

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Financial Statements (Unaudited)

Period Ended June 30, 2017 and March 31, 2017

(Expressed in Canadian Dollars)

- Condensed Consolidated Interim Statements of Financial Position
- Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
- Condensed Consolidated Interim Statements of Comprehensive Loss
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MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Financial Position

Unaudited

As at June 30, 2017 and March 31, 2017

	Note	June 30 2017 \$ (Unaudited)	March 31 2017 \$ (Audited)
ASSETS			
CURRENT			
Cash		2,127,292	4,316,697
Trade and Other Receivables	5	514,276	717,947
Current Portion of Loan Receivable	7	53,110	49,996
Prepaid Expenses and Deposits	6	2,406,584	1,572,972
		5,101,262	6,657,612
Loan Receivable	7	240,678	249,231
Due from Related Party	14(a)	306,848	340,507
Property and Equipment	8	4,551,346	2,531,581
Intangible Assets	9	1,830,878	1,618,853
Investment in Associate	12	1,072,566	1,238,132
Total Assets		13,103,578	12,635,916
LIABILITIES			
CURRENT			
Trade and Other Payables	10	536,209	656,031
Due to Related Party	14(a)	17,076	25,576
		553,285	681,607
Convertible Bonds Payable	11	1,208,857	1,287,676
Total Liabilities		1,762,142	1,969,283
SHAREHOLDERS' EQUITY			
Share Capital	13(b)	29,357,140	26,475,210
Warrant Subscriptions		35,000	-
Stock Options Reserve		1,870,301	1,215,195
Share Purchase Warrants Reserve		56,995	91,453
Foreign Currency Translation Reserve		(41,912)	124,082
Equity Component of Convertible Bonds	11	213,111	213,111
Deficit		(20,149,199)	(17,452,418)
Total Shareholders' Equity		11,341,436	10,666,633
Total Liabilities and Shareholders' Equity		13,103,578	12,635,916

Nature of Operations and Ability to Continue as a Going Concern (Note 1)

Commitments (Note 15)

Segmented Information (Note 16)

Subsequent Events (Note 20)

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board:

“Linda Sampson”
Linda Sampson, Director

“Corey Klassen”
Corey Klassen, Director

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited

For the Period Ended June 30, 2017 and March 31, 2017

	Note	Number of Common Shares	Share Capital \$	Share Subscriptions \$	Stock Options Reserve \$	Share Purchase Warrants Reserve \$	Foreign Currency Translation Reserve \$	Equity Component Convertible Bonds	Deficit \$	Total Shareholders' Equity \$
Balance, March 31, 2016		38,032,573	6,674,269	443,000	1,100,628	20,887	17,732	-	(7,949,623)	306,893
Shares Issued for Cash	13(b)(i)	5,457,500	1,091,500	(443,000)	-	-	-	-	-	648,500
Shares Issued for Finders' Fees	13(b)(i)	136,500	45,100	-	-	-	-	-	-	45,100
Shares Issued for Services	13(b)(iii)	320,000	240,000	-	-	-	-	-	-	240,000
Shares Issued on Exercise of Finders' Warrants	13(b)(v)	-	-	-	-	23,954	-	-	-	23,954
Fair Value of Stock Options Cancelled		-	-	-	(30,787)	-	-	-	30,787	-
Equity Component of Convertible Bonds Issued	12	-	-	-	-	-	(94,188)	-	(385,692)	(479,880)
Balance, June 30, 2016		43,946,573	8,050,869	-	1,069,841	44,841	(76,456)	-	(8,304,528)	784,567
Shares Issued for Cash	13(b)(i)	10,866,250	2,173,250	-	-	-	-	-	-	2,173,250
Share Issuance Costs			(468,581)	-	-	165,842	-	-	-	(302,739)
Shares Issued for Finders' Fees	13(b)(i)	352,500	52,700	-	-	-	-	-	-	52,700
Shares Issued for Intangible Assets	13(b)(ii)	1,172,814	594,855	-	-	-	-	-	-	594,855
Shares Issued for Services	13(b)(iii)	3,778,547	4,278,478	-	-	-	-	-	-	4,278,478
Shares Issued for Debt	13(b)(iv)	188,702	137,752	-	-	-	-	-	-	137,752
Shares Issued on Exercise of Warrants	13(b)(v)	15,712,750	9,823,949	-	-	(20,887)	-	-	-	9,803,062
Shares Issued on Exercise of Finders' Warrants	13(b)(v)	712,000	368,127	-	-	(98,343)	-	-	-	269,784
Shares Issued on Exercise of Stock Options	13(b)(vi)	1,760,000	1,463,811	-	(443,061)	-	-	-	-	1,020,750
Fair Value of Stock Options Vested	13(f)	-	-	-	1,042,560	-	-	-	-	1,042,560
Fair Value of Stock Options Cancelled		-	-	-	(454,145)	-	-	-	454,145	-
Equity Component of Convertible Bonds Issued	12	-	-	-	-	-	-	213,111	-	213,111
Net Comprehensive Loss		-	-	-	-	-	200,538	-	(9,602,035)	(9,401,497)
Balance, March 31, 2017		78,490,136	26,475,210	-	1,215,195	91,453	124,082	213,111	(17,452,418)	10,666,633
Shares Issued for Bonds Bonus	13(b)(vii)	46,800	39,780	-	-	-	-	-	-	39,780
Shares Issued on Exercise of Warrants	13(b)(viii)	4,617,500	1,847,000	-	-	-	-	-	-	1,847,000
Shares Issued on Exercise of Finders' Warrants	13(b)(viii)	561,000	257,545	-	-	(33,145)	-	-	-	224,400
Shares Issued on Exercise of Stock Options	13(b)(xi)	690,000	737,605	-	(367,605)	-	-	-	-	370,000
Fair Value of Stock Options Vested	13(f)	-	-	-	1,022,711	-	-	-	-	1,022,711
Fair Value of Stock Options Cancelled		-	-	-	-	(1,313)	-	-	1,313	-
Warrant Subscription Advance		-	-	35,000	-	-	-	-	-	35,000
Net Comprehensive Loss		-	-	-	-	-	(165,994)	-	(2,698,094)	(2,864,088)
Balance, June 30, 2017		84,405,436	29,357,140	35,000	1,870,301	56,995	(41,912)	213,111	(20,149,199)	11,341,436

The accompanying notes are an integral part of the consolidated financial statements.

