

CANNABIX TECHNOLOGIES INC.

Interim Financial Statements

(Unaudited)

January 31, 2017

(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 nine months ended January 31, 2017.

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

	January 31, 2017 \$	April 30, 2016 \$
Assets		
Current assets		
Cash and cash equivalents	3,876,567	2,623,711
Amounts receivable	19,915	18,622
Prepaid expenses	843	18,615
Total current assets	3,897,325	2,660,948
Non-current assets		
Deferred costs (Note 5)	3,893,163	3,760,312
Research equipment	44,220	
Total assets	7,834,708	6,421,260
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	37,586	5,290
Total liabilities	37,586	5,290
Shareholders' equity		
Share capital	11,295,483	9,113,949
Share subscriptions receivable (Note 7)	–	(10,000)
Contributed surplus	2,544,081	832,399
Deficit	(6,042,442)	(3,520,378)
Total shareholders' equity	7,797,122	6,415,970
Total liabilities and shareholders' equity	7,834,708	6,421,260

Nature of operations and continuance of business (Note 1)

Commitments (Note 10)

Subsequent events (Note 13)

Approved and authorized for issuance on behalf of the Board of Directors on March 28, 2017:

/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 operations and comprehensive loss

(Expressed in Canadian dollars)

	Three months ended January 31, 2017 \$	Three months ended January 31, 2016 \$	Nine months ended January 31, 2017 \$	Nine months ended January 31, 2016 \$
Revenue	–	–	–	–
Operating expenses				
Research & Development (Note 6)	198,301	90,256	366,589	278,404
Consulting fees (Note 6)	82,500	42,000	247,500	114,000
Advertising & promotion	68,451	33,349	129,018	101,096
Insurance	–	10,620	10,620	10,620
Office and miscellaneous	1,031	4,519	6,188	7,387
Professional fees	2,079	9,200	12,940	29,371
Transfer agent & filing fees	4,935	4,724	15,873	13,629
Travel	905	232	22,642	21,771
Share-based compensation	1,140,840	24,086	1,711,682	24,086
Total operating expenses	1,499,042	218,986	2,523,052	600,364
Net loss before other income	(1,499,042)	(218,986)	(2,523,052)	(600,364)
Other income				
Interest Income	–	–	988	1,542
Net loss and comprehensive loss	(1,499,042)	(218,986)	(2,522,064)	(598,822)
Loss per share, basic and diluted	(0.02)	(0.00)	(0.03)	(0.01)
Weighted average shares outstanding	84,772,883	63,174,495	79,857,969	62,601,744

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

CANNABIX TECHNOLOGIES INC.

Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
	Number of Shares	Amount \$				
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	230,500	50,000	–	–	280,500
Fair value of stock options	–	–	–	24,086	–	24,086
Net loss	–	–	–	–	(598,822)	(598,822)
Balance, January 31, 2016	63,174,778	7,069,696	50,000	768,768	(3,202,365)	4,686,099
Shares issued pursuant to private placements	13,880,027	2,082,004	(10,000)	–	–	2,072,004
Shares issued as finders' fees on private placements	152,267	22,840	–	–	–	22,840
Share issuance costs	–	(125,983)	–	70,403	–	(55,580)
Shares issued pursuant to warrants exercised and adjustment	–	65,392	(50,000)	(15,392)	–	–
Fair value of stock options granted	–	–	–	8,620	–	8,620
Net loss	–	–	–	–	(318,013)	(318,013)
Balance, April 30, 2016	77,207,072	9,113,949	(10,000)	832,399	(3,520,378)	6,415,970
Shares issued pursuant to private placements	–	–	10,000	–	–	10,000
Shares issued pursuant to licensing agreement	603,870	132,851	–	–	–	132,851
Shares issued pursuant to warrants exercised	7,951,834	1,966,933	–	–	–	1,966,933
Shares issued pursuant to options exercised	380,000	81,750	–	–	–	81,750
Fair value of stock options granted	–	–	–	1,711,682	–	1,711,682
Net loss	–	–	–	–	(2,522,064)	(2,522,064)
Balance, January 31, 2017	86,142,776	11,295,483	–	2,544,081	(6,042,442)	7,797,122

