and development costs	305,700	–
Share-based payments (Note 8)	623,909	78,264
Transfer agent and filing fees	68,962	29,266
Travel	20,561	24,723
Total operating expenses	1,825,288	374,067
Net loss before other items	(1,825,288)	(374,067)
Other income (expenses)		
Interest income	3,281	–
Impairment of mineral property costs (Note 3)	–	(50,000)
Mineral property option termination costs (Note 3)	–	(81,855)
Recovery of flow-through premium liability (Note 7)	53,035	2,515
Net loss and comprehensive loss	(1,768,972)	(503,407)
Loss per common share, basic and diluted	(0.04)	(0.06)
Weighted average common shares outstanding	40,068,582	7,934,355

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

CANNABIX TECHNOLOGIES INC.
Statements of changes in equity
For the years ended April 30, 2015 and 2014
(Expressed in Canadian dollars)

	Share capital – common shares		Contributed		
	Number of shares	Amount	surplus	Deficit	Total
		$	$	$	$
Balance, April 30, 2013	4,486,727	267,167	85,897	(298,364)	54,700
Shares issued pursuant to initial public offering – flow-through	859,000	128,850	–	–	128,850
Shares issued pursuant to initial public offering – non flow-through	6,628,100	662,810	–	–	662,810
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
Share-based payments	–	–	78,264	–	78,264
Net loss for the year	–	–	–	(503,407)	(503,407)
Balance, April 30, 2014	14,572,537	862,704	164,161	(801,771)	225,094
Shares issued pursuant to private placements	15,759,841	787,992	–	–	787,992
Shares issued as a finders' fees on private placements	564,900	28,245	–	–	28,245
Share issuance costs	–	(53,620)	–	–	(53,620)
Shares issued pursuant to warrants exercised	13,578,500	1,470,475	(131,200)	–	1,339,275
Shares issued pursuant to options exercised	664,000	105,900	(35,000)	–	70,900
Shares issued pursuant to licensing agreement	15,000,000	3,637,500	–	–	3,637,500
Warrants issued pursuant to licensing agreement	–	–	122,812	–	122,812
Fair value of stock options granted	–	–	623,909	–	623,909
Distribution of assets (note 4)	–	–	–	(32,800)	(32,800)
Net loss for the year	–	–	–	(1,768,972)	(1,768,972)
Balance, April 30, 2015	60,139,778	6,839,196	744,682	(2,603,543)	4,980,335

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

CANNABIX TECHNOLOGIES INC.
Statements of cash flows
For the years ended April 30, 2015 and 2014
(Expressed in Canadian dollars)

	2015	2014
	$	$
Operating activities		
Net loss	(1,768,972)	(503,407)
Items not involving cash:		
Impairment of mineral property costs	–	50,000
Mineral property option termination costs	–	45,000
Recovery of flow-through premium liability	(53,035)	(2,515)
Share-based payments	623,909	78,264
Changes in non-cash operating working capital:		
Amounts receivable	(10,778)	3,869
Accounts payable and accrued liabilities	40,941	6,005
Deferred financing costs	–	29,000
Prepaid expenses	41,042	(41,667)
Net cash used in operating activities	(1,126,893)	(335,451)
Investing activities		
Investment in short-term investments	(517,250)	–
Mineral property acquisition costs	–	(7,800)
Net cash used in investing activities	(517,250)	(7,800)
Financing activities		
Proceeds from issuance of common shares	2,198,167	791,660
Share issuance costs	(25,375)	(213,172)
Distribution of assets	(10,000)	–
Net cash provided by financing activities	2,162,792	578,488
Increase in cash	518,649	235,237
Cash, beginning of year	241,261	6,024
Cash, end of year	759,910	241,261
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–
Non-cash transactions:		
Distribution of assets	22,800	–
Warrants issued for license costs	122,812	–
Shares issued for license costs	3,637,500	–

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

1. Nature of Operations and Continuance of Business

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 under license. The operations of the Company will require research and development of the technology. There can be no assurance that the Company will be able to produce a product that is technically and commercially feasible.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at April 30, 2014, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $2,603,543. These factors form a material uncertainty that may cast significant 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 financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were approved and authorized for issuance on August 27, 2015, by the Board of Directors.