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Comprehensive Loss

Unaudited

For the Three Months Ended June 30, 2017 and 2016

	Note	2017 \$	2016 \$
REVENUES			
Rental		84,729	37,369
Consulting		30,260	28,994
Interest		3,183	-
		<u>118,172</u>	<u>66,363</u>
EXPENSES			
Bank Charges and Interest		2,680	804
Consulting Fees	14(b),(c)	159,807	148,774
Commissions		475,479	-
Directors' Fees	14(b)	1,500	4,500
Insurance		21,101	-
Management Fees	14(b)	30,000	30,000
Materials and Repairs		23,789	80,355
Office		25,211	654
Professional Fees		114,542	129,336
Rent and Utilities		38,578	45,822
Shareholder and Investor Relations		568,576	12,187
Transfer Agent and Filing Fees		2,047	10,071
Travel		30,943	26
		<u>1,494,253</u>	<u>462,529</u>
LOSS BEFORE OTHER ITEMS		(1,376,081)	(396,166)
Stock Based Compensation	13(f)	(1,022,711)	-
Amortization of Intangible Assets		(30,067)	-
Depreciation of Property and Equipment		(49,453)	(1,991)
Finance Cost		-	(6,864)
Interest on Convertible Bonds Payable	11	(33,120)	-
Accretion on Bonds		(21,096)	-
Share of Loss in Equity Investment	12	(165,566)	-
NET LOSS FOR THE PERIOD		(2,698,094)	(405,021)
Other Comprehensive Income for the Year – Foreign Currency Translation Gain		<u>(165,994)</u>	<u>(94,373)</u>
NET COMPREHENSIVE LOSS FOR THE PERIOD		<u>(2,864,088)</u>	<u>(499,394)</u>
Basic and Diluted Loss per Share		<u>(0.04)</u>	<u>(0.01)</u>
Weighted Average Number of Common Shares Outstanding		<u>81,447,786</u>	<u>41,054,958</u>

The accompanying notes are an integral part of the consolidated financial statements.

MARAPHARM VENTURES INC.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited

For the Three Months Ended June 30, 2017 and 2016

	2017 \$	2016 \$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net Loss for the Period	(2,698,094)	(405,021)
Non-Cash Items		
Amortization of Intangible Assets	30,067	-
Depreciation of Property and Equipment	49,453	1,991
Stock Based Compensation	1,022,711	-
Accretion on Debentures	21,096	-
Share of Loss in Equity Investment	165,566	-
Shares Issued Services	-	240,000
	(1,409,201)	(163,030)
Change in Non-Cash Working Capital Accounts	17(a) (758,263)	(442,646)
	(2,167,464)	(585,676)
FINANCING ACTIVITIES		
Shares Issued for Cash, Net of Issuance Costs	-	1,091,500
Share & Warrant Subscriptions Advance	35,000	(443,000)
Proceeds from Exercise of Warrants	1,847,000	-
Proceeds from Exercise of Finders' Warrants	224,400	-
Proceeds from Exercise of Stock Options	370,000	-
Loan Advanced to Arm's Length Party	5,439	-
Net (Advance to) Repayment from Related Party	33,659	(254,886)
Advances (Repayment) of Loan Payable	-	(3,946)
	2,515,498	389,668
INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(611,529)	(48,603)
Acquisition of Land	(1,537,458)	-
Acquisition of Intangible Assets	(290,424)	-
	(2,439,411)	(48,603)
INCREASE (DECREASE) IN CASH	(2,091,377)	(244,611)
Effect of Foreign Exchange Rate Changes on Cash	(98,028)	(33,957)
CASH, BEGINNING OF THE PERIOD	4,316,697	329,547
CASH, END OF THE PERIOD	2,127,292	50,979

Supplemental Cash Flow Information (Note 17)

The accompanying notes are an integral part of the consolidated financial statements.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 1 – NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Marapharm Ventures Inc. (the “Company”) is governed by the Business Corporations Act (British Columbia). The head office is located at Suite 102 – 1561 Sutherland Avenue, Kelowna, BC, Canada V1Y 5Y7. The Company's common shares are traded on the Canadian Stock Exchange (“CSE”) under the symbol “MDM”.

The Company was established to enter into the emerging market of regulated medical marijuana and has applied to Health Canada to become a licensed producer under the Access to Cannabis for Medical Purposes Regulations, which is still pending. The Company also has operations in the United States, in the State of Washington, Nevada, and California. The Company has marijuana cultivation and production licenses in Nevada.

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.

The Company’s ability to continue as a going concern is dependent upon its ability to maintain its marijuana cultivation and production licenses in good standing, generate profitable operations, obtain the necessary debt or equity financing, and identify future investment opportunities. From inception to June 30, 2017, the Company has incurred losses from operations and has net accumulated losses of \$20,149,199. As at June 30, 2017, the Company has working capital of \$4,547,977 which is not sufficient to meet its operating and administrative costs and acquisition and other commitments. Although the Company has raised funds in the past and subsequent to June 30, 2017 (Note 20), there can be no assurance the Company will be able to secure sufficient debt or equity financing for its working capital and investment activities, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable level of 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 or classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These amended and restated condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in and should be read in conjunction with the Company’s March 31, 2017 consolidated financial statements. These amended and restated consolidated financial statements were approved and authorized for issue by the Board of Directors on August 28, 2017.

b) Basis of Consolidation

These amended and restated consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (collectively, the “Company”). Intercompany balances and transactions are eliminated in preparing these consolidated financial statements. The following companies have been consolidated within these consolidated financial statements:

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entity	Country of Incorporation	Holding	Functional Currency
Marapharm Ventures Inc.	Canada	Parent	Canadian Dollar
Marapharm Inc.	Canada	100%	Canadian Dollar
Marapharm Las Vegas LLC	United States	100%	U.S. Dollar
Marapharm Washington LLC	United States	100%	U.S. Dollar
EcoNevada LLC	United States	100%	U.S. Dollar

c) Basis of Preparation

These amended and restated condensed consolidated interim financial statements have been prepared on a historical cost basis. Cost is the fair value of the consideration given in exchange for net assets.

d) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The cost of the business combination is measured as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree, and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount is recognized in profit or loss as a bargain purchase gain.

e) Foreign Currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company. Each subsidiary determines its own functional currency (Note 2(b)) and items included in the financial statements of each subsidiary are measured using that functional currency.

i) Transactions and Balances in Foreign Currencies

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction and are not retranslated. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Impairment of Property and Equipment and Intangible Assets (Continued)

ii) Foreign Operations

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income and accumulated in the foreign currency translation reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in earnings and recognized as part of the gain or loss on disposal.

b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and is recorded to the extent that collection is reasonably assured.

c) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight-line basis over the following terms:

Furniture and Equipment	3 to 5 years
Leasehold Improvements	5 years

Depreciation on buildings under construction will commence when they are available for use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and recognized in profit or loss.

d) Intangible Assets

Finite life intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over five years, the term of an underlying lease agreement, for a right to sublease the Company's leased property in the State of Washington to a marijuana cultivation and processing licensed company. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are comprised of marijuana cultivation and production licenses issued by the State of Nevada, which are carried at cost less accumulated impairment losses.

