

MARAPHARM VENTURES INC.

Years Ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the Shareholders of:
MARAPHARM VENTURES INC.

We have audited the accompanying consolidated financial statements of Marapharm Ventures Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018 and 2017, and the consolidated statements of changes in shareholders' equity, comprehensive loss, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Marapharm Ventures Inc. and its subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the ability of Marapharm Ventures Inc. and its subsidiaries to continue as a going concern.

WDM

Chartered Professional Accountants

Vancouver, B.C., Canada
July 30, 2018

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INTEGRITY

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MARAPHARM VENTURES INC.
Consolidated Statements of Financial Position
As at March 31, 2018 and 2017

	Note	2018 \$	2017 \$
ASSETS			
CURRENT			
Cash		815,046	4,316,697
Trade and Other Receivables	5	139,939	409,947
Share Subscriptions Receivable	14(b)(ii)	1,590,000	308,000
Inventory	6	51,530	-
Current Portion of Loan Receivable		-	49,996
Prepaid Expenses and Deposits	7	3,121,183	1,572,972
		5,717,698	6,657,612
Loan Receivable	8	-	249,231
Due from Related Party	15(a)	-	340,507
Property, Plant and Equipment	9	12,519,867	2,531,581
Intangible Assets	10	3,935,667	1,618,853
Investment in Associate	11	250,000	1,238,132
Total Assets		22,423,232	12,635,916
LIABILITIES			
CURRENT			
Trade and Other Payables	12	2,300,162	656,031
Due to Related Party	15(a)	-	25,576
		2,300,162	681,607
Convertible Bonds Payable	13	1,333,415	1,287,676
Total Liabilities		3,633,577	1,969,283
SHAREHOLDERS' EQUITY			
Share Capital	14(b)	48,724,641	26,475,210
Stock Options Reserve		2,207,333	1,215,195
Share Purchase Warrants Reserve		82,764	91,453
Warrant Subscriptions Reserve		4,374,956	-
Foreign Currency Translation Reserve		137,597	124,082
Equity Component of Convertible Bonds	13	213,111	213,111
Deficit		(36,950,747)	(17,452,418)
Total Shareholders' Equity		18,789,655	10,666,633
Total Liabilities and Shareholders' Equity		22,423,232	12,635,916

Nature of Operations and Ability to Continue as a Going Concern (Note 1)
Commitments (Note 16)
Segmented Information (Note 18)
Subsequent Events (Note 22)

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

Approved on behalf of the Board:

“Linda Sampson”

Linda Sampson, Director

“David Alexander”

David Alexander, Director

MARAPHARM VENTURES INC.