(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 January 31, 2017 \$	Three months ended January 31, 2016 \$	Nine months ended January 31, 2017 \$	Nine months ended January 31, 2016 \$
Operating activities				
Net loss	(1,499,042)	(218,986)	(2,522,064)	(598,822)
Item not involving cash:				
Share-based compensation	1,140,840	24,086	1,711,682	24,086
Licensing fees	(132,851)	–	(132,851)	–
Changes in non-cash operating working capital:				
Amounts receivable	(7,506)	961	(1,293)	2,440
Accounts payable and accrued liabilities	(51,844)	(3,715)	32,295	(35,744)
Prepaid expenses	(218)	–	17,772	–
Net cash used in operating activities	(550,621)	(197,654)	(894,459)	(608,040)
Investing activities				
Equipment acquisition costs	–	–	(44,220)	–
Net cash used in investing activities	–	–	(44,220)	–
Financing activities				
Proceeds from issuance of common shares	1,453,409	100	2,181,535	280,500
Subscription receivable	–	–	10,000	(50,000)
Net cash provided by financing activities	1,453,409	100	2,191,535	230,500
Change in cash	902,788	(197,554)	1,252,856	(377,540)
Cash, beginning of period	2,973,779	1,097,174	2,623,711	1,277,160
Cash, end of period	3,876,567	899,620	3,876,567	899,620
Cash and cash equivalents is comprised of:				
Cash held in bank	2,159,317	382,370	2,159,317	382,370
Cashable Guaranteed Investment Certificates	1,717,250	517,250	1,717,250	517,250
Total cash and cash equivalents	3,876,567	899,620	3,876,567	899,620
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)

January 31, 2017

(Expressed in Canadian dollars)

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 Company's corporate office and principal place of business is located at 7934 Government Road, Burnaby, BC.

The Company's primary business is the development of the Cannabix marijuana breathalyzer, which is being acquired under license. The operations of the Company requires 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 January 31, 2017, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$6,042,442. 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 Presentation

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.

These 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(g). The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these 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 recoverability of deferred costs, fair value of share-based payments, and recognition of deferred income tax assets.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(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, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) 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.

(e) Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there are indicators of impairment for its non-financial assets. If indicators exist, the Company determines if the recoverable amount of the asset or CGU is greater than its carrying amount. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks and materiality to define its CGUs.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in the statement of operations. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in the statement of operations. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(f) Research and Development Costs

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 or 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 the statement of operations as incurred.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash and cash equivalents are classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. The Company does not have any available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables are comprised of amounts receivable.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) 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 a t 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. Revenue and expenses are translated at average rates for the periods. Foreign exchange gains and losses are included in the statement of operations.

(i) 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 the statement of operations. 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 statement of financial position 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 income 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.

(j) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(j) Share-based Payments (continued)

fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(k) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at January 31, 2017, the Company had 17,573,377 (2016 – 6,771,300) potentially dilutive shares outstanding.

(l) Comprehensive Loss

Comprehensive loss is the change in the Company’s net assets that results from transactions, events and circumstances from sources other than the Company’s shareholders and includes items that are not included in the statement of operations. For the periods ended January 31, 2017 and 2016, the Company did not have any transactions impacting comprehensive income (loss).

(m) Reclassifications

Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

(n) Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, are effective for the period ended January 31, 2017, and have not been applied in preparing these financial statements:

New standard IFRS 9, “Financial Instruments”

Amendments to IAS 1, “Presentation of Financial Statements”

The Company has not early adopted these new and revised standards and is currently assessing the impact that these standards will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s financial statements.

3. Mineral Property Costs

Mineral property acquisition costs capitalized:

	Monster Lake South \$
Balance, April 30, 2014 & October 31, 2014	22,800
Plan of arrangement and distribution of asset	(22,800)
Balance, April 30, 2015 & 2016, and January 31, 2016 & 2017	–

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

3. Mineral Property Costs (continued)

Mineral exploration costs expensed:

During the periods ended January 31, 2017 and 2016 the Company did not have any mineral exploration costs. During the year ended April 30, 2016, the Company received a Quebec Tax Refund of \$47,802.

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 shareholders in the plan of arrangement. Refer to 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 operations.

Accordingly, the mineral exploration operations have been treated as discontinued operations for fiscal 2016 and the comparative balances for fiscal 2015 have been reclassified.