Intangible assets acquired are measured on initial recognition at cost, while the cost of intangible assets acquired in a business combination is initially recorded at their fair values as at the date of acquisition.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Any gain or loss arising from de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of Property and Equipment and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are independent from other group assets

If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

f) Convertible Bonds Payable

Convertible bonds payable are compound financial instruments that are recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debentures. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity.

Convertible bonds payable is accreted to its face value at maturity over the term of the debt through a charge to operations. The value of the equity component is not re-measured subsequent to its initial measurement date, and remains in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital.

On the early redemption of convertible bonds, the Company allocates the consideration paid on extinguishment to the liability based on its fair value at the date of the transaction and the residual is allocated to the conversion option. Any resulting gain or loss relating to the liability component is charged to profit or loss, and the difference between the carrying amount and the amount considered to be settled relating to the equity component is treated as a capital transaction and charged to share capital.

g) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. As at June 30, 2017 and March 31, 2017, the Company has no material provisions.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share Capital and Share Subscriptions

Cash consideration received from the issuance of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants under the residual method. Share issue costs are netted against share capital.

Share subscriptions represent proceeds received for shares that have not yet been issued as at the reporting date.

Shares issued for non-monetary consideration are recorded at fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company's shares on the date of share issuance.

i) Loss Per Share

Loss per share is calculated using the weighted average number of common shares issued and outstanding during the reporting period. Diluted loss per share is the same as basic loss per share, as the issuance of shares on the exercise of stock options and share purchase warrants is anti-dilutive.

j) Reserves

Stock options reserve and share purchase warrants reserve are used to recognize the fair value of stock options and warrants prior to their exercise, expiry, or cancellation. Fair value of stock options and finder's warrants is determined on the date of grant using the Black-Scholes Model (Note 2(p)).

k) Share-Based Payments

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of stock options and finders' warrants is recorded based on the estimated fair value using the Black-Scholes option-pricing model at the grant date and charged to profit over the vesting period. The amount recognized as an expense is adjusted to reflect the number of equity instruments expected to vest.

Upon the exercise of stock options and finders' warrants, consideration received on the exercise of these equity instruments is recorded as share capital and the related share-based payment reserve is transferred to share capital.

Upon the expiry or cancellation of stock options and finders' warrants, their fair value previously recorded in reserve is transferred to deficit

l) Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

i) Current Income Tax

Current income tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii) Deferred Income Tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

m) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified at fair value through profit or loss) are added to, or deducted from, the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets and financial liabilities are measured subsequently as described on the following pages. The Company does not have any derivative financial instruments.

i) Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described on the next page.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial Instruments (Continued)

i) Financial Assets (Continued)

- **Financial assets at fair value through profit or loss** – Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The Company's cash falls into this category of financial assets.
- **Loans and receivables** – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less any provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's trade and other receivables, loan receivable, and amount due from related party fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is based on recent historical counterparty default rates for each identified group. The impairment losses are recognized in profit or loss.

- **Held-to-maturity investments** – Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, other than loans and receivables. Investments are classified as held-to-maturity if the Company has the intention and ability to hold them until maturity. The Company does not hold financial assets in this category.
- **Available-for-sale financial assets** – Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in other categories of financial assets. The Company does not hold financial assets in this category.

Available-for-sale financial assets are measured initially at fair value. The Company's investments in equity instruments are subsequently measured at cost as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

For financial assets measured at amortized cost, 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, then the previously recognized impairment loss is reversed through profit or loss 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 financial assets, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated in the investment revaluation reserve.

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NOTE 2 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Financial Instruments (Continued)

i) Financial Assets (Continued)

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

For the purpose of subsequent measurement, financial liabilities are classified as either financial liabilities at fair value through profit or loss, or other financial liabilities upon initial recognition.

- **Financial liabilities at fair value through profit or loss** – Financial liabilities at fair value through profit or loss include financial liabilities that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. Liabilities in this category are measured at fair value with gains or losses recognized in profit or loss. The Company currently does not hold financial liabilities in this category.
- **Other financial liabilities** – Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process. The Company's trade and other payables, amounts due to related parties, loan payable, and convertible bonds payable fall into this category of financial instruments.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

s) Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. These reclassifications have no effect on the consolidated net loss for the three months ended June 30, 2016 except for restatements beginning in June 2016 to recognize rental and consulting income from its Washington State operations in the amount of \$66,363. This amount was offset by an increase in the Foreign Currency Translation Loss of \$94,373 for a net increase in Net Comprehensive Loss for the Period of \$24,877.

NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies which are described in Note 2, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows.

a) Impairment of Property and Equipment and Intangible Assets

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NOTE 3 – SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. In addition, when determining the applicable discount rate, estimation is involved in determining the appropriate adjustments to market risk and asset-specific risk factors. These assumptions relate to future events and circumstances. Actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

b) Useful Lives of Property and Equipment and Intangible Assets

Management reviews the useful lives of property and equipment and intangible assets at each reporting date, based on the expected utility of these assets to the Company. The useful lives of these assets may be shortened due to factors such as regulatory changes in the marijuana industry that are beyond the Company's control.

c) Business Combination

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the income statement in the subsequent period.

d) Stock Based Compensation

The fair value of stock based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

e) Deferred Tax Assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective.

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NOTE 4 – ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

a) IFRS 9 – Financial Instruments

IFRS 9 will replace IAS 39 “Financial Instruments: Recognition and Measurement” and applies to the classification and measurement of financial assets. The mandatory effective date is January 1, 2018 with early adoption permitted. The Company currently does not intend to early adopt IFRS 9. The Company has not yet determined the impact of this standard on its consolidated financial statements.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company has not yet determined the impact of this standard on its consolidated financial statements.

c) IFRS 16 – Leases

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting remains largely unchanged from IAS 17 “Leases”, and the distinction between operating and finance leases is retained. The standard is effective for annual period beginning on or after January 1, 2019. The Company has not yet determined the impact of this standard on its consolidated financial statements.

