MARAPHARM VENTURES INC.

Condensed Consolidated Interim Financial Statements

Three Months Ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

NOTICE TO READER

Under National Instrument 51-102, *Continuous Disclosure Obligations*, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Marapharm Ventures Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the three months ended June 30, 2016 and 2015 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars.

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	June 30, 2016 $	March 31, 2016 $
Assets		
Current assets		
Cash	50,995	329,547
Amounts receivable	20,770	13,530
Prepaid expenses and deposits (Note 5)	184,046	45,271
Loan receivable (Note 6)	400,749	145,863
Total current assets	656,560	534,211
Non-current assets		
Intangible asset (Note 7)	1	1
Property and equipment (Note 8)	644,354	633,045
Total non-current assets	644,355	633,046
Total assets	1,300,915	1,167,257
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	185,409	402,898
Loan payable (Note 9)	16,579	16,025
Due to related parties (Note 10)	72,575	64,078
Total current liabilities	274,563	483,001
Non-current liabilities		
Loan payable (Note 9)	370,776	377,363
Total liabilities	645,339	860,364
Shareholders' equity		
Share capital	7,924,367	6,674,269
Share subscriptions received (Note 11)	–	443,000
Reserves	1,114,688	1,121,515
Accumulated other comprehensive income	14,512	17,732
Deficit	(8,397,991)	(7,949,623)
Total shareholders' equity	655,576	306,893
Total liabilities and shareholders' equity	1,300,915	1,167,257

Nature of operations and continuance of business (Note 1)
Commitments (Note 14 and 19)
Subsequent events (Note 21)

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

/s/ "Linda Sampson"
Linda Sampson, Director

/s/ "Corey Klassen"
Corey Klassen, Director

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

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $
Expenses		
Advertising and promotion	12,187	–
Consulting fees	137,911	158,198
Depreciation	1,991	340
General and administrative	3,097	3,691
Management and directors' fees (Note 10)	34,500	48,500
Professional fees	129,306	184,581
Project investigation costs	80,334	–
Rent (Note 10)	44,188	39,380
Share-based compensation	–	524,000
Shareholder information and investor relations	10,850	–
Transfer agent and filing fees	10,071	14,815
Total expenses	464,435	973,505
Loss before other income (expense)	(464,435)	(973,505)
Other income (expense)		
Finance costs	(6,862)	–
Total other income (expense)	(471,297)	(973,505)
Net loss for the year	(471,297)	(973,505)
Other comprehensive income		
Foreign currency translation loss	(3,220)	–
Total comprehensive loss for the year	(474,517)	(973,505)
Loss per share, basic and diluted	(0.01)	(0.03)
Weighted average shares outstanding	41,054,958	35,348,698

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

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity Reclassification of grant date fair value on expired or cancelled options
(Unaudited - Expressed in Canadian dollars)

	Share capital		Share subscriptions received	Reserves	Obligation to issue shares	Accumulated other comprehensive income	Deficit	Total shareholders' equity
	Number of shares	Amount $	$	$	$	$	$	$
Balance, March 31, 2015	35,348,698	5,747,656	–	–	–	–	(4,654,279)	1,093,377
Fair value of stock options	–	–	–	524,000	–	–	–	524,000
Obligation to issue shares	–	–	–	–	420,000	–	–	420,000
Net loss for the year	–	–	–	–	–	–	(973,505)	(973,505)
Balance, June 30, 2015	35,348,698	5,747,656	–	524,000	420,000	–	(5,627,784)	1,063,872
Shares issued for cash	2,451,250	947,500	–	–	–	–	–	947,500
Obligation to issue shares	–	–	–	–	(420,000)	–	–	(420,000)
Share issuance costs	232,625	–	–	–	–	–	–	–
Fair value of warrants	–	(20,887)	–	20,887	–	–	–	–
Fair value of stock options	–	–	–	576,628	–	–	–	576,628
Share subscriptions received	–	–	443,000	–	–	–	–	443,000
Foreign currency translation gain	–	–	–	–	–	17,732	–	17,732
Net loss for the year	–	–	–	–	–	–	(2,321,839)	(2,321,839)
Balance, March 31, 2016	38,032,573	6,674,269	443,000	1,121,515	–	17,732	(7,949,623)	306,893
Shares issued for cash	5,457,500	1,091,500	(443,000)	–	–	–	–	648,500
Shares issued for services (note 14a)	320,000	240,000	–	–	–	–	–	240,000
Share issuance costs (note 11)	136,500	(65,300)	–	–	–	–	–	(65,300)
Reclassification of grant date fair value on cancelled options	–	–	–	(22,929)	–	–	22,929	–
Fair value of finders' warrants	–	(16,102)	–	16,102	–	–	–	–
Foreign currency translation gain	–	–	–	–	–	(3,220)	–	(3,220)
Net loss for the year	–	–	–	–	–	–	(471,297)	(471,297)
Balance, June 30, 2016	43,946,573	7,924,367	–	1,114,688	–	14,512	(8,397,991)	655,576