Consolidated Statements of Changes in Shareholders' Equity

For the Years Ended March 31, 2018 and 2017

	Note	Number of Common Shares	Share Capital \$	Share Subscriptions \$	Stock Options Reserve \$	Share Purchase Warrants Reserve \$	Warrant Subscription 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	14(b)(i)	16,323,750	3,264,750	(443,000)	-	-	-	-	-	-	2,821,750
Share Issuance Costs		-	(468,581)	-	-	165,842	-	-	-	-	(302,739)
Shares Issued for Finders' Fees	14(b)(i)	489,000	97,800	-	-	-	-	-	-	-	97,800
Shares Issued for Intangible Assets	14(b)(iii)	1,172,814	594,855	-	-	-	-	-	-	-	594,855
Shares Issued for Services	14(b)(iv)	4,098,547	4,518,478	-	-	-	-	-	-	-	4,518,478
Shares Issued for Debt	14(b)(v)	188,702	137,752	-	-	-	-	-	-	-	137,752
Shares Issued on Exercise of Warrants	14(b)(vi)	15,712,750	9,823,949	-	-	(20,887)	-	-	-	-	9,803,062
Shares Issued on Exercise of Finders' Warrants	14(b)(vi)	712,000	368,127	-	-	(74,389)	-	-	-	-	293,738
Shares Issued on Exercise of Stock Options	14(b)(vii)	1,760,000	1,463,811	-	(443,061)	-	-	-	-	-	1,020,750
Fair Value of Stock Options Vested	14(f)	-	-	-	1,042,560	-	-	-	-	-	1,042,560
Fair Value of Stock Options Cancelled		-	-	-	(484,932)	-	-	-	-	484,932	-
Equity Component of Convertible Bonds Issued	12	-	-	-	-	-	-	-	213,111	-	213,111
Net Comprehensive Loss		-	-	-	-	-	-	106,350	-	(9,987,727)	(9,881,377)
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 Cash	14(b)(ii)	6,726,764	5,801,434	-	-	-	-	-	-	-	5,801,434
Share Issuance Costs		-	(714,138)	-	-	82,764	-	-	-	-	(631,374)
Shares Issued for Intangible Assets	14(b)(iii)	100,000	135,000	-	-	-	-	-	-	-	135,000
Shares Issued for Services	14(b)(iv)	824,122	853,370	-	-	-	-	-	-	-	853,370
Shares Issued for Debt	14(b)(v)	700,000	546,000	-	-	-	-	-	-	-	546,000
Shares Issued on Exercise of Warrants	14(b)(vi)	12,801,250	5,120,500	-	-	-	-	-	-	-	5,120,500
Shares Issued on Exercise of Finders' Warrants	14(b)(vi)	1,031,750	502,702	-	-	(90,002)	-	-	-	-	412,700
Shares Issued on Exercise of Stock Options	14(b)(vii)	1,740,000	1,210,000	-	-	-	-	-	-	-	1,210,000
Shares Issued for Bonds Bonus	14(b)(viii)	46,800	47,947	-	-	-	-	-	-	-	47,947
Shares Issued under RSU Plan	14(b)(ix)	9,225,000	8,254,000	-	-	-	-	-	-	-	8,254,000
Fair Value of Stock Options Exercised		-	492,616	-	(492,616)	-	-	-	-	-	-
Fair Value of Stock Options Vested	14(f)	-	-	-	2,578,266	-	-	-	-	-	2,578,266
Fair Value of Stock Options Cancelled		-	-	-	(1,093,512)	-	-	-	-	1,093,512	-
Fair Value of Finders' Warrants Expired		-	-	-	-	(1,451)	-	-	-	1,451	-
Warrant Subscriptions Received	14(c)	-	-	-	-	-	4,344,956	-	-	-	4,344,956
Warrants Issued for Services	14(c)	-	-	-	-	-	30,000	-	-	-	30,000
Net Comprehensive Loss		-	-	-	-	-	-	13,515	-	(20,593,292)	(20,579,777)
Balance, March 31, 2018		111,685,822	48,724,641	-	2,207,333	82,764	4,374,956	137,597	213,111	(36,950,747)	18,789,655

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

MARAPHARM VENTURES INC.