NOTE 5 – TRADE AND OTHER RECEIVABLES

	June 30 2017 \$	March 31 2017 \$
Trade Receivable	487,286	385,671
GST Recoverable	26,990	24,276
Share Subscription Receivable (Note 13(b)(v))	-	308,000
	<u>514,276</u>	<u>717,947</u>

NOTE 6 – PREPAID EXPENSES AND DEPOSITS

Retainer on Delivery Service Agreement (Note 14(c)(v))	389,310	398,970
Deposit and Instalment on Acquisition of Washington Property (Note 20(e))	1,167,930	797,940
Deposit on Option to Acquire Marijuana Cultivation License (Note 15(d))	6,489	6,650
Deposit on Acquisition of California Properties (Note 20(a)(b))	130,422	179,995
Security Deposits	36,955	32,184
Surety Bond on Las Vegas Construction Project	502,073	15,666
Other Prepaid Expenses	173,405	141,567
	<u>2,406,584</u>	<u>1,572,972</u>

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NOTE 7 – LOAN RECEIVABLE

On August 29, 2016, the Company advanced US\$225,000 to the subtenant of its leased property in Washington. The unsecured loan is subject to an interest rate of 5% commencing April 15, 2017 and repayable over a five-year period in blended monthly payments of US\$4,241. The Company has agreed to waive the monthly repayment requirement until completion of the renovations at the leased property, anticipated to be in the fourth quarter of fiscal 2018, when retroactive loan repayments will be made. The Company has accrued \$1,804 (US\$1,391) in interest revenue in the three months ended June 30, 2017.

As at June 30, 2017, the outstanding balance of the loan was \$293,788 (US\$226,391).

NOTE 8 – PROPERTY AND EQUIPMENT

	Land \$	Furniture and Equipment \$	Leasehold Improvements \$	Buildings Under Construction \$	Total \$
COST					
Balance, March 31, 2016	1,319,708	5,797	36,228	-	1,361,733
Additions	150,891	402,037	463,080	927,608	1,943,616
Foreign Currency Translation Adjustment	77,739	5,177	6,005	12,030	100,951
Balance, March 31, 2017	1,548,338	413,011	505,313	939,638	3,406,300
Additions	1,537,458	36,958	13,514	561,057	2,148,987
Foreign Currency Translation Adjustment	(19,504)	(10,490)	(11,832)	(42,443)	(84,268)
Balance, June 30, 2017	3,066,292	439,479	506,995	1,458,252	5,471,019
ACCUMULATED DEPRECIATION					
Balance, March 31, 2016	725,345	1,127	2,216	-	728,688
Depreciation Charge	-	60,775	67,282	-	128,057
Foreign Currency Translation Adjustment	17,427	762	(215)-	-	17,974
Balance March 31, 2017	742,772	62,664	69,283	-	874,719
Depreciation Charge	-	23,248	26,205	-	49,454
Foreign Currency Translation Adjustment	-	1,626	(6,126)	-	(4,500)
Balance June 30, 2017	742,772	87,538	89,362	-	919,673
NET BOOK VALUE					
Balance, March 31, 2017	805,566	350,347	436,030	939,638	2,531,581
Balance, June 30, 2017	2,323,520	351,941	417,633	1,458,252	4,551,346

MARAPHARM VENTURES INC.

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NOTE 9 – INTANGIBLE ASSETS

	Hemp Products Formula \$	Marijuana Licenses \$	Sublease Right \$	Total \$
COST				
Balance, March 31, 2016	50,000	-	-	50,000
Additions	-	1,099,160	587,019	1,686,179
Foreign Currency Translation Adjustment	-	14,254	7,613	21,867
Balance, March 31, 2017	50,000	1,113,414	594,632	1,758,046
Additions	-	290,424	-	290,424
Foreign Currency Translation Adjustment	-	(37,149)	(14,398)	(51,547)
Balance, June 30, 2017	50,000	1,366,689	580,234	1,996,923
ACCUMULATED AMORTIZATION				
Balance, March 31, 2016	49,999	-	-	49,999
Amortization Charge	-	-	88,786	88,786
Foreign Currency Translation Adjustment	-	-	408	408
Balance, March 31, 2017	49,999	-	89,194	139,193
Amortization Charge	-	-	30,067	30,067
Foreign Currency Translation Adjustment	-	-	(3,215)	(3,215)
Balance, June 30, 2017	49,999	-	116,046	166,045
NET BOOK VALUE				
Balance, March 31, 2017	1	1,113,414	505,438	1,618,853
Balance, June 30, 2017	1	1,366,689	464,188	1,830,878

a) Hemp Products Formula

On November 24, 2014, the Company entered into an agreement to acquire a hemp-blended formula to produce shampoo, conditioner, fragrances, and other hemp products. The purchase price was \$50,000. On March 31, 2016, the Company recorded an impairment loss of \$49,999 due to the uncertainty of future cash flows relating to the sale of these products.

b) Marijuana Licenses

During the year ended March 31, 2017, the Company completed the acquisition of Econeveda LLC (“Econeveda”), a company that owned two provisional medical cultivation and production licenses from the State of Nevada. Both licenses received final approval from the State of Nevada and were transferred to Marapharm Las Vegas LLC.

The Company purchased a 75.5% interest in Econeveda from a related party and paid US\$375,000 in cash and issued 1,072,813 common shares with a fair value of US\$336,125 (Note 13(b)(ii)). The Company acquired the remaining 24.5% interest in Econeveda from arm’s length parties and issued 100,001 common shares with a fair value of US\$115,491. Total consideration for this acquisition was US\$826,616.

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Notes to the Consolidated Financial Statements

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NOTE 9 – INTANGIBLE ASSETS (Continued)

c) Sublease Right

In May 2016, the Company acquired certain assets from a marijuana cultivation and processing licensed company (“Subtenant”) in the State of Washington. Cash consideration of US\$975,000 was paid and allocated to equipment for US\$295,564, leasehold improvements for US\$232,311, and a sublease right for US\$447,125.

The sublease right allows the Company to sublease its leased industrial property in Washington to the Subtenant for a term of 20 years with an option to renew for another five years. The Company agreed to complete extensive improvements to the property in order to provide the Subtenant with a fully equipped operational facility. Monthly sublease rent is set at \$21,000 and will retroactively increase to \$200,000 upon completion of the current renovations at the property pursuant to a sublease agreement dated August 10, 2016 and amended on August 18, 2016.

