

MARAPHARM VENTURES INC.

Consolidated Financial Statements
Years Ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Marapharm Ventures Inc.

We have audited the accompanying consolidated financial statements of Marapharm Ventures Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

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



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

July 29, 2016

MARAPHARM VENTURES INC.Consolidated statements of financial position
(Expressed in Canadian dollars)

	March 31, 2016 \$	March 31, 2015 \$
Assets		
Current assets		
Cash	329,547	348,756
Amounts receivable	13,530	6,099
Prepaid expenses and deposits (Note 4)	45,271	490,666
Loan receivable (Note 5)	145,863	310,000
Total current assets	534,211	1,155,521
Non-current assets		
Intangible asset (Note 6)	1	10,000
Property and equipment (Note 7)	633,045	29,283
Total non-current assets	633,046	39,283
Total assets	1,167,257	1,194,804
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	402,898	91,427
Loan payable (Note 8)	16,025	–
Due to related parties (Note 9)	64,078	10,000
Total current liabilities	483,001	101,427
Non-current liabilities		
Loan payable (Note 8)	377,363	–
Total liabilities	860,364	101,427
Shareholders' equity		
Share capital	6,674,269	5,747,656
Share subscriptions received (Note 10)	443,000	–
Reserves	1,121,515	–
Accumulated other comprehensive income	17,732	–
Deficit	(7,949,623)	(4,654,279)
Total shareholders' equity	306,893	1,093,377
Total liabilities and shareholders' equity	1,167,257	1,194,804

Nature of operations and continuance of business (Note 1)

Commitments (Note 13)

Subsequent events (Note 19)

Approved and authorized for issuance by the Board of Directors on July 29, 2016:

/s/ "Linda Sampson"

Linda Sampson, Director

/s/ "Corey Klassen"

Corey Klassen, Director

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

MARAPHARM VENTURES INC.Consolidated statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Year ended March 31, 2016 \$	Year ended March 31, 2015 \$
Expenses		
Advertising and promotion	924	20,269
Consulting fees	595,844	51,000
Depreciation	2,765	578
General and administrative	11,357	9,230
Management and directors' fees (Note 9)	177,000	38,000
Professional fees	102,696	76,903
Project investigation costs	33,091	–
Rent (Note 9)	127,485	43,000
Share-based compensation	1,100,628	–
Shareholder information and investor relations	243,323	27,114
Subcontracting fees (Note 9)	–	20,000
Transfer agent and filing fees	95,344	6,400
Travel	15,997	4,000
Total expenses	2,506,454	296,494
Loss before other income (expense)	(2,506,454)	(296,494)
Other income (expense)		
Gain on settlement of related party debt (Note 9)	–	11,998
Finance costs	(13,546)	–
Impairment of goodwill (Note 3)	–	(4,345,659)
Impairment of intangible asset (Note 7)	(49,999)	–
Impairment of property and equipment (Note 6)	(725,345)	–
Total other income (expense)	(788,890)	(4,333,661)
Net loss for the year	(3,295,344)	(4,630,155)
Other comprehensive income		
Foreign currency translation gain	17,732	–
Total comprehensive loss for the year	(3,277,612)	(4,630,155)
Loss per share, basic and diluted	(0.09)	(0.17)
Weighted average shares outstanding	36,603,166	27,334,397

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

MARAPHARM VENTURES INC.