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

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $
Operating activities		
Net loss for the year	(474,517)	(973,505)
Items not involving cash:		
Depreciation	1,991	340
Share-based compensation	–	524,000
Changes in non-cash operating working capital:		
Amounts receivable	(7,240)	312,147
Prepaid expenses and deposits	(138,775)	(431,834)
Accounts payable	22,511	308,585
Due to related parties	8,497	(10,000)
Net cash used in operating activities	(587,533)	(270,267)
Investing activities		
Purchase of property and equipment	(13,301)	(9,540)
Purchase of intangible asset	–	(12,000)
Loan receivable net advances	(254,886)	–
Net cash used in investing activities	(268,187)	(21,540)
Financing activities		
Repayment of loan payable	(6,033)	–
Proceeds from the issuance of common shares	1,091,500	–
Share subscriptions received	(443,000)	–
Share issuance costs	(63,000)	–
Net cash provided by financing activities	579,467	–
Effect of foreign exchange rate changes on cash	(2,299)	–
Change in cash	(278,552)	(291,807)
Cash, beginning of period	329,547	348,756
Cash, end of period	50,995	56,949

Supplemental Cash Flow Information (Note 16)

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

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 license with Health Canada. The Company's head office is located at 200 – 537 Leon Avenue, Kelowna, BC, V1Y 2A9.

These condensed consolidated interim financial statements (the "Financial Statements") have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

As at June 30, 2016, the Company has not generated any revenues from operations and has an accumulated deficit of $8,397,991 (March 31, 2016 - $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.

2. Basis Of Presentation

Statement of compliance

These Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended March 31, 2016, which have been prepared with International Financial Reporting Standards ("**IFRS**"). These Financial Statements were approved by the Company's Board of Directors on August 29, 2016.

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

Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

2. Basis Of Presentation (continued)

Functional and foreign currency

These Financial Statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rate of monetary assets and liabilities denominated in foreign currencies are recognized in net income or loss.

The results and financial position of all companies in the Group 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.

Significant accounting estimates and judgments

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

Critical Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

- Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.
- The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- Management is required to determine whether or not the going concern assumption is appropriate for the Company at the end of each reporting period. Considerations taken into account include available information about the future including the availability of financing and revenue projection, as well as current working capital balance and future commitments of the Company.

2. Basis Of Presentation (continued)

Significant accounting estimates and judgments (continued)

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

ii. The fair value of accrued liabilities at the time of initial recognition is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

iii. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is calculated using management's best estimate on the useful life of the intangible assets. The Company reviews its estimate of the useful life of depreciable assets at each reporting date.

iv. At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that the caring amount is not recoverable. Determination of impairment loss is subject to management's assessment if there is any indication of a possible write-down; and if so, the determination of recoverable value based on discounted future cash flows of the intangible assets. The carrying amount on intangible does not necessarily reflect present or future value and the ultimate amount recoverable will be dependent upon the successful commercialization of products based on these underlying technologies.

3. Significant Accounting Policies

These Financial Statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2016.

These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended March 31, 2016.

4. Recent Accounting Pronouncements

New Standards Recently Adopted

The Company has adopted the following new accounting standards and interpretations effective April 1, 2016. These changes were made in accordance with the applicable transitional provisions and had no material impact on its Financial Statements.

- **IFRS 7** *Financial Instruments* – The amendment clarifies the applicability of the amendments to IFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* to condensed consolidated interim financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

- **IAS 34** *Interim Financial Reporting* – The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference. This amendment is effective for reporting periods beginning on or after January 1, 2016.

- **IAS 16 and 38** *Property, Plant and Equipment and Intangible Assets (Amendment)* – These new standards provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. These standards are effective for annual periods beginning on or after January 1, 2016.