The underlying lease agreement between the Company and the land owner has a term of five years effective July 1, 2016, with an option to renew for another five years (Note 15(a)). In February 2017, the Company entered into property purchase agreement with the land owner to acquire the property for US\$4,200,000 (Note 20(e)).

NOTE 10 – TRADE AND OTHER PAYABLES

	June 30 2017 \$	March 31 2017 \$
Trade Payables and Accrued Liabilities	493,095	575,677
Holdback Payable	32,614	24,675
Directors’ Fees Payable (Note 14(a))	10,500	9,000
Bond Bonus Payable (Note 12)	-	46,679
	<u>536,209</u>	<u>656,031</u>

NOTE 11 – CONVERTIBLE BONDS PAYABLE

	Liability Component \$	Equity Component \$	Net Carrying Value \$
Balance, March 31, 2017	1,287,676	213,111	1,500,787
Balance June, 30 2017	<u>1,208,857</u>	<u>213,111</u>	<u>1,421,968</u>

On March 31, 2017, the Company closed a non-brokered private placement of 117 convertible bonds at an issue price of US\$10,000 per bond for total gross proceeds of \$1,555,943 (US\$1,170,000). The bonds, in part or in full, are convertible into common shares of the Company at the conversion price of \$1 per share in the first year, \$2 per share in the second year, and \$3 per share in the third year. The bonds mature on November 30, 2019 and bear compound interest at 8.5% per annum with interest payable monthly. The bonds are open for prepayment without penalty and are secured by the assets of Marapharm Las Vegas LLC which included land, buildings under construction, and marijuana licenses in the State of Nevada.

The Company agreed to issue a 3% bonus interest (US\$300) for each bond issued, payable in common shares. On May 1, 2017 the Company issued 46,800 common shares (Note 13 (b)(vii)).

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NOTE 11 – CONVERTIBLE BONDS PAYABLE (Continued)

The convertible debentures are recorded in part as a liability and in part as shareholders' equity. The Company uses the "residual valuation" method to determine the debt and equity components of the convertible debentures. Under the residual valuation method, the liability component is determined by estimating the present value of the future cash payments discounted at a rate of interest which the Company would be charged by the market for similar debt without the conversion option. The difference between the net proceeds of the debenture and the liability component is recorded as a separate component of shareholders' equity.

NOTE 12 – INVESTMENT IN ASSOCIATE

On January 4, 2017 the Company subscribed for 5,000,000 units in a private placement offering of Veritas Pharma Inc. ("Veritas") at a price of \$0.22 per unit for total proceeds of \$1,100,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for one additional common share at \$0.30 per share until July 9, 2018. Veritas is working to develop the most effective proprietary cannabis strains for specific disease conditions and to provide doctors and patients with conclusive science evidence to recommend and use medical marijuana.

Concurrent to the unit subscription, the Company subscribed for 5,000,000 warrants of Veritas at a price of \$0.05 per warrant for total proceeds of \$250,000. Each warrant is exercisable for one additional common share at \$0.40 per share until February 7, 2018.

Following this investment, the Company appointed two common directors to Veritas and as at March 31, 2017, had a 11.52% ownership interest in Veritas.

The Company accounts for its investment in Veritas using the equity method. The Company has recognized its proportionate share of Veritas' net loss for the period ended March 31, 2017 in the amount of \$111,868. For the period ended June 30, 2017, the Company recognized a loss of \$165,566 on the consolidated statement of comprehensive loss. As at June 30, 2017, the carrying amount of the Company's investment in Veritas was \$1,072,566.

NOTE 13 – SHARE CAPITAL

a) Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and Outstanding Common Shares

As at June 30, 2017, the Company had 84,405,436 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

Shares Issued For the Year Ended March 31, 2017

i) Shares Issued for Cash

On April 14, 2016, the Company issued 2,640,000 units at \$0.20 per unit for total gross proceeds of \$528,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 until April 14, 2017. The Company issued 89,000 common shares with a fair value of \$17,800 and 379,000 finders' warrants with a fair value of \$23,783 for finders' fees. As at March 31, 2016, the Company received \$443,000 in share subscriptions prior to the closing of the private placement.

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June 30, 2017 and March 31, 2017

NOTE 13 – SHARE CAPITAL (Continued)

On June 16, 2016, the Company issued 2,817,500 units at \$0.20 per unit for total gross proceeds of \$563,500. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 until June 16, 2017. The Company issued 47,500 common shares with a fair value of \$9,500 and 226,000 finder's warrants with a fair value of \$11,924 for finders' fees.

On September 6, 2016, the Company issued 10,866,250 units at \$0.20 per unit for total proceeds of \$2,173,250. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 until September 6, 2017. The Company issued 352,500 common shares with a fair value of \$70,500 and 1,022,500 finder's warrants with a fair value of \$130,135 for finders' fees.

ii) Shares Issued for Intangible Assets

During the year ended March 31, 2017, the Company issued a total of 1,172,814 common shares with a fair value of \$594,855 (US\$451,616) for the acquisition of Econeveda (Note 9(b)(ii)).

iii) Shares Issued for Services

During the year ended March 31, 2017, the Company issued 435,000 common shares with a fair value of \$287,150 to arm's length parties for marketing and investor relations services, of which \$215,519 was related to services provided and expensed in the year ended March 31, 2016.

During the year ended March 31, 2017, the Company issued 3,536,298 common shares with a fair value of \$4,123,312 to a related party for marketing and investor relations services.

During the year ended March 31, 2017, the Company issued 127,249 common shares with a fair value of \$108,016 to arm's length parties for consulting services.

iv) Shares Issued for Debt

During the year ended March 31, 2017, the Company issued 188,702 common shares with a fair value of \$137,752 to settle an outstanding loan. Included in the amount was \$102,808 in principal and \$34,944 in interest.

v) Shares Issued on Exercise of Warrants

During the year ended March 31, 2017, Company issued a total of 15,712,750 common shares upon the exercise of warrants for total gross proceeds of \$9,803,062, and 712,000 common shares upon the exercise of finders' warrants for total gross proceeds of \$293,738. As at March 31, 2017, a receivable of \$308,000 was recorded for outstanding subscription proceeds for the exercise of warrants, which was subsequently received in April 2017.

vi) Shares Issued on Exercise of Stock Options

During the year ended March 31, 2017, Company issued a total of 1,760,000 common shares upon the exercise of options for total gross proceeds of \$1,020,750.