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value as explained in Note 2(k). The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgements

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.

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgements (continued)

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

i. Share-Based Payments

Management uses valuation techniques in measuring the fair value of share options and warrants granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, share purchase warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements; and

ii. Deferred Income Taxes

Judgement is also required in determining whether deferred tax liabilities are recognised in the statement of financial position. Deferred tax assets, including those potentially arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

The areas which require management to make significant judgement include, but are not limited to:

i. recognition of deferred income tax assets;

ii. the evaluation of the Company's ability to continue as a going concern; and

iii. realization of deferred costs and receipt of patent.

(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) Short-term Investments

The Company considers its GICs with a maturity exceeding three months and less than twelve months at the time of issuance to be short-term investments.

2. Significant Accounting Policies (continued)

(e) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Acquired intangible assets with indefinite useful lives are stated at cost and are not amortized.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

(f) Mineral Property Acquisition 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.

(g) 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.

(h) Research and Development Costs ("*R&D*")

Research costs are charged to operations as incurred. Research costs consist primarily of consulting expenses and parts related to the design, testing, and manufacture of the Cannabix marijuana breathalyzer. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to a has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred.

2. Significant Accounting Policies (continued)

(i) 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.

(j) 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 asset and liability method on temporary differences at the reporting date between the tax basis 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.

(k) 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, interest receivable, short-term investments and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

2. Significant Accounting Policies (continued)

(k) Financial Instruments

Financial assets

The Company has classified its cash and short-term investments 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. The Company has designated its interest receivable as loans and receivables. Loans and receivables are measured at amortized cost.

Financial liabilities

The Company has classified its accounts payable 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.

(l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable 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.

(m) 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.

(n) 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.

2. Significant Accounting Policies (continued)

(o) Share-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.

(p) Recent Accounting Pronouncements

The mandatory adoption of the following new and revised accounting standards on May 1, 2014 had no significant impact on the Company's financial statements:

IAS 32 Financial Instruments: Presentation – In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

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.

(q) Accounting Standards and Amendments Issued But Not Yet Effective

The following standards will be adopted effective May 1, 2016:

IAS 1 Presentation of Financial Statements – In December 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(q) Accounting Standards and Amendments Issued But Not Yet Effective (continued)

The following standards will be adopted effective May 1, 2016 (continued):

IAS 16 Property, Plant and Equipment and ***IAS 38 Intangible Assets*** – In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be adopted effective May 1, 2017:

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which supersedes 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*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

(r) Accounting Standards and Amendments Issued But Not Yet Effective (continued)

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

IFRS 9 Financial Instruments - The IASB will replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company has not yet completed the process of assessing any impact that the new and amended standards may have on its financial statements and has not early adopted any of these future requirements.

3. Mineral Property Costs

Mineral property acquisition costs capitalized:

	Ruby Range	Monster Lake South
	$	$
Balance, April 30, 2012 and 2013	50,000	-
Additions	-	22,800
Impairment	(50,000)	-
Balance, April 30, 2014	-	22,800
Plan of arrangement and distribution of asset	-	(22,800)
Balance, April 30, 2015	-	-

(Expressed in Canadian dollars)

3. Mineral Property Costs (continued)

Mineral exploration costs expensed:

	For the year ended April 30, 2015	2014
	$	$
Ruby Range:		
Claims maintenance fees	-	17,850
Geophysics	-	638
Equipment rental, field supplies, and other	-	-
Monster Lake:		
Drilling	129,430	-
	129,430	18,488

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 Klaune, JPR and Gladstone Properties (collectively the Ruby Range property) located in the Whitehorse Mining District of southern 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 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 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.