New Standards Not Yet Effective

The following is an overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its financial statements.

- **IFRS 9** *Financial Instruments* – This standard provides added guidance on the classification and measurement of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

- **IFRS 15** *Revenue from Contracts with Customers* – The standard covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning or after January 1, 2018.

- **IFRS 16** *Leases* – This standard was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

- **IAS 7** *Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)* – These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

5. Prepaid Expenses and Deposits

	June, 30 2016 $	March 31, 2016 $
Prepaid expenses	3,460	15,918
Prepaid deposit (Note 21(a))	180,586	29,353
	184,046	45,271

6. Loan Receivable

As at June 30, 2016, the Company had $400,749 (March 31, 2016 - $145,863) owing from a non-related party which is unsecured, non-interest bearing, and due on demand

7. 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). During the year ended 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.

8. Property and Equipment

	Land and related license $	Leasehold improvements $	Furniture and equipment $	Roadway $	Total $
Cost:					
Balance, March 31, 2016	594,362	25,249	5,797	10,979	636,387
Additions	13,301	–	–	–	13,301
Balance, June 30, 2016	607,663	25,249	5,797	10,979	649,688
Accumulated Depreciation:					
Balance, March 31, 2016	–	1,141	1,127	1,075	3,343
Depreciation	–	1,262	234	495	1,991
Balance, June 30, 2016	–	2,403	1,361	1,570	5,334
Carrying Amounts:					
Balance, March 31, 2016	594,363	24,108	4,670	9,904	633,045
Balance, June 30, 2016	607,663	22,846	4,436	9,409	644,354

9. Loan Payable

On May 11, 2015, the Company entered into an agreement to acquire land in Las Vegas, Nevada (Note 7(b)). 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 June 30, 2016, the amount outstanding for the payable was as follows:

	June 30, 2016 $	March 31, 2016 $
Balance payable	387,355	393,388
Less: current portion	(16,579)	(16,025)
Long-term portion	370,776	377,363

10. Related Party Transactions

Related parties include members of the Board of Directors and officers of the Company, and enterprises controlled by these individuals. The following fees and expenses were incurred in the normal course of business:

	For the three months ended	
	June 30, 2016	**June 30, 2015**
Directors' fees	$ 4,500	$ -
Management fees, salaries and wages	30,000	45,000
Share-based payments	-	399,584
	$ 34,500	$ 444,584

(a) During the three months ended June 30, 2016, the Company incurred $nil (June 30, 2015 - $15,000) and $6,000 (2015 - $nil) to the former Chief Executive Officer of the Company for management fees and rent, respectively.

(b) During the three months ended June 30, 2016, the Company incurred $4,500 (June 30, 2015 - $3,000) to two current and one former director of the Company for directors' fees.

(c) During the three months ended June 30, 2016, the Company incurred $30,000 (June 30, 2015 - $30,000) to the Chief Executive Officer of the Company for management fee.

(d) During the three months ended June 30, 2016, the Company granted nil (June 30, 2015 – 1,400,000) stock options with a fair value of $nil (June 30, 2015 - $399,584) to directors and officers of the Company.

(e) As at June 30, 2016, the Company owed $66,575 (March 31, 2016 - $64,078) to the Chief Executive Officer of the Company which is non-interest bearing, unsecured, and due on demand.

(f) As at June 30, 2016, the Company owed $6,000 (March 31, 2016 - $5,500) to two directors of the Company for directors' fees.

11. Share Capital

Authorized: unlimited common shares without par value

Share transactions for the three months ended June 30, 2016:

(a) 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. 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 $31,400 for share issuance costs. The finders' warrants have the same terms as the share purchase warrants issued for the private placement.

(b) 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(Note 13).

(c) 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.

Share transactions for the year ended March 31, 2016

(d) 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.

(e) 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.

(f) 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.

(g) 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 (Note 11(a)).

12. Share Purchase Warrants

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

	Number of warrants	Weighted average exercise price $
Balance, March 31, 2015	11,657,000	0.75
Issued	2,451,250	0.41
Balance, March 31, 2016	14,108,250	0.69
Issued	5,948,000	0.40
Balance, June 30, 2016	20,056,250	0.61

As at June 30, 2016, the following common share purchase warrants were outstanding:

Date of Expiry	Number	Exercise Price $
November 6, 2016 [1]	1,657,000	0.75
December 9, 2016 [2]	4,940,330	0.75
October 13, 2016	737,500	0.45
November 10, 2016	613,750	0.45
January 19, 2017 [3]	5,059,670	0.75
March 25, 2017 [4]	1,100,000	0.37
April 14, 2017	2,640,000	0.40
April 14, 2017 [5]	264,500	0.40
June 16, 2017	2,817,500	0.40
June 16, 2017 [5]	226,000	0.40
	20,056,250	

[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.