Shares Issued For the Three Months Ended June 30, 2017

vii) Shares Issued for Bond Bonus

On May 01, 2017, the Company issued 46,800 common shares for the 3% bonus interest (US\$300) for each bond issued, payable in common shares at a deemed price of \$0.85 per share.

MARAPHARM VENTURES INC.

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June 30, 2017 and March 31, 2017

NOTE 13 – SHARE CAPITAL (Continued)

viii) Shares Issued on Exercise of Warrants

During the three months ended June 30, 2017, the Company issued a total of 4,617,500 common shares upon the exercise of warrants for total gross proceeds of \$1,847,000, and 561,000 common shares upon the exercise of finders' warrants for total gross proceeds of \$224,000.

ix) Shares Issued on Exercise of Stock Options

During the three months ended June 30, 2017, the Company issued a total of 690,000 common shares upon the exercise of options for total gross proceeds of \$370,000.

c) Share Purchase Warrants

The continuity of warrants for the three months ended June 30, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	June 30, 2017
April 14, 2017	\$0.40	1,150,000	-	1,150,000	-	-
June 16, 2017	\$0.40	2,392,500	-	2,367,500	25,000	-
September 6, 2017	\$0.40	9,363,750	-	1,062,500	-	8,301,250
		20,041,42	-	4,580,000	25,000	8,301,250

The continuity of warrants for the three months ended June 30, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	June 30, 2016
October 13, 2016	\$0.45	737,500	-	-	-	737,500
November 6, 2016 ⁽¹⁾	\$0.75	1,657,000	-	-	-	1,657,000
November 10, 2016	\$0.45	613,750	-	-	-	613,750
December 9, 2016 ⁽²⁾	\$0.75	4,940,330	-	-	-	4,940,330
January 19, 2017 ⁽³⁾	\$0.75	5,059,670	-	-	-	5,059,670
March 25, 2017 ⁽⁴⁾	\$0.37	1,100,000	-	-	-	1,100,000
April 14, 2017	\$0.40	-	2,640,000	-	-	1,150,000
June 16, 2017	\$0.40	-	2,817,500	-	-	2,392,500
		14,108,250	5,457,500	-	-	19,565,750

⁽¹⁾ On October 19, 2015, the Company extended the exercise date of the share purchase warrants from November 6, 2015 to November 6, 2016.

⁽²⁾ On November 26, 2015, the Company extended the exercise date of the share purchase warrants from December 9, 2015 to December 9, 2016.

⁽³⁾ On January 7, 2016, the Company extended the exercise date of the share purchase warrants from January 19, 2016 to January 19, 2017.

⁽⁴⁾ On March 16, 2016, the Company extended the exercise date of the share purchase warrants from March 25, 2016 to March 25, 2017.

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June 30, 2017 and March 31, 2017

NOTE 13 – SHARE CAPITAL (Continued)

d) Finders' Warrants

The continuity of finders' warrants for the three months ended June 30, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	June 30, 2017
April 14, 2017	\$0.40	367,500	-	355,000	12,500	-
June 17, 2017	\$0.40	221,000	-	206,000	15,000	-
September 16, 2016	\$0.40	445,750	-	-	-	445,750
		1,034,250	-	561,000	27,500	445,750

The continuity of finders' warrants for the three months ended June 30, 2016 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	June 30, 2016
October 13, 2016	\$0.45	61,250	-	-	-	61,250
November 10, 2016	\$0.45	47,500	-	-	-	47,500
January 19, 2017	\$0.75	10,000	-	-	-	10,000
April 14, 2017	\$0.40	-	379,000	-	-	367,500
June 17, 2017	\$0.40	-	226,000	-	-	221,000
		118,750	605,000	-	-	723,750

e) Stock Options

Under the Company's stock option plan, the maximum number of shares that may be reserved for issuance is limited to 10% of the issued and outstanding common shares of the Company at the time of grant. Under the plan, the exercise price of an option may not be less than the closing market price of the Company's shares prevailing on the day that the option is granted. The options may have a maximum term of 5 years and be vested at the discretion of the board of directors.

As at June 30, 2017, 6,875,000 options, with an average exercise price of \$1.17 per share and an average remaining life of 0.36 years, have been vested.

Expiry Date	Exercise Price	March 31, 2017	Granted	Exercised	Expired/ Cancelled	June 30, 2017
May 8, 2017	\$0.50	600,000	-	600,000	-	-
September 6, 2017	\$1.49	300,000	-	-	-	300,000
September 6, 2017	\$2.50	800,000	-	-	-	800,000
September 24, 2017	\$0.50	315,000	-	40,000	-	275,000
November 8, 2017	\$0.93	220,000	-	-	-	220,000
September 9, 2018	\$0.40	650,000	-	-	-	650,000
November 8, 2018	\$0.93	430,000	-	-	-	430,000
November 8, 2018	\$1.00	250,000	-	50,000	-	200,000
March 6, 2018	\$1.49	700,000	-	-	-	700,000
June 28, 2019	\$1.02	-	3,300,000	-	-	3,300,000
		4,265,000	3,300,000	690,000	-	6,875,000

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NOTE 13 – SHARE CAPITAL (Continued)

As at June 30, 2016, 3,475,000 options, with an average exercise price of \$0.50 per share and an average remaining life of 1.4 years, have been vested.

Expiry Date	Exercise Price	March 31, 2016	Granted	Exercised	Expired/ Cancelled	June 30, 2016
May 8, 2017	\$0.50	-	2,000,000	-	100,000	2,000,000
September 16, 2017	\$0.50	-	200,000	-	-	200,000
September 24, 2017	\$0.50	-	1,275,000	-	-	1,275,000
December 15, 2020	\$0.50	-	100,000	-	-	100,000
		-	3,575,000	-	100,000	3,475,000

f) Stock-Based Compensation

During the three months ended June 30, 2017, the Company recognized stock based compensation expense of \$1,022,711 (2016 – \$nil) for 3,300,000 stock options (2016 – nil) that were granted and vested in the period. These options have a weighted average fair value of \$0.31 per option (2016 – \$nil) as determined on the date of grant.

During the year ended March 31, 2017, the Company recognized stock based compensation of \$1,042,560 (2016 - \$1,100,628) for 4,000,000 stock options (2016 – 3,575,000) that were granted and vested in the year. These options have a weighted average fair value of \$0.26 per option (2016 - \$0.31) as determined on the date of grant.

