

CANNABIX TECHNOLOGIES INC.

Interim Financial Statements

(Unaudited)

October 31, 2015

(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, 2015.

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

	October 31, 2015 \$ (unaudited)	April 30, 2015 \$
Assets		
Current assets		
Cash	579,924	759,910
Short-term investments	517,250	517,250
Amounts receivable	60,357	11,836
Prepaid expenses	625	624
Total current assets	1,158,156	1,289,620
Non-current assets		
Deferred costs (Note 6)	3,760,312	3,760,312
Total non-current assets	3,760,312	3,760,312
Total assets	4,918,468	5,049,932
Liabilities		
Current liabilities		
Accounts payable	25,269	69,597
Due to related parties (Note 7)	12,300	–
Total liabilities	37,569	69,597
Shareholders' Equity		
Share capital (note 8)	7,069,596	6,839,196
Share subscriptions receivable (Note 8)	50,000	–
Contributed surplus	744,682	744,682
Deficit	(2,983,379)	(2,603,543)
Total shareholders' equity	4,880,899	4,980,335
Total liabilities and shareholders' equity	4,918,468	5,049,932

Nature of operations and continuance of business (Note 1)

Commitments (Note 3, 4 and 10)

Subsequent Events (Note 14)

Approved on behalf of the Board on December 29, 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
(Expressed in Canadian dollars)

	Three months ended October 31, 2015 \$	Three months ended October 31, 2014 \$	Six months ended October 31, 2015 \$	Six months ended October 31, 2014 \$
Revenue	–	–	–	–
Operating expenses				
Research & Development	101,330	50,508	188,148	59,122
Consulting fees	36,000	58,660	72,000	112,160
Investor relations	36,262	252,391	67,748	270,937
Mineral exploration costs (Note 3)	–	113,824	–	113,824
Office and miscellaneous	1,773	5,340	2,867	6,748
Professional fees	18,079	16,380	20,171	40,010
Filing & Exchange fees	4,367	1,997	5,067	23,518
Transfer agent fees	831	3,617	3,838	28,602
Travel	3,072	–	21,539	–
Stock-based compensation	–	(312,683)	–	194,344
Total operating expenses	201,714	190,034	381,378	849,265
Net loss before other income	(201,714)	(190,034)	(381,378)	(849,265)
Other income				
Interest Income	1,542	–	1,542	–
Net loss and comprehensive loss	(200,172)	(190,034)	(379,836)	(849,265)
Loss per share, basic and diluted	(0.00)	(0.01)	(0.01)	(0.03)
Weighted average shares outstanding	63,174,278	41,480,051	62,547,705	32,953,534

(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, 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
Shares issued pursuant to private placements	–	12,500	(12,500)	–	–	–
Shares issued pursuant to warrants exercised	9,728,500	1,137,975	–	(131,200)	–	1,006,775
Shares issued pursuant to options exercised	614,000	100,900	–	(35,000)	–	65,900
Shares issued pursuant to licensing agreement	7,500,000	3,262,500	–	–	–	3,262,500
Fair value of stock options	–	–	–	429,565	–	429,565
Distribution of assets (Note 4)	–	–	–	–	(32,800)	(32,800)
Net loss	–	–	–	–	(919,707)	(919,707)
Balance, April 30, 2015	60,139,778	6,839,196	–	744,682	(2,603,543)	4,980,335
Shares issued pursuant to warrants exercised	3,034,500	230,400	50,000	–	–	280,400
Net loss	–	–	–	–	(379,836)	(379,836)
Balance, October 31, 2015	63,174,278	7,069,596	50,000	744,682	(2,983,379)	4,880,899

(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, 2015 \$	Three months ended October 31, 2014 \$	Six months ended October 31, 2015 \$	Six months ended October 31, 2014 \$
Operating activities				
Net loss	(200,172)	(190,034)	(379,836)	(849,265)
Item not involving cash:				
Stock-based compensation	–	(312,683)	–	317,156
Changes in non-cash operating working capital:				
Amounts receivable	(1,481)	(17,661)	1,479	(22,526)
Accounts payable	7,812	13,723	(19,729)	17,858
Flow-through share premium	–	–	–	–
Prepaid expenses	–	58,209	–	15,937
Due to related parties	(5,700)	–	(12,300)	(1,800)
Net cash used in operating activities	(199,541)	(448,446)	(410,386)	(522,640)
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	230,400	1,528,737
Subscription receivable	–	–	–	(12,500)
Share issuance costs	–	–	–	(53,620)
Net cash provided by financing activities	–	82,500	230,400	1,462,617
Change in cash	(199,541)	(365,946)	(179,986)	442,165
Cash, beginning of period	779,465	1,049,372	759,910	241,261
Cash, end of period	579,924	683,426	579,924	683,426
Supplemental disclosures:				
Interest paid	–	–	–	–
Income taxes paid	–	–	–	–

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

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 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 October 31, 2015, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$2,983,379. 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 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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

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 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.

(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) 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 Cannabis 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.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) 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.

(h) 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.

(i) 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.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

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 its contractual obligations are discharged, cancelled or expire.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(m) Stock-based payments (continued)

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.

(n) Recent Accounting Pronouncements

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

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 an asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

(o) 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.

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 clarify 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.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

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

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.

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.