[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.

[5] Finders' warrants issued pursuant to issuance of shares. (Notes 11(a) and 11(c)).

13. 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, 2016	3,575,000	0.50
Forfeited	(100,000)	0.50
Balance, June 30, 2016	3,475,000	0.50

Additional information regarding stock options outstanding as at June 30, 2016, is as follows:

	Outstanding and exercisable		
Range of exercise prices $	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.50	3,475,000	1.2	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.

14. 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. During the three months ended June 30, 2016, the Company incurred $8,750 in expenses related to this agreement.

14. Commitments (continued)

(b) The Company leased a 28,000 square foot industrial building located in Whatcom County, Washington for 5 (five) years at a lease rate of US$18,000 per month.

(c) 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.

15. Segmented Information

During the three months ended June 30, 2016, the Company had one reportable operating segment relating to medical marijuana and distribution of hemp based products. Geographical information is as follows:

June 30, 2016	Canada $	US $	Total $
Intangible asset	1	–	1
Property and equipment	38,682	607,664	29,283
	39,283	607,664	644,355

March 31, 2016	Canada $	US $	Total $
Intangible asset	1	–	1
Property and equipment	38,682	594,363	633,045
	38,683	594,363	633,046

16. Supplemental Cash Flow Information

	Three months ended June 30, 2016 $	Three months ended June 30, 2015 $
Non-cash investing and financing activities:		
Fair value of finders' warrants issued	16,102	–
Fair value of options cancelled	22,929	–
Shares issued for share issuance costs	27,300	–
Shares issued to settle account payable	240,000	–
Supplemental disclosures:		
Interest paid	6,682	–
Income taxes paid	–	–

17. 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 June 30, 2016, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, March 31, 2016 $
Cash	50,995	–	–	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 June 30, 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 June 30, 2016, the Company had the following monetary liabilities denominated in foreign currencies:

	US$
Accounts payable and accrued liabilities	69,785
Loan payable	299,880
	369,665

Based on the above net exposures as at June 30, 2016, a 10% change in the US dollar against the Canadian dollar would result in an increase or decrease of approximately $47,750 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.

17. 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 June 30, 2016 in the amount of $50,995 and raised additional capital by selling equity in order to meet short-term operating requirements. As at June 30, 2016, the Company had accounts payable and accrued liabilities of $257,984. All accounts payable and accrued liabilities are current.

18. 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, 2016.

19. Contingent Liability

On August 4, 2016, an organization related to the Company's former President and Chief Executive Officer and director, Mr. Les Kjosness, filed a small claims court notice of claim against the Company with respect to unpaid office expense. The financial effect of this claim is not determinable at this time. An allowance of $12,000 has been recorded in general and administrative expense as at June 30, 2016.

20. Comparative Figures

Certain balances disclosed in the Company's condensed consolidated interim statements of loss and comprehensive loss for the three months ended June 30, 2015 have been reclassified to conform to the condensed consolidated interim statements of loss presentation adopted for in the current period.

21. Subsequent Events

(a) On August 17, 2016, the Company paid US$1,200,000 for the assets owned by Living Green Inc. which relate to building improvements, equipment and supplies in a 28,000 square foot industrial building in Whatcom County, Washington. During the three months ended June 30, 2016, the Company paid a $129,170 (US$100,000) deposit related to the transaction (Note 5).

Living Green Inc. remains the tenant in the building and holds a cultivation license for up to 30,000 square feet of cultivation and a production license with no footage limitations. The Company and Living Green Inc. are negotiating details related to lease obligations to the Company with an effective date still to be confirmed.

21. Subsequent Events (continued)

(b) On July 20, 2016, the Company announced a non-brokered private placement for the issuance of up to 5,000,000 units at $0.20 per unit for gross proceeds $1,000,000. Subsequent to June 30, 2016 share subscriptions of $2,118,250 had been received. 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 expiring one year after issuance.

(c) The acquisition of the two additional licenses in Nevada closed August 15, 2016 for a price of $75,000 USD.