Consolidated statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions received \$	Reserves \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$					
Balance, March 31, 2014	23,087,698	4	–	–	–	(24,124)	(24,120)
Shares issued to settle debt	600,000	2	–	–	–	–	2
Shares issued for cash	1,657,000	828,500	–	–	–	–	828,500
Share issuance costs	4,000	(80,850)	–	–	–	–	(80,850)
Shares issued for acquisition of Marapharm Inc.	10,000,000	5,000,000	–	–	–	–	5,000,000
Net loss for the year	–	–	–	–	–	(4,630,155)	(4,630,155)
Balance, March 31, 2015	35,348,698	5,747,656	–	–	–	(4,654,279)	1,093,377
Shares issued for cash	2,451,250	947,500	–	–	–	–	947,500
Share issuance costs	232,625	–	–	–	–	–	–
Fair value of warrants	–	(20,887)	–	20,887	–	–	–
Fair value of stock options	–	–	–	1,100,628	–	–	1,100,628
Share subscriptions received	–	–	443,000	–	–	–	443,000
Foreign currency translation gain	–	–	–	–	17,732	–	17,732
Net loss for the year	–	–	–	–	–	(3,295,344)	(3,295,344)
Balance, March 31, 2016	38,032,573	6,674,269	443,000	1,121,515	17,732	(7,949,623)	306,893

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

MARAPHARM VENTURES INC.Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Year ended March 31, 2016 \$	Year ended March 31, 2015 \$
Operating activities		
Net loss for the year	(3,295,344)	(4,630,155)
Items not involving cash:		
Depreciation	2,765	578
Gain on settlement of related party debt	–	(11,998)
Impairment of goodwill	–	4,345,659
Impairment of intangible assets	49,999	–
Impairment of property and equipment	725,345	–
Share-based compensation	1,100,628	–
Changes in non-cash operating working capital:		
Amounts receivable	(7,431)	134,829
Prepaid expenses and deposits	445,395	(105,524)
Accounts payable	311,471	53,148
Due to related parties	54,078	(7,691)
Net cash used in operating activities	(613,094)	(221,154)
Investing activities		
Cash acquired from acquisition of Marapharm Inc.	–	146,521
Purchase of property and equipment	(879,689)	(4,261)
Purchase of intangible asset	(40,000)	(10,000)
Loan receivable advances	(622,664)	(310,000)
Loan receivable repayments	786,801	–
Net cash used in investing activities	(755,552)	(177,740)
Financing activities		
Repayment of loan payable	(9,813)	–
Proceeds from the issuance of common shares	947,500	828,500
Share subscriptions received	443,000	–
Share issuance costs	–	(80,850)
Net cash provided by financing activities	1,380,687	747,650
Effect of foreign exchange rate changes on cash	(31,250)	–
Change in cash	(19,209)	348,756
Cash, beginning of year	348,756	–
Cash, end of year	329,547	348,756

Supplemental Cash Flow Information (Note 15)

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

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Marapharm Ventures Inc. (the "Company"), was incorporated under the Business Corporations Act (British Columbia) on April 24, 2007 under the name 0789189 B.C. Ltd. On March 5, 2012, the Company approved a Plan of Arrangement (the "Plan") with its parent company, Whitewater Resources Ltd. and became a reporting issuer. On May 21, 2013, the Company changed its name to Capital Auction Market Inc. On August 1, 2014, the Company changed its name to Marapharm Ventures Inc. On December 10, 2014, the Company acquired all the issued and outstanding shares of Marapharm Inc., a company that was established to enter into the emerging market of regulated medical marijuana and has applied for a licence with Health Canada. The Company's head office is located at 200 – 537 Leon Avenue, Kelowna, BC, V1Y 2A9.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2016, the Company has not generated any revenues from operations and has an accumulated deficit of \$7,949,623. The continuation of the Company as a going concern is dependent upon the continued financial support from its management, its ability to identify future investment opportunities and obtain the necessary debt or equity financing, and generating profitable operations from future operations. These factors indicate the existence of a material uncertainty that may cast substantial doubt regarding the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries (the "Group"), Marapharm Inc. ("Marapharm") and Marapharm Las Vegas LLC ("Las Vegas"). All significant inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the consolidated 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 collectability of amounts receivable and loans receivable, useful lives and recoverability of property and equipment, recoverability of intangible assets, fair value of share-based payments, and unrecognized 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 uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(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 an insignificant risk of changes in value to be cash equivalents.