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:

	Monster Lake \$
Balance, April 30, 2014 & October 31, 2014	22,800
Plan of arrangement and distribution of assets	(22,800)
Balance, April 30, 2015 & October 31, 2015	-

Mineral exploration cost expensed:

Six month period ended October 31, 2015:

No exploration costs were incurred during the six month periods ended October 31, 2014 & 2015.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

3. Mineral Property Costs (continued)

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" 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.

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).

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 transferred 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. Research and Patent Option Agreement

On August 6, 2015, the Company entered into research and patent option agreements with Yost Research Group at the University of Florida to develop a marijuana breath detection device based upon high-field ion mobility (FAIMS) and mass spectrometry (MS). The research and patent option agreements allow Cannabix to jointly develop technology with the Yost Research Group using the FAIMS-MS system. The agreement provides Cannabix the option to acquire an exclusive worldwide license to University of Florida US Patent 8,237,118, entitled "Partial Ovoidal FAIMS Electrode", Patent filed on August 21, 2008, invented by Richard A. Yost, Todd A. Prox, Marilyn Prieto and Jennifer G. Bryant (known as the "Patent Rights"), in the area of breath analysis of controlled substances. The option period expires on July 31, 2016. During the option period, the Company shall have the right to use the Patent Rights for research and evaluation purposes. If the Company decides to exercise its option within the option period, the parties will have 90 days to negotiate license terms in good faith.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

6. 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 warrants issued June 2014	122,812
Balance, October 31, 2014	497,812
7,500,000 shares issued April 2015	3,262,500
Balance, April 30, 2015 & October 31, 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, at a fair value of \$122,812, which were all exercised prior to the expiry date on June 26, 2015. 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 July 31, 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.

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 October 31, 2015 on the statement of financial position.

7. Key Management Compensation and Related Party Transactions

- (a) During the three month period ended October 31, 2015, the amount of \$72,000 (2014 – \$54,000) was paid in consulting fees to Directors or Officers of the Company.
- (b) During the three month period ended October 31, 2015, the amount of \$nil (2014 - \$194,344) was recognized as stock-based compensation for stock options granted to Officers and Directors of the Company.
- (c) At October 31, 2015, \$12,300 was included in accounts payable and is owed to Directors and Officers of the Company.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2015

(Expressed in Canadian dollars)

8. Share Capital

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

Share issuance for the period ended October 31, 2015:

- (a) During the six month period ended October 31, 2015, the Company issued 3,034,500 common shares in connection with the exercise of share purchase warrants.

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.

Share issuance for the period ended April 30, 2015 (continued):

- (a) 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).
- (b) 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.
- (c) 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).

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.

CANNABIX TECHNOLOGIES INC.

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8. Share Capital (continued)

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.

9. 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, 2014	1,445,000	0.10
Granted	5,080,000	0.20
Cancelled	(2,300,000)	0.30
Exercised	(50,000)	0.10
Outstanding and exercisable, October 31, 2014	4,175,000	0.12
Issued	100,000	0.50
Exercised	(614,000)	0.11
Outstanding and exercisable, April 30, 2015 & October 31, 2015	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 \$0.125 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.

CANNABIX TECHNOLOGIES INC.

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9. Stock Options (continued)

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 \$0.50 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.

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 three month period ended October 31, 2015 was \$nil (2014 - \$0.125) per stock option.

Details of stock options outstanding and exercisable at October 31, 2015 are as follows:

Expiry date	Exercise price	Number of options	Weighted average remaining contractual life (years)
April 3, 2019	\$ 0.10	961,000	3.40
October 22, 2019	\$0.125	2,600,000	3.00
April 27, 2017	\$0.50	100,000	1.50
		3,661,000	3.06

CANNABIX TECHNOLOGIES INC.

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10. Share Purchase Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
		\$
Balance, April 30, 2014	4,270,993	0.21
Issued pursuant to private placement	7,879,920	0.10
Issued pursuant to licensing agreement	7,500,000	0.075
Exercised	(3,850,000)	0.09
Balance, October 31, 2014	15,800,913	0.17
Exercised	(9,728,500)	0.10
Expired	(147,193)	0.30
Balance, April 30, 2015	5,925,220	0.15
Exercised	(3,034,500)	0.09
Expired	(29,920)	0.10
Balance, October 31, 2015	2,860,800	0.21

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 was exercisable at \$0.10 per common share for a period of 12 months. The fair value of the warrants was deemed to be \$NIL.

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 were 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 six month period ended October 31, 2015, the Company issued 3,034,500 (2014 – 3,850,000) common shares pursuant to the exercise of warrants (Note 7).

During the six month period ended October 31, 2015, 29,920 (2014 – nil) warrants expired unexercised.

CANNABIX TECHNOLOGIES INC.

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10. Share Purchase Warrants (continued)

Details of warrants outstanding as at October 31, 2015 are as follows:

Expiry date	Exercise price	Number of warrants	Weighted Average Remaining contractual life (years)
	\$		
January 27, 2017	0.25	105,250	1.25
December 16, 2018	0.20	2,442,550	2.30
December 16, 2018	0.25	313,000	2.30
		2,860,800	2.26

11. 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, 2015 as follows:

	Fair Value Measurements Using			Balance, October 31, 2015
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash	579,924	–	–	579,924
Short-term investments	517,250	–	–	517,250

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.

(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.

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12. 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.

13. 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.

14. Subsequent Events

On December 21, 2015, the Company granted 250,000 stock options to a consultant of the Company. The stock options are exercisable at \$0.20 for a period of three years.