Consolidated Statements of Comprehensive Loss

For the Years Ended March 31, 2018 and 2017

	Note	2018 \$	2017 \$
REVENUES			
Sales		155,748	-
Rental	10(c)	-	264,760
Consulting		-	119,142
		<u>155,748</u>	<u>383,902</u>
COST OF SALES			
		<u>92,830</u>	<u>-</u>
GROSS PROFIT			
		<u>62,918</u>	<u>383,902</u>
EXPENSES			
Amortization of Intangible Assets		115,601	88,786
Bad Debt	10(c)	366,763	-
Bank Charges and Interest		12,273	5,624
Commissions		485,125	-
Consulting Fees	15(b),(c)	1,759,272	1,272,008
Depreciation of Property, Plant and Equipment		168,598	128,057
Directors' Fees	15(b)	-	3,250
Insurance		81,754	27,987
Management Fees	15(b)	220,527	285,000
Materials, Repairs and Subcontractors		179,253	49,546
Office		131,800	49,236
Professional Fees		700,228	586,435
Rent and Utilities		139,599	439,959
Shareholder and Investor Relations	15(c)	1,923,422	6,096,836
Transfer Agent and Filing Fees		101,949	61,167
Travel		118,991	20,798
		<u>6,505,155</u>	<u>9,114,689</u>
LOSS BEFORE OTHER ITEMS			
		(6,442,237)	(8,730,787)
Accretion on Convertible Bonds Payable	13	(84,501)	-
Interest on Loans Payable		-	(55,833)
Interest on Convertible Bonds Payable	13	(127,843)	(46,679)
Foreign Exchange Loss		(129,922)	-
Loss on Settlement of Debt	14(b)(v)	(285,371)	-
Share of Loss in Equity Investment	11	(1,320,132)	(111,868)
Stock Based Compensation	14(f)	(11,230,414)	(1,042,560)
Write-Down Loan Receivable	8	(284,557)	-
Write-Down Intangibles and Leasehold Improvements	9,10(c)	(393,124)	-
Write-Off Non-Refundable Deposits	7	(485,412)	-
Gain on Sale of Shares of Associate Company	11	186,751	-
Interest Income		3,470	-
NET LOSS FOR THE YEAR			
		(20,593,292)	(9,987,727)
Other Comprehensive Income for the Year – Foreign Currency Translation Gain		<u>13,515</u>	<u>106,350</u>
NET COMPREHENSIVE LOSS FOR THE YEAR			
		<u>(20,579,777)</u>	<u>(9,881,377)</u>
Basic and Diluted Loss per Share		<u>(0.22)</u>	<u>(0.18)</u>
Weighted Average Number of Common Shares Outstanding		<u>92,696,701</u>	<u>55,467,470</u>

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

MARAPHARM VENTURES INC.

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2018 and 2017

	2018	2017
	\$	\$
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net Loss for the Year	(20,593,292)	(9,987,727)
Non-Cash Items		
Amortization of Intangible Assets	115,601	88,786
Depreciation of Property, Plant and Equipment	168,598	128,057
Bad Debt Expense	366,763	-
Accretion on Convertible Bonds Payable	84,501	-
Stock Based Compensation	11,230,414	1,042,560
Loss on Settlement of Debt	285,371	-
Write-Down Loan Receivable	284,557	-
Write-Down Intangibles and Leasehold Improvements	393,124	-
Write-Off Non-Refundable Deposits	485,412	-
Gain on Sale of Shares of Associate Company	(186,751)	-
Share of Loss in Equity Investment	1,320,132	111,868
Shares Issued for Services	455,222	4,302,960
Warrants Issued for Services	30,000	-
Shares Issued for Debt – Interest Portion	-	34,944
	(5,560,348)	(4,278,552)
Change in Non-Cash Working Capital Accounts	19(a) 27,941	(1,493,968)
	(5,532,407)	(5,772,520)
FINANCING ACTIVITIES		
Shares Issued for Cash, Net of Issuance Costs & Subscriptions Receivable	3,888,060	3,059,811
Share Subscriptions Advance	-	(443,000)
Proceeds from Exercise of Warrants, Net of Subscription Receivable	5,120,500	9,495,062
Proceeds from Exercise of Finders' Warrants	412,700	293,738
Proceeds from Exercise of Stock Options	1,210,000	1,020,750
Proceeds from Issuance of Warrants	4,344,905	-
Issuance of Convertible Bonds Payable, Net of Issuance Costs	-	1,500,787
Loan Advanced to Arm's Length Party	-	(299,227)
Net (Advance to) Repayment from Related Party	-	(194,644)
Repayment of Loan Payable	-	(393,388)
	14,976,165	14,039,889
INVESTING ACTIVITIES		
Acquisition of Land, Property and Equipment	(10,413,026)	(1,943,616)
Acquisition of Intangible Assets	(2,713,439)	(1,091,324)
Proceeds on Sale of Associate Shares	274,751	-
Investment in Associate	(420,000)	(1,350,000)
	(13,271,714)	(4,384,940)
(DECREASE) INCREASE IN CASH	(3,827,956)	3,882,429
Effect of Foreign Exchange Rate Changes on Cash	326,305	104,721
CASH, BEGINNING OF THE YEAR	4,316,697	329,547
CASH, END OF THE YEAR	815,046	4,316,697