(d) Property and Equipment

Property and equipment is recorded at cost. The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates as follows:

Leasehold improvements	5 years	Straight-line
Furniture and equipment	20%	Declining balance
Roadway	8%	Declining balance

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the statement of operations.

(e) Intangible Asset

Intangible asset consist of a formula to produce hemp based products. The amount is stated at cost less accumulated amortization.

(f) 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 cash generating unit ("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.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(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 consolidated 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 consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash is 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 assets classified as available-for-sale financial assets.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

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. The Company classifies amounts receivable and loan receivable as loans and receivables.

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 consolidated 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 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 consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(g) Financial instruments (continued)

(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, loan payable, and amounts due to related parties.

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.

(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) 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.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(i) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars.

Transactions and balances

Monetary assets and liabilities denominated in foreign currency are translated at exchange rates in effect at statement of financial position dates. Revenues and expenses are translated at the exchange rates prevailing on the transaction dates. Non-monetary items measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Realized and unrealized exchange gains and losses are included in the statement of operations.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in the statement of operations, any exchange component of that gain or loss shall be recognised in the statement of operations.

Group companies

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the Group's presentation currency as follows:

- Income statements and cash flow statements are translated at the average exchange rates prevailing during each reporting period; and
- Assets and liabilities are translated at the exchange rates prevailing at statement of financial position dates.

All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income.

(j) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. 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 March 31, 2016, the Company had 17,683,250 (2015 – 11,657,000) potentially dilutive shares outstanding.

(k) Comprehensive Income (Loss)

Comprehensive income (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.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(l) 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 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.

(m) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements.

- IFRS 9, *Financial Instruments* (New)
- IAS 1, *Presentation of Financial Statements* (Amended)
- IAS 7, *Statement of Cash Flows* (Amended)
- IAS 12, *Income Taxes* (Amended)

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

3. Acquisition of Marapharm Inc.

On December 10, 2014, the Company entered into a purchase agreement with Marapharm, a company incorporated under the laws of British Columbia, Canada. Pursuant to the agreement, the Company agreed to acquire 4,636,670 Class A voting common shares and 5,363,330 Class C non-voting shares, representing 100% of the issued and outstanding shares of Marapharm for the purchase price of \$5,000,000. For consideration of the purchase price, the Company agreed to issue 10,000,000 units consisting of one share of the Company's common stock and one share purchase warrant. Each warrant is exercisable until December 10, 2015 at a price of \$0.75 per share.

In accordance with IFRS 3, "*Business Combinations*", the purchase agreement was deemed a business combination for accounting purposes. Assets acquired and liabilities assumed are reported at their fair values as at the closing date. The purchase price was determined to be \$5,000,000 based on the fair value of the share purchase units issued to acquire Marapharm.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

3. Acquisition of Marapharm Inc. (continued)

The fair value of the assets acquired and liabilities assumed from Marapharm Inc. are as follows:

	\$
Cash	146,521
Amounts receivable	140,928
Prepaid expenses	385,142
Property and equipment	25,600
Goodwill	4,345,659
Accounts payable and accrued liabilities	(43,850)
Total purchase price	5,000,000

As at March 31, 2015, the Company impaired the goodwill of \$4,345,659 due to the uncertainty of future cash flows.

4. Prepaid Expenses and Deposits

	2016 \$	2015 \$
Prepaid rent	–	6,127
Prepaid expenses	15,918	9,539
Prepaid deposit	29,353	475,000
	45,271	490,666

5. Loan Receivable

As at March 31, 2016, the Company had \$145,863 (2015 - \$310,000) owing from a non-related party which is unsecured, non-interest bearing, and due on demand