During the year ended April 30, 2015, the Company completed a drill program on the Monster Lake South property. On March 12, 2015, the Company completed a plan of arrangement whereby the Monster Lake South Property was distributed to the Company’s shareholder in the plan of arrangement (Note 4).

(Expressed in Canadian dollars)

4. Plan of arrangement and Distribution of Assets

On March 12, 2015, the Company completed the plan of arrangement agreement with Torino Ventures Inc. ("Spinco"), a private Company incorporated in British Columbia. Pursuant to the plan of arrangement agreement, the Company has transfered 100% of the Monster Lake South Property (also known as the Hazeur Property) and $10,000 cash to Spinco in consideration for the issuance of 100% of the common shares of Spinco. These common shares have been distributed to the Company's shareholders on a pro rata basis pursuant to a plan of arrangement under the Business Corporations Act (British Columbia). Shareholder and final court approval for the plan of arrangement agreement were obtained on February 17, 2015 and February 26, 2015, respectively. The assets were distributed at their fair value, of $22,800 for the Monster Lake Property and $10,000 for the cash for an aggregate amount of $32,800. In accordance with IFRIC 17, the $32,800 distribution of assets is recorded as an equity transaction in the statement of changes in equity. The costs in relation to the plan of arrangement were $46,980 and were expensed as plan of arrangement costs in the statement of comprehensive loss.

5. Deferred Costs

Deferred license costs capitalized:

	Cost $
Balance, April 30, 2014	–
License payments made:	
7,500,000 shares issued June 2014	375,000
7,500,000 shares issued April 2015	3,262,500
7,500,000 warrants issued June 2014	122,812
Balance, April 30, 2015	3,760,312

On June 5, 2014, the Company and Cannabix Breathalyzer Inc. ("Licensor") entered into a definitive licensing agreement ("Definitive Licensing Agreement"). The Definitive Licensing Agreement provides the Company exclusive license rights ("License Rights") to make, use and sell the products and to practice the inventories covered by the medical marijuana patent in the United States as defined in the patent application filed by 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 ("Territory"). In consideration for the License Rights, the Company issued 7,500,000 common shares at a fair value of $375,000 and issued 7,500,000 warrants exercisable at $0.075 for a period of twelve months, expiring on June 26, 2015 at a fair value of $122,812. The fair value of the warrants was determined using the black scholes pricing model (Note 9).

The Definitive Licensing Agreement outlines future share payments upon reaching the following milestones: The issuance of 7,500,000 common shares of the Company within fourteen business days of prototype delivery to the Company (shares issued April 9, 2015 at a fair value of $3,262,500). Furthermore, upon receipt of the final patent, the company will issue 5,000,000 common shares of the Company. As the final patent has yet to be received, these 5,000,000 common shares have not yet been issued at April 30, 2015. The Definitive Licensing Agreement is also subject to a royalty of 3% of the selling price for each product manufactured, used, sold, or imported by the Company into the Territory that may be developed under the patent.

5. Deferred Costs (continued)

There is no assurance that a prototype or that a final patent will be issued by the U.S. patent office, however, it is management's belief and judgement that a patent will ultimately be received. As the patent has yet to be obtained, the $3,760,312 fair value of consideration issued to the licensor is presented as deferred costs at April 30, 2015 on the statement of financial position.

6. Key Management Compensation and Related Party Transactions and Balances

Key management consists of directors and officers of the Company. Key management compensation is summarized as follows:

(a) During the year ended April 30, 2015, the amount of $247,200 (2014 – $nil) was paid in consulting fees to directors or officers of the Company.,

(b) During the year ended April 30, 2015, the amount of $581,171 (2014 - $48,421) was recognized as stock-based compensation for stock options granted to officers and directors of the Company.