Supplemental Cash Flow Information (Note 19)

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

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 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", and Nasdaq OTCQX, Frankfurt and Stuttgart Stock exchanges.

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 states of Washington, Nevada, and California. The Company has marijuana cultivation and production licenses in Nevada; and medical cannabis licenses associated with land owned, and distribution license associated with a dispensary in California.

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 necessary debt or equity financing, and identify future investment opportunities. From inception to March 31, 2018, the Company has incurred losses from operations and has net accumulated losses of \$36,950,747. As at March 31, 2018, the Company has working capital of \$3,417,536 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 March 31, 2018 (Note 22), 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 consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 30, 2018.

b) Basis of Consolidation

These 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:

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
Phenofarm NV LLC	United States	100%	U.S. Dollar
MWA Management LLC	United States	100%	U.S. Dollar
Marapharm DHS California LLC	United States	100%	U.S. Dollar
Green Leaf Wellness LLC	United States	100%	U.S. Dollar

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

c) Basis of Preparation

These consolidated 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.

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.

f) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Inventories of harvested cannabis are transferred from biological assets into inventory at their fair value at harvest less costs to sell, which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. Packaging and supplies are valued at cost.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

g) Biological Assets

The Company measures biological assets consisting of medical cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Seeds are measured at fair market value. Unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included in the results of operations for the related year.

h) Investment in Associate

As at March 31, 2018, the Company has a 9.20% (2017 - 11.52%) interest in Veritas Pharma Inc. (“Veritas”), a publicly traded company listed on the CSE, Nasdaq OTCQB and Frankfurt Stock exchanges. The investment is designated as an associate due to the fact that the Company and Veritas has three Directors in common.

An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for an associate using the equity method of accounting. Interest in an associate accounted for using the equity method is initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company’s interest in an associate is adjusted for the Company’s share of comprehensive income or loss and distributions of the investee. The carrying value of the associate is assessed for impairment at each reporting date.

i) Property, Plant and Equipment

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

Land	Not Amortized
Furniture and Equipment	3 to 5 years
Leasehold Improvements	5 years

Depreciation for property, plant and equipment commences when they become available for use.

Expenditures for plant under construction are capitalized to the statement of financial position and will be amortized over the life of the asset, commencing at the time the asset is ready for its intended 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.

j) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

Intangible assets with indefinite useful lives are comprised of marijuana cultivation and production licenses issued by the states of Nevada and California.

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 the de-recognition 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

March 31, 2018 and 2017

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

k) 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.

l) 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.

m) 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 are 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.

n) 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 March 31, 2018 and 2017, the Company has no material provisions.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

o) 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.

p) 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.

q) 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(r)).

r) 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.

s) 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

March 31, 2018 and 2017

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

s) Income Taxes (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.

t) 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

March 31, 2018 and 2017

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

t) 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.

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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

t) Financial Instruments (Continued)

ii) Financial Liabilities

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.

u) Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year. These reclassifications have no effect on the consolidated net loss for the year ended March 31, 2017.

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, Plant and Equipment and Intangible Assets

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, Plant and Equipment and Intangible Assets

Management reviews the useful lives of property, plant 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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

c) Inventory and Biological Assets

The Company measures biological assets consisting of medical cannabis on plants at fair value less cost to sell up to the point of harvest. Calculating the value requires management to estimate, among others, expected yield on harvest, expected selling price and remaining costs to be incurred up to the point of harvest.