6. Intangible Assets

- (a) On November 24, 2014, the Company entered into an agreement to acquire a formula to produce shampoo, conditioner, fragrances, and other hemp products. The purchase price is \$50,000 with a deposit of \$10,000 (paid) required upon the execution of the agreement and the remaining \$40,000 was due on or before September 24, 2015 (paid). As at March 31, 2016, the Company recorded an impairment of \$49,999 due to the uncertainty of future cash flows.
- (b) In connection with the land purchase in Las Vegas, Nevada on May 11, 2015, the Company was assigned an option to acquire the equity interests in a company that holds a provisional license to grow marijuana in tranches. The first tranche provides for an interest of 85% for US\$245,000 to be exercised within 14 days' notice, provided by the option holder, of the approval of the appropriate Nevada State agency having oversight over Nevada's medical marijuana program. The second tranche provides for the exercise of the remaining 15% interest for US\$1,000,000 that may be exercised within two years following the first option exercise. This assigned option was determined to have a nominal value.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

March 31, 2016

(Expressed in Canadian dollars)

7. Property and Equipment

	Land \$	Leasehold improvements \$	Furniture and equipment \$	Roadway \$	Total \$
<i>Cost:</i>					
Balance, March 31, 2014	–	–	–	–	–
Additions	–	17,475	3,172	9,214	29,861
Balance, March 31, 2015	–	17,475	3,172	9,214	29,861
Additions	1,319,708	7,774	2,625	1,765	1,331,872
Impairment	(725,345)	–	–	–	(725,345)
Balance, March 31, 2016	594,363	25,249	5,797	10,979	636,388
<i>Accumulated Depreciation:</i>					
Balance, March 31, 2014	–	–	–	–	–
Additions	–	–	287	291	578
Balance, March 31, 2015	–	–	287	291	578
Additions	–	1,141	840	784	2,765
Balance, March 31, 2016	–	1,141	1,127	1,075	3,343
<i>Carrying Amounts:</i>					
Balance, March 31, 2015	–	17,475	2,885	8,923	29,283
Balance, March 31, 2016	594,363	24,108	4,670	9,904	633,045

During the year ended March 31, 2016, the Company recorded an impairment of the land of \$725,345 to adjust to fair value.

8. Loan Payable

On May 11, 2015, the Company entered into an agreement to acquire land in Las Vegas, Nevada. Refer to Note 6. Pursuant to the acquisition, the Company issued a promissory note for US\$329,203. The amount due is repayable at US\$2,385 per month, is secured by the land, and is due on April 1, 2018. As at March 31, 2016, the amount outstanding for the payable was as follows:

	2016 \$	2015 \$
Balance payable	393,388	–
Less: current portion	(16,025)	–
Long-term portion	377,363	–

9. Related Party Transactions

- As at March 31, 2016, the Company owed \$64,078 (2015 - \$10,000) to the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.
- As at March 31, 2016, the Company owed \$11,000 (2015 - \$nil) to the former Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand. This amount is included in accounts payable and accrued liabilities.
- As at March 31, 2016, the Company owed \$nil (2015 - \$18,750) to a former significant shareholder of the Company which has been included in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing, and due on demand.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

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9. Related Party Transactions (continued)

- (d) During the year ended March 31, 2016, the Company incurred \$120,000 (2015 - \$nil) and \$nil (2015 - \$20,000) to the Chief Executive Officer of the Company for management and subcontracting fees, respectively.
- (e) During the year ended March 31, 2016, the Company incurred \$45,000 (2015 - \$20,000) and \$24,000 (2015 - \$nil) to the former Chief Executive Officer of the Company for management fees and rent, respectively.
- (f) During the year ended March 31, 2016, the Company incurred \$12,000 (2015 - \$9,000) to one current and one former director of the Company for directors' fees.
- (g) During the year ended March 31, 2016, the Company incurred \$nil (2015 - \$6,000) to a former significant shareholder of the Company for management fees.
- (h) During the year ended March 31, 2016, the Company incurred \$nil (2015 - \$2,000) to the former President of the Company for management fees.
- (i) During the year ended March 31, 2016, the Company granted 2,400,000 (2015 - nil) stock options with a fair value of \$744,877 (2015 - \$nil) to directors and officers of the Company.
- (j) During the year ended March 31, 2015, the Company issued 300,000 shares with a fair value of \$1 to settle debt owed to a former significant shareholder of the Company. This transaction resulted in a gain on settlement of debt of \$5,999. Refer to Note 10(d).
- (k) During the year ended March 31, 2015, the Company issued 300,000 shares with a fair value of \$1 to settle debt owed to the former President of the Company. This transaction resulted in a gain on settlement of debt of \$5,999. Refer to Note 10(d).