At April 30, 2015, $30,814 was included in accounts payable and is owed to directors and officers of the Company.

As at April 30, 2015, the amount of $nil (2014 - $1,800) was owed to directors of the Company, which is non-interest bearing, unsecured, and due on demand.

7. Share Capital

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

Share issuances for the year ended April 30, 2015:

(a) During the year, the Company issued 13,578,500 common shares in connection with the exercise of share purchase warrants.

(b) During the year, the Company issued 664,000 common shares for gross proceeds of $70,900 in connection with the exercise of stock options.

(c) On April 9, 2015, the Company issued 7,500,000 common shares valued at $375,000 pursuant to the Definitive Licensing Agreement with Cannabix Breathalyzer Inc. (Note 5).

(d) 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.

The Company paid finders' fees of $25,375 and issued 564,900 common shares to the finders valued at $28,245.

(e) On June 20, 2014, the Company issued 7,500,000 common shares valued at $3,262,500 pursuant to the Definitive Licensing Agreement with Cannabix Breathalyzer Inc. (Note 5).

7. Share Capital (continued)

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. All eligible expenditures were incurred against the Company's associated flow-through commitment during the year ended April 30, 2015, and the flow-through share premium was reversed to the statement of comprehensive income as a recovery in the amount of $53,035, which also includes $10,085 of recovery refund for a flow-through premium liability recorded during the year ended April 30, 2013.

(Expressed in Canadian dollars)

8. Stock Options

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.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
		$
Outstanding and exercisable, April 30, 2013	–	–
Granted	1,445,000	0.10
Outstanding and exercisable, April 30, 2014	1,445,000	0.10
Granted	5,180,000	0.21
Cancelled	(2,300,000)	0.30
Exercised	(664,000)	0.11
Outstanding and exercisable, April 30, 2014	3,661,000	0.13

On July 3, 2014 the Company issued 2,300,000 stock options to directors, officers and consultants exercisable at $0.30 and expiring July 3, 2014. The fair value of stock options granted was $442,571 and the options fully vested upon grant. The fair value of stock options granted was determined using the Black-Scholes pricing model. These options were cancelled in September 2014.

On October 22, 2014, the Company issued 2,780,000 stock options to directors, officers and consultants exercisable at $0.30 and expiring October 22, 2019. The fair value of stock options granted was $163,287 and the options fully vested upon grant. The fair value of stock options granted was determined using the Black-Scholes pricing model.

On April 27, 2015, the Company issued 100,000 stock options in exchange for consulting services received during the year. As the value of the consulting services could not be reliably measured, they were valued at the fair value of the options given up. The options are exercisable at $0.30 and expire April 27, 2017. The fair value of stock options granted was $18,051 and the options were fully vested upon grant. The fair value of stock options granted was determined using the Black-Scholes pricing model.

During the year ended April 30, 2015, the Company issued 664,000 common shares pursuant to the exercise of stock options. On exercise, the Company reversed $35,000 in previously recognized contributed surplus on these options to share capital.

(Expressed in Canadian dollars)

8. Stock Options (continued)

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2015	2014
Share price	$0.18	$ 0.07
Risk-free interest rate	1.63%	1.78%
Expected life (in years)	4.94	5
Expected volatility**	92%	115%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

**The Company has estimated the expected volatility for each option grant based on the weighted average volatility of two comparable companies using their historical trading prices for a period of the expected life of the options granted.

The weighted average fair value of stock options granted during the year ended April 30, 2015 was $0.12 (2014 - $0.05) per stock option.