During the year ended March 31, 2017, the Company recognized stock based compensation expense of \$165,842 (2016 - \$nil) in share issuance costs for 1,627,500 finders' warrants (2016 – 108,750) granted in the year. These options have a weighted average fair value of \$0.10 per warrant (2016 - \$nil) as determined on the date of grant.

The fair values of stock options and finders' warranted granted have been estimated using the Black Scholes option pricing model with the following assumptions made during the three months ended June 30, 2017 and the year ended March 31, 2017:

	June 30 2017	March 31 2017
Risk-Free Annual Interest Rate	.53%	0.45% – 0.53%
Expected Stock Price Volatility	110%	107% – 158%
Expected Life of Options and Warrants	0.5 years	0.30 – 0.5years
Expected Annual Dividend Yield	0%	0%

Option pricing models require the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models may not necessarily provide a single reliable measure of the fair value of the Company's stock options, finders' warrants, and finders' unit warrants.

NOTE 14 – RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Details of transactions between the Company and other related parties, in addition to those transactions disclosed elsewhere in these consolidated financial statements, are described as follows.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 14 – RELATED PARTY TRANSACTIONS (Continued)

a) Related Party Balances

As at June 30, 2017 and March 31, 2017, the Company has the following amounts due from (to) related parties that are non-interest bearing, unsecured, and have no specified terms of repayment.

	June 30 2017 \$	March 31 2017 \$
Due from Related Party		
Due from a Shareholder and Companies Controlled by Him	306,848	340,507
Due to Related Party		
Due to an Officer for Services and Expense Reimbursements	17,076	25,576
Trade and Other Payables		
Directors' Fees	10,500	9,000

b) Compensation of Key Management Personnel

The compensation paid or payable to Directors and Officers of the Company included consulting, management, and directors' fees for administrative and management services, and 3,300,000 stock options (2016 – nil) granted to these related parties.

	June 30 2017	June 30 2016
Consulting Fees	58,654	-
Directors' Fees	1,500	4,500
Management Fees	30,000	30,000
Stock-Based Compensation	929,737	-
	1,019,891	34,500

c) Compensations and Transactions with a Shareholder

	\$	\$
Consulting Services Paid (i)	30,000	90,000
Commissions paid on Land Purchase (ii)	475,479	-
Office Rent (iii)	12,000	15,000
	517,479	105,000

The Company has the following related party transactions with companies controlled by a shareholder of the Company who has been appointed as the Interim President of the Company in June 2017. As at June 30, 2017, an amount of \$306,848 (2016 – \$400,749) was owed to the Company by the shareholder.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 14 – RELATED PARTY TRANSACTIONS (Continued)

i) Consulting Services

On January 30, 2014, the Company entered into a consulting agreement with a company controlled by the shareholder for consulting services. The consulting agreement terminated December 31, 2016 and no further consulting fees were paid. The Company paid \$90,000 for the three months ended June 30, 2016. On April 1, 2017, the Company entered into a one-time consulting arrangement with a company related to the shareholder for consulting services whereby the Company paid \$30,000.

ii) Commissions Paid

On May 26, 2017, the Company paid a company controlled by the shareholder for brokering a deal for the purchase of two properties located in California. A commission amount of \$475,478.80 (US\$353,437) was paid on May 26, 2017 and recorded as commission fees.

iii) Office Lease Arrangement

During the three months ended June 30, 2017, the Company paid rent totalling \$12,000 (2016 - \$15,000) to a company related to the shareholder for the rental of an office space used as the Company's head office. Effective June 1, 2017, the Company relocated its head office to another location.

iv) Property Lease Arrangement

On July 15, 2014, the company entered into a lease agreement with a company controlled by the shareholder to lease up to a maximum of 11.2 acres in the Kelowna, B.C. area for a term of ten years with an option to renew for another ten years. Annual base rent is \$15,000 per acre used by the Company plus a percentage rent equal to 6% of the Company's gross revenue from business conducted at the leased premises. The property is secured as the location of the Company's future production facility once the medical marijuana application is approved by Health Canada. No rent was charged to the Company pursuant to this lease arrangement in the three months ended June 30, 2017 and 2016.

v) Software Program Development and Marketing Services – Delivery Service

On April 14, 2017, the Company entered into a delivery service agreement with a company controlled by the shareholder for design and development of a software program, website, databases and marketing programs for a marijuana delivery business. A retainer of \$398,970 (US\$300,000) was paid on March 30, 2017 and recorded in prepaid expense (Note 6).

All related party transactions were in the ordinary course of business and were measured at their exchange amount as agreed to by the related parties.

NOTE 15 – COMMITMENTS

a) Washington Property Lease Agreement

A portion of the Washington Property is currently leased by the Company pursuant to a lease agreement dated July 1, 2016 and amended on January 1, 2017. The term of the lease is for five years with an option to renew for another 5 years. Monthly base rent is \$21,000 in the first year, \$22,000 in the second year, \$25,000 in the third year, \$27,000 in the fourth year, and \$30,000 in the fifth year. Monthly rent shall be forgiven for every month that the required monthly instalment is paid in full and on time pursuant to the terms of the property purchase agreement. The lease remains in effect until the closing of the property purchase.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 15 – COMMITMENTS (Continued)

b) Residential Condo Lease Agreement

On December 5, 2016, the Company entered into a lease agreement with an arm's length party for rental of a condo in Las Vegas, Nevada. The term of the one-year lease is from January 1 to December 31, 2017 with the option to continue on a month-to-month basis thereafter. Monthly rent is US\$2,100 for an annual rent of US\$25,200. The condo is occupied by an Officer of the Company while overseeing the Company's operations in Las Vegas.

c) Office Lease Agreement

On June 1, 2017, the Company entered into a lease agreement with an arm's length party for rental of office space in Kelowna, British Columbia. The term of the two-year lease is from June 1 to December 31, 2018 with the option to renew. Monthly rent for the first year is US\$1,787.33 for an annual rent of US\$21,448. Commencing June 1, 2018, the second year, the monthly rent will increase to \$1,915.00 for an annual rent of \$22,980.00. The office operates as the head office for the Company.

d) Marijuana Cultivation License

On June 26, 2017, the Company exercised an option that effective July 04, 2017 the Company will acquire 100% of the equity interest of PhenoFarm NV LLC ("PhenoFarm") who owns a Nevada medical and recreational marijuana cultivation license. Pursuant to the terms of an amended option agreement dated June 26, 2017, the Company agreed to acquire 85% equity interest of PhenoFarm for US\$250,000 in cash and the remaining 15% equity interest for 100,000 common shares of the Company at \$1.35 per share. Total compensation to be paid is \$459,426.