10. Share Capital

Authorized: unlimited common shares without par value

Share transactions for the year ended March 31, 2016

- (a) On September 25, 2015, the Company issued 1,100,000 units at \$0.37 per unit for proceeds of \$407,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.37 until March 25, 2016 (subsequently extended until March 25, 2017). In connection with this private placement, the Company issued 110,000 common shares with a fair value of \$40,700 for share issuance costs. The Company determined that there was no value associated with the warrants issued.
- (b) On October 13, 2015, the Company issued 737,500 units at \$0.40 per unit for proceeds of \$295,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.45 until October 13, 2016. In connection with this private placement, the Company issued 61,250 common shares with a fair value of \$23,275 for share issuance costs. The Company allocated \$280,250 to share capital and \$14,750 to warrants reserve.
- (c) On November 10, 2015, the Company issued 613,750 units at \$0.40 per unit for proceeds of \$245,500. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.45 until November 10, 2016. In connection with this private placement, the Company issued 61,375 common shares with a fair value of \$23,936 for share issuance costs. The Company allocated \$239,363 to share capital and \$6,137 to warrants reserve.
- (d) As at March 31, 2016, the Company had share subscriptions received of \$443,000 for 2,215,000 units to be issued at \$0.20 per unit. Refer to Note 19(b).

MARAPHARM VENTURES INC.

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10. Share Capital (continued)

Share transactions for the year ended March 31, 2015:

- (d) On May 3, 2014, the Company issued 600,000 common shares with a fair value of \$2 to settle debt of \$12,000 owed to a significant shareholder and the former President of the Company. Refer to Notes 9(j) and (k).
- (e) On November 6, 2014, the Company issued 1,657,000 units at \$0.50 per unit for gross proceeds of \$828,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.75 until November 6, 2015. In connection with the private placement, the Company incurred share issuance costs \$82,850. Of this amount, \$2,000 was paid through the issuance of 4,000 common shares.
- (f) On December 10, 2014, the Company issued 10,000,000 units pursuant to the purchase agreement to acquire all issued and outstanding shares of Marapharm (refer to Note 3). Each unit consisted of one common share and one share purchase warrant. 4,940,330 share purchase warrants are exercisable at \$0.75 per common share until December 9, 2015, while 5,059,670 purchase warrants are exercisable at \$0.75 per common share until January 19, 2016.

11. Share Purchase Warrants

The following table summarizes the continuity of common share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, March 31, 2014	—	—
Issued	11,657,000	0.75
Balance, March 31, 2015	11,657,000	0.75
Issued	2,451,250	0.41
Balance, March 31, 2016	14,108,250	0.69

As at March 31, 2016, the following common share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
1,657,000	0.75	November 6, 2016 ¹
4,940,330	0.75	December 9, 2016 ²
737,500	0.45	October 13, 2016
613,750	0.45	November 10, 2016
5,059,670	0.75	January 19, 2017 ³
1,100,000	0.37	March 25, 2017 ⁴
<u>14,108,250</u>		

¹ On October 19, 2015, the Company extended the expiry date of 1,657,000 share purchase warrants, exercisable at a price of \$0.75 per share with an expiry date of November 6, 2015, for an additional year to November 6, 2016.