Net loss from discontinued operations

	Year ended April 30, 2016 \$	Year ended April 30, 2015 \$
Expenses		
Mineral exploration costs (recovery)	(47,802)	129,430
Total expenses from discontinued operations	(47,802)	129,430
Income (loss) before other income from discontinued operations	47,802	(129,430)
Recovery of flow-through premium liability	–	53,035
Net income (loss) from discontinued operations	47,802	(76,395)

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

January 31, 2017

(Expressed in Canadian dollars)

5. Deferred Costs

A continuity of deferred license costs capitalized is as follows:

	\$
Balance, April 30, 2014	–
License payments made:	
7,500,000 common shares issued in June 2014 (Note 7(e))	375,000
7,500,000 common shares issued in April 2015 (Note 7(g))	3,262,500
7,500,000 share purchase warrants issued in June 2014	122,812
Balance, April 30, 2015 & 2016 and January 31, 2016 & 2016	3,760,312
603,870 common shares issued August 2016	132,851
Balance, January 31, 2017	3,893,163

On June 5, 2014, the Company and a company controlled by the President of the Company, 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 share purchase warrants exercisable at \$0.075 for expiring on June 26, 2015 at a fair value of \$122,812. The fair value of the share purchase warrants was determined using the Black-Scholes pricing model.

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. 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 on the statement of financial position. Refer to Note 14(e).

On August 8, 2016, the Company issued 603,870 common shares pursuant to a research and licensing agreement at a deemed price of \$0.22 per common share.

6. Related Party Transactions

- (a) As at January 31, 2017, the Company owed \$34,000 (2016 - \$12,000) to officers and directors of the Company which was included in accounts payable and accrued liabilities.
- (b) During the period ended January 31, 2017, the Company incurred consulting fees of \$22,500 (2016 - \$18,000) to the Chief Executive Officer of the Company.
- (c) During the period ended January 31, 2017, the Company incurred consulting fees of \$18,000 (2016 - \$18,000) to the Chief Financial Officer of the Company.
- (d) During the period ended January 31, 2017, the Company incurred consulting fees of \$nil (2016 - \$18,000) to the President of the Company.

CANNABIX TECHNOLOGIES INC.

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6. Related Party Transactions (continued)

- (e) During the period ended January 31, 2017, the Company incurred consulting fees of \$42,000 (2016 - \$nil) to a company controlled by the President of the Company.
- (f) During the period ended January 31, 2017, the Company incurred research and development costs of \$18,000 (2015 - \$18,000) to a director of the Company.
- (g) During the period ended January 31, 2017, the Company granted 1,825,000 stock options with a fair value of \$905,232 to key management personnel.

7. Share Capital

Authorized: Unlimited number of common shares without par value

Share issuance for the period ended January 31, 2017:

- (a) During the nine month period ended January 31, 2017, the Company issued 7,951,834 common shares for proceeds of \$1,966,933 pursuant to the exercise of share purchase warrants.
- (b) During the nine month period ended January 31, 2017, the Company issued 380,000 common shares for proceeds of \$81,750 pursuant to the exercise of stock options.
- (c) During the nine month period ended January 31, 2017, the Company issued 603,870 common shares pursuant to a patent licence agreement having a deemed value of \$132,851.

Share transactions for the year ended April 30, 2016:

- (a) During the year, the Company issued 3,035,000 common shares for proceeds of \$280,500 pursuant to the exercise of share purchase warrants of \$280,500. The fair value of the share purchase warrants exercised of \$15,392 was reallocated from contributed surplus to share capital.
- (b) On March 14, 2016, the Company issued 13,880,027 units at \$0.15 per unit for gross proceeds of \$2,082,004, of which \$10,000 is recorded in share subscriptions receivable as at April 30, 2016. Refer to Note 14(c). Each unit was comprised of one common share and one common share purchase warrant exercisable at \$0.25 per common share for a period of two years from the date of closing. The Company has the option to reduce the exercise period to 30 days after the Company gives notice of the accelerated conversion in the event that the trading price of the common shares of the Company is \$0.30 or more for a period of ten consecutive trading days.

The Company paid finders' fees of \$32,740, issued 152,267 common shares with a fair value of \$22,840, and issued 370,534 share purchase warrants with a fair value of \$70,403 to the finders.

Share transactions for the year ended April 30, 2015:

- (a) During the year, the Company issued 13,578,500 common shares for proceeds of \$1,339,275 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants exercised of \$131,200 was reallocated from contributed surplus to share capital.
- (b) During the year, the Company issued 664,000 common shares for proceeds of \$70,900 pursuant to the exercise of stock options. The fair value of the stock options exercised of \$35,000 was reallocated from contributed surplus to share capital.
- (c) On April 9, 2015, the Company issued 7,500,000 common shares with a fair value of \$375,000 pursuant to the Definitive Licensing Agreement with Cannabix Breathalyzer Inc. Refer to Note 5.
- (d) On June 30, 2014, the Company issued 15,759,841 units at \$0.05 per unit for gross proceeds of \$787,992. Each unit was 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 one year from the date of closing.