NOTE 16 – SEGMENTED INFORMATION

The assets and operations of the Company are located in Canada and the United States.

	Canada \$	USA \$	Total \$
Three months ended June 30, 2017			
Revenues	1,312	116,860	118,172
Expenses			
Amortization of Intangible Assets	-	30,067	30,067
Depreciation of Property and Equipment	3,617	45,836	49,453
Share of Loss in Equity Investment	165,566	-	165,566
Other Expenses	2,353,322	217,812	2,571,180
Net Loss for the Year	(2,521,239)	(176,855)	(2,698,094)
Current Assets	2,719,905	2,381,357	5,101,262
Loan Receivable	-	240,678	240,678
Due from Related Party	306,848	-	306,848
Property, Plant and Equipment	1,583,150	2,968,196	4,551,346
Intangible Assets	1	1,830,877	1,830,878
Investment in Associate	1,072,566	-	1,072,566
Segment Assets	5,682,469	7,421,109	13,103,578
Segment Liabilities	1,426,374	335,768	1,762,142

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 16 – SEGMENTED INFORMATION (Continued)

	Canada \$	USA \$	Total \$
Three months ended June 30, 2016			
Revenues	-	66,363	66,363
Expenses			
Depreciation of Property and Equipment	1,991	-	1,991
Other Expenses	210,640	258,753	469,393
Net Loss for the Year	(212,631)	(192,390)	(405,021)
Current Assets	75,209	248,867	324,076
Due from Related Party	400,749	-	400,749
Property, Plant and Equipment	36,691	638,487	675,178
Intangible Assets	1	13,789	13,790
Segment Assets	512,650	901,143	1,413,793
Segment Liabilities	167,843	480,897	648,740

NOTE 17 – SUPPLEMENTAL CASH FLOW INFORMATION

a) Change in Non-Cash Working Capital Accounts

	June 30 2017 \$	March 31 2017 \$
Trade and Other Receivables	203,671	(396,417)
Prepaid Expense and Deposits	(833,612)	(1,527,701)
Trade and Other Payables	(119,822)	468,652
Due to Related Parties	(8,500)	(38,502)
	(758,263)	(1,493,968)

b) Non-Cash Financing Activities

Shares Issued for Finders' Fees	-	97,800
Shares Issued for Services	-	4,518,478
Shares Issued for Debt	-	137,752
Shares Issued for Intangible Assets	-	-
Shares Issued for Bond Bonus	39,780	-
	39,780	4,754,030

c) Non-Cash Investing Activities

Shares Issued for Intangible Assets	-	594,855
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d) Other Items

Income Taxes Paid	-	-
Interest Paid	33,120	20,940

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 2(r). The Company's risk management is coordinated at its head office in Canada in close co-operation with the board of directors and focuses on actively securing the Company's short to medium-term cash flows and raising finances for the Company's capital expenditure program. The Company does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Company is exposed are described below.

a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company has working capital of \$4,547,977 as at June 30, 2017. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

b) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interests on the Company's loan payable and convertible bonds payable are based on fixed rates, and as such, the Company is not exposed to significant interest rate risk.

c) Foreign Currency Risk

The Company operates internationally and is exposed to foreign currency risk arising from currency exposures to Canadian dollars. The main currency to which the Company has an exposure is the U.S. dollar. The Company is exposed to currency risk to the extent of its cash, trade and other payables, promissory notes payable, and equipment loans payable that are denominated in U.S. dollars. The Company does not hedge its exposure to fluctuations in the related foreign exchange rates. The Company's exposure to currency risk is currently considered insignificant.

d) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions and for trade receivables by performing standard credit checks. The credit risk for cash and trade receivables is considered negligible since the counterparties are reputable banks with high quality external credit ratings and customers with no history of default.

e) Fair Value

The Company uses the following hierarchy for determining fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

Unaudited

June 30, 2017 and March 31, 2017

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company's financial instruments measured at fair value use Level 1 valuation techniques during the years ended June 30, 2017 and 2016. The carrying values of the Company's financial assets and liabilities approximate their fair values as at June 30, 2017 and 2016.

NOTE 19 – CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company manages its share capital as capital, which as at June 30, 2017, was \$29,357,140. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and expansion of its business and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares or debt, dispose of assets, or adjust the amount of cash and cash equivalents. There can be no assurance that the Company will be able to obtain debt or equity capital in the case of operating cash deficits.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company does not pay out dividends in order to conserve cash reserves and to maximize ongoing development efforts. The Company's share capital is not subject to external restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

NOTE 20 – SUBSEQUENT EVENTS

a) Acquisition of a California Property – 7.02 Acres Desert Hot Springs

On April 26, 2017 the Company entered into an agreement to purchase 7.02 acres of property located in Desert Hot Springs, California for US\$2,500,000. The transaction is expected to close on August 31, 2017.

b) Acquisition of a California Property – 1.25 Acres Desert Hot Springs

On July 5, 2017 the Company entered into an agreement to purchase 1.25 acres of property located in Desert Hot Springs, California for US\$520,000. The Company deposited US\$18,000 into escrow on July 11, 2017. The transaction is expected to close on September 5, 2017.

c) Exercise of Warrants

Subsequent to period-end, the Company issued a total of 382,500 common shares upon the exercise of warrants for total gross proceeds of \$153,000.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

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June 30, 2017 and March 31, 2017

NOTE 20 – SUBSEQUENT EVENTS (Continued)

d) Warrant Offering

July 5, 2017 the Company announced a warrant offering for up to 80 million share purchase warrants. Each warrant will be offered for a consideration of \$0.10 per warrant for a total gross proceeds of up to \$80 million are exercisable into once common share for the price of \$2.90 per share for a three year period. Subsequent to period end, the Company has received \$1.6 million in proceeds. The offering is expected to close September 15, 2017.

e) Washington Property Purchase Agreement

On February 1, 2017, the Company entered into a purchase agreement with an arm's length party to purchase a property located in the State of Washington for US\$4,200,000. The property includes land and five buildings presently located on the land. A non-refundable deposit of US\$500,000 was paid. The remaining amount of the purchase price is payable by way of 37 monthly installments of US\$100,000 commencing April 1, 2017.

The closing of the property purchase is contingent upon the Company's fulfilment of its obligation as lessee under the current lease arrangement (Note 15(a)). The title of the property will be transferred to the Company once payments totalling US\$2,100,000 have been paid to the vendor.