Details of stock options outstanding and exercisable at April 30, 2015 are as follows:

Expiry date	Exercise price	Number of options	Weighted average remaining contractual life (years)
April 3, 2019	$ 0.10	961,000	1.03
October 22, 2019	$0.125	2,600,000	3.18
April 27, 2017	$0.50	100,000	0.05
		3,661,000	4.26

9. Share Purchase Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
		$
Balance, April 30, 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 private placement	7,879,920	0.05
Issued pursuant to licensing agreement	7,500,000	0.04
Exercised	(13,578,500)	0.10
Expired	(147,193)	0.30
Balance, April 30, 2015	5,925,220	0.15

On June 30, 2014 the Company issued 7,879,920 warrants to subscribers of the June 2014 private placement (Note 7). Each non-transferrable common share purchase warrant is exercisable at $0.10 per common share for a period of 12 months. The fair value of the warrants was deemed to be $NIL.

(Expressed in Canadian dollars)

9. Share Purchase Warrants (continued)

On June 26, 2014, the Company issued 7,500,000 warrants exercisable at $0.075 to Cannabix Breathalyzer Inc. as part of the definitive license agreement consideration. These warrants are exercisable for a period of twelve months, expiring on June 26, 2015. A fair value of $122,812 was recorded to contributed surplus on the issuance of these warrants.

The fair value for the 7,500,000 warrants granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2015
Share price	$0.05
Risk-free interest rate	1.78%
Expected life (in years)	1.0
Expected volatility	115%
Expected dividend yield	0%

During the year ended April 30, 2015, the Company issued 13,578,500 common shares pursuant to the exercise of warrants (Note 7). On exercise, the Company reversed $131,200 in previously recognized contributed surplus on these warrants to share capital.

During the year ended April 30, 2015, 147,193 warrants expired unexercised.

Details of warrants outstanding as at April 30, 2015 are as follows:

Expiry date	Exercise price	Number of warrants	Weighted Average Remaining contractual life (years)
	$		
January 27, 2017	0.25	105,250	0.03
December 16, 2018	0.20	2,447,050	1.50
December 16, 2018	0.25	313,000	0.19
June 26, 2015	0.075	940,000	0.02
June 30, 2015	0.10	2,119,920	0.06
		5,925,220	1.81

10. Financial Instruments and Risks

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) 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 for the asset or liability that are not based on observable market data (unobservable inputs).

10. Financial Instruments and Risks (continued)

Fair Value of Financial Instruments

The Company's financial assets include cash and short term investments and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at April 30, 2015 are 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)	Total
	$	$	$	$
Cash	759,910	–	–	759,910
Short-term investments	517,250	–	–	517,250

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

Financial risk management objectives and policies

The Company's financial instruments include cash, short term investments, amounts receivable and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i. Credit Risk

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

10. Financial Instruments and Risks (continued)

Financial risk management objectives and policies (continued)

ii. Foreign Exchange Rate and Interest Rate Risk

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

iii. 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.

iv. 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.

(Expressed in Canadian dollars)

12. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise future tax assets and liabilities, are as follows:

	2015	2014
Combined statutory income tax rate	26%	26%
	$	$
Income tax recovery at combined statutory rate	(459,933)	(131,300)
Tax effect of:		
Non-deductible expenses	134,486	(51,633)
Adjustments related to mineral properties	13,556	13,041
Effect of flow-through shares	–	41,823
Change in enacted tax rates	—	(1,151)
Change in tax benefit not recognized	311,891	129,220
Income tax provision	–	–

The significant components of unrecognized deferred income tax assets (liabilities) are as follows:

	2015	2014
	$	$
Deferred income tax assets		
Non-capital losses carried forward	414,655	84,010
Mineral property expenditures	–	13,557
Share issuance costs	58,114	63,311
Tax benefit not recognized	(472,769)	(160,878)
Net deferred income tax asset	–	–

As at April 30, 2015, the Company has non-capital losses carried forward of approximately $1,594,000, which are available to offset future years' taxable income. These losses expire as follows:

	$
2032	27,000
2033	74,000
2034	222,000
2035	1,271,000
	1,594,000

13. Subsequent event

Subsequent to April 30, 2015, the Company issued 3,034,500 common shares pursuant to the exercise of warrants for gross proceeds of $185,400.