The Company paid finders' fees of \$25,375 and issued 564,900 common shares with a fair value of \$28,245 to the finders.

CANNABIX TECHNOLOGIES INC.

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7. Share Capital (continued)

- (e) On June 20, 2014, the Company issued 7,500,000 common shares with a fair value of \$3,262,500 pursuant to the Definitive Licensing Agreement with Cannabix Breathalyzer Inc. Refer to Note 5.

8. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2015	5,925,220	0.15
Exercised	(3,035,000)	0.09
Expired	(29,920)	0.10
Balance, January 31, 2016	2,860,300	0.21
Issued	13,880,027	0.25
Balance, April 30, 2016	16,740,327	0.22
Exercised	(7,951,834)	0.25
Expired	(80,250)	0.25
Balance, January 31, 2017	8,708,243	0.24

As at January 31, 2017, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
6,348,693	0.25	March 14, 2018*
2,046,550	0.20	December 16, 2018
313,000	0.25	December 16, 2018
<u>8,708,243</u>		

* The Company has the option to reduce the exercise period to 30 days after the Company gives notice of the accelerated conversion in the event that the trading price of the common shares of the Company is \$0.30 or more for a period of ten consecutive trading days.

Agent's Warrants

The following table summarizes the continuity of agent's warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2015 and January 31, 2016	—	—
Issued	370,534	0.25
Exercised	(61,400)	0.25
Balance, April 30, 2016 and January 31, 2017	309,134	0.25

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8. Share Purchase Warrants (continued)

As at January 31, 2017, the following agent's warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
309,134	0.25	March 14, 2018

On March 14, 2016, the Company issued 370,534 share purchase warrants as finders' fees. Each share purchase warrant is exercisable into one common share at an exercise price of \$0.25 per share expiring on March 14, 2018.

The fair value for share purchase warrants issued have been estimated using the Black-Scholes option pricing model assuming no expected dividends and forfeitures, and the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.6%	—
Expected life (in years)	2	—
Expected volatility	166%	—

9. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. The aggregate number of options granted to any one optionee in a one year period is limited to 5% of the issued shares of the corporation. The exercise price of each option is set by the Board of Directors at the time of grant. Options vest immediately when granted and can have a maximum term of ten years.

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

	Number of stock options	Weighted average exercise price \$
Outstanding, April 30, 2015	3,661,000	0.13
Granted	250,000	0.20
Outstanding, April 30, 2016 & January 31, 2016	3,911,000	0.13
Granted	5,025,000	0.58
Exercised	(380,000)	0.10
Outstanding, January 31, 2017	8,556,000	0.38

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9. Stock Options (continued)

Additional information regarding stock options outstanding as at January 31, 2017, is as follows:

Exercise price \$	Number of stock options	Outstanding and exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.10	756,000	2.3	0.10
0.125	2,600,000	2.9	0.125
0.20	250,000	2.0	0.20
0.50	100,000	0.4	0.50
0.35	2,550,000	4.4	0.35
0.85	2,300,000	5.0	0.85
	8,556,000	3.8	0.38

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

	2017	2016
Risk-free interest rate	0.5%	0.5%
Expected life (in years)	5.0	3.0
Expected volatility	78%	184%

The total fair value of stock options granted during the nine month period ended January 31, 2017 was \$1,711,682 (2016 - \$24,086) which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of the stock options granted during the nine month period ended January 31, 2017 was \$0.35 (2016 - \$0.10) per option. The weighted average share price for stock options exercised was \$0.23 (2016 - \$nil).

10. Commitments

On January 16, 2017, the Company entered into a corporate research agreement with a non-related party for services to be provided until January 15, 2018 for consideration of \$55,054 US.

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 cash and cash equivalents, and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

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.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended April 30, 2015.

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12. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at January 31, 2017, as follows:

	Fair Value Measurements Using			Balance, January 31, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash and cash equivalents	3,876,567	–	–	3,876,567

The fair values of other financial instruments, which include amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to the relatively 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 and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. Amounts receivable consists of GST receivable due from the Government of Canada and accrued interest receivable due on guaranteed investment certificates held at a financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

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

(d) Interest Rate Risk

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

(e) 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 and cash equivalents. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

13. Subsequent Events

Subsequent to January 31, 2017, the Company issued 163,491 common shares for proceeds of \$40,823 pursuant to the exercise of share purchase warrants.