² On November 26, 2015, the Company extended the expiry date of 4,940,330 share purchase warrants, exercisable at a price of \$0.75 per share with an expiry date of December 9, 2015, for an additional year to December 9, 2016.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

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11. Share Purchase Warrants (continued)

- ³ On January 7, 2016, the Company extended the expiry date of 5,059,670 share purchase warrants, exercisable at a price of \$0.75 per share with an expiry date of January 19, 2016, for an additional year to January 19, 2017.
- ⁴ On March 16, 2016, the Company extended the expiry date of 1,100,000 share purchase warrants, exercisable at a price of \$0.37 per share with an expiry date of March 25, 2016, for an additional year to March 25, 2017.

12. Stock Options

The Company adopted an incentive stock option plan (the "Plan"), which reserves for issuance a maximum of 10% of the Company's issued and outstanding share capital at the time of a grant of options under the Plan. The Plan will be administered by the Board of Directors and provides for grants of options to directors, executive officers, employees, consultants, management company employees or their permitted assigns (collectively, the "Optionees") of the Company at the discretion of the Board of Directors.

The term of any options granted under the Plan will be fixed by the Board of Directors and may not exceed ten years. The exercise price of options granted under the Plan will be determined by the Board of Directors and, if the common shares are listed on an exchange, the exercise price must not be lower than the last closing sale price for such common shares as quoted on the exchange for the market trading day immediately prior to the date of grant of the option, less any discount permitted by the Canadian Securities Exchange.

	Number of options	Weighted average exercise price \$
Balance, March 31, 2014 and 2015	—	—
Granted	3,575,000	0.50
Balance, March 31, 2016	3,575,000	0.50

Additional information regarding stock options outstanding as at March 31, 2016, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.50	3,575,000	1.4	0.50

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

	2016
Risk-free interest rate	0.58%
Expected life (in years)	2.09
Expected volatility	125%
Expected forfeitures	0%

The fair value of stock options vested during the year ended March 31, 2016, was \$1,100,628 which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of stock options granted during the year ended March 31, 2016 was \$0.31 per stock option.

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

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(Expressed in Canadian dollars)

13. Commitments

- (a) On May 7, 2015, the Company entered into a consulting agreement with an investor relations firm with a one year term and a fee of \$35,000 per month payable through issuance of 560,000 common shares. During the year ended March 31, 2016, the agreement was amended to reduce the fee of \$35,000 per month to \$10,000 per month from October to December 2015, and to \$8,750 per month from January to April 2016, which is payable through issuance of 320,000 shares. These shares were issued on May 2, 2016. Refer to Note 19(c). During the year ended March 31, 2016, the Company incurred \$231,250 in relation to this agreement.
- (b) On February 11, 2016, the Company entered into an agreement to acquire no less than 75% of the shares of a company that owns two provisional medical marijuana licenses from and in the State of Nevada for US\$600,000. One license is for cultivation and the other license is for processing. US\$300,000 is due within one year of closing with 4.5% interest per annum payable monthly. The remaining US\$300,000 is payable in common shares to be issued by the Company.

14. Segmented Information

During the year ended March 31, 2016, the Company had one reportable operating segment relating to medical marijuana and distribution of hemp based products. Geographical information is as follows:

2016	Canada \$	US \$	Total \$
Intangible asset	1	–	1
Property and equipment	38,682	594,363	633,045
	38,683	594,363	633,046

2015	Canada \$	US \$	Total \$
Intangible asset	10,000	–	10,000
Property and equipment	29,283	–	29,283
	39,283	–	39,283

15. Supplemental Cash Flow Information

	2016 \$	2015 \$
Non-cash investing and financing activities:		
Fair value of warrants allocated to reserve account	20,887	–
Issuance of loan payable to acquire property and equipment	403,202	–
Shares issued to acquire Marapharm Inc.	–	5,000,000
Shares issued for share issuance costs	87,911	2,000
Shares issued to settle related party debt	–	2
Supplemental disclosures:		
Interest paid	13,516	–
Income taxes paid	–	–

MARAPHARM VENTURES INC.

Notes to the consolidated financial statements

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16. 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 March 31, 2016, as follows:

	Fair Value Measurements Using			Balance, March 31, 2015 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	329,547	–	–	329,547

The fair values of other financial instruments, which include amounts receivable, loan receivable, accounts payable and accrued liabilities, loan payable, and amounts due to related parties, 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 amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Accounts receivable consists of expense recoveries receivable and GST receivable. GST receivable is due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in bank accounts and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2016.

(d) Foreign Exchange Rate Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies.

As at March 31, 2016, the Company had the following monetary liabilities denominated in foreign currencies:

	US\$
Accounts payable and accrued liabilities	4,190
Loan payable	302,909
	307,099

Based on the above net exposures as at March 31, 2016, a 10% change in the US dollar against the Canadian dollar would result in an increase or decrease of approximately \$39,900 in the Company's net loss.

The Company manages foreign currency risk by minimizing the value of financial instruments denominated in foreign currencies. The Company has not entered into any foreign currency contracts to mitigate this risk.

MARAPHARM VENTURES INC.

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March 31, 2016

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16. Financial Instruments and Risks (continued)

(e) Liquidity Risk

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

The Company maintained cash at March 31, 2016 in the amount of \$329,547 and raised additional capital by selling equity in order to meet short-term operating requirements. As at March 31, 2016, the Company had accounts payable and accrued liabilities of \$423,898. All accounts payable and accrued liabilities are current.

17. 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 equity comprised of issued share capital, share subscriptions received, and reserves.

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 issuances 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 remained unchanged from the year ended March 31, 2015.

18. Income Taxes

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

	2016 \$	2015 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(856,789)	(1,203,840)
Tax effect of:		
Permanent differences and other	224,997	(23,923)
Difference in tax rates between foreign jurisdictions	(8,640)	–
Change in unrecognized deferred income tax assets	640,432	1,227,763
Income tax provision	–	–

The significant components of deferred income tax assets and liabilities are as follows:

	2016 \$	2015 \$
Deferred income tax assets		
Non-capital losses carried forward	1,588,167	1,215,304
Property and equipment	246,611	–
Intangible asset	13,000	–
Share issuance costs	49,267	41,309
Unrecognized deferred income tax assets	(1,897,045)	(1,256,613)
Net deferred income tax asset	–	–

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18. Income Taxes (continued)

As at March 31, 2016, the Company has non-capital losses carried forward of \$5,915,397 which is available to offset future years' taxable income. These losses expire as follows:

	\$
2031	2,307
2033	658,659
2034	3,677,845
2035	336,012
2036	1,240,574
	<hr/> 5,915,397 <hr/>

19. Subsequent Events

- (a) On April 1, 2016, the Company acquired all the issued and outstanding shares of Marapharm Washington LLC, held by the President of the Company, for consideration of \$10.
- (b) On April 14, 2016, the Company issued 2,640,000 units at \$0.20 per unit for gross proceeds \$528,000, of which \$430,000 had been received as at March 31, 2016. Refer to Note 10. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant will entitle the holder to acquire one common share at \$0.40 until April 14, 2017. In connection with the private placement, the Company issued 89,000 common shares, 264,500 share purchase warrants, and paid \$35,000 for share issuance costs. The finders' warrants have the same terms as the share purchase warrants issued for the private placement.
- (c) On May 2, 2016, the Company issued 320,000 common shares pursuant to the amended investor relations agreement originally entered into on May 7, 2015. Refer to Note 13.
- (d) In May 2016, the Company entered into an agreement to acquire a turn-key facility for the production and processing of recreational marijuana in the State of Washington for US\$1,000,782. The acquisition also includes intellectual property consisting of brand names, product branding, product design, marketing contacts and strategies, URLs, and other intellectual property used by the seller.
- (e) On June 16, 2016, the Company issued 2,817,500 units at \$0.20 per unit for gross proceeds of \$563,500. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at \$0.40 until June 16, 2017. In connection with this private placement, the Company issued 47,500 common shares, 226,000 share purchase warrants, and paid \$33,900 for share issuance costs. The finders' warrants have the same terms as the share purchase warrants issued for the private placement.