The Company measures inventory at the lower of cost and net realizable value and estimates selling price, the estimated costs of completion and the estimated costs necessary to make the sale.

d) 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.

e) Share-Based Payments

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.

f) 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.

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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

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

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

	2018	2017
	\$	\$
Trade Receivable (Note 10(c))	-	385,671
GST Recoverable	44,004	24,276
Advances Receivable	95,935	-
	<hr/>	<hr/>
	139,939	409,947

NOTE 6 – INVENTORY

Finished Goods	45,403	-
Raw Materials	6,127	-
	<hr/>	<hr/>
	51,530	-

NOTE 7 – PREPAID EXPENSES AND DEPOSITS

Deposit and Instalment on Acquisition of Washington Property (Note 16(a))	2,320,920	797,940
Security Deposits	82,591	165,173
Surety Bond – City of North Las Vegas (Note 7(a))	499,377	15,666
Deposit on Construction Costs	173,599	-
Other Prepaid Expenses	44,696	8,578
Deposit on Delivery Service Agreement (Note 7(b))	-	398,970
Deposit on Acquisition of California Properties (Note 7(c))	-	134,780
Deposit on Option to Acquire Marijuana Cultivation License (Note 10(b))	-	6,650
Deposit on Acquisition of California Properties (Note 9(a))	-	45,215
	<hr/>	<hr/>
	3,121,183	1,572,972

a) Surety Bond – City of North Las Vegas

The Company has provided non-interest bearing bonds to the City of North Las Vegas to be applied against any potential restoration costs that may be incurred by the City relating to the Company’s construction of its warehouse facilities in the City. The funds will be released to the Company once the occupancy permit is issued by the City.

b) Delivery Service Agreement

On April 14, 2017, the Company entered into a delivery service agreement with a company controlled by a shareholder for design and development of a software program, website, databases and marketing programs for a marijuana delivery business. A deposit of \$398,970 (US\$300,000) was paid on March 30, 2017 and recorded as prepaid expense in 2017. As it is unlikely that the Company will pursue the marijuana delivery business, the Company wrote-off the deposit in 2018.

c) 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. Included in prepaid expenses and deposits as at March 31, 2017 was \$134,780 (US\$100,000) deposited into escrow. As the transaction did not close, the Company wrote off the forfeited deposit in the amount of \$98,582 (US\$75,000).

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 8 – LOAN RECEIVABLE

On August 29, 2016, the Company advanced US\$225,000 to the Subtenant of its leased property in Washington (10(c)). 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. Due to the delays in completing the renovations and the inability of the subtenant to use the leased property, the Company set up an impairment provision in the amount of \$284,557 (US\$225,000) on the loan receivable in 2018.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	Land \$	Furniture & Equipment \$	Leasehold Improvements \$	Buildings Under Construction (Note 10(b)(c)) \$	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	2,763,347	1,149,536	43,492	6,456,650	10,413,026
Foreign Currency Translation Adjustment	(47,134)	(8,825)	(14,092)	(168,118)	(238,169)
Balance, March 31, 2018	4,264,551	1,553,722	534,713	7,228,170	13,581,156
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
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	-	85,847	83,367	-	169,214
Impairment	-	-	21,335	-	21,335
Foreign Currency Translation Adjustment	(22,620)	1,975	16,666	-	(3,979)
Balance March 31, 2018	720,152	150,486	190,651	-	1,061,289
NET BOOK VALUE					
Balance, March 31, 2017	805,566	350,347	436,030	939,638	2,531,581
Balance, March 31, 2018	3,544,399	1,403,236	344,062	7,228,170	12,519,867

a) Acquisition of a California Property – 1.22 Acres Desert Hot Springs

On March 24, 2017, the Company entered into an agreement to purchase 1.22 acres of property located in Desert Hot Springs, California. The transaction was completed in May 2017 for total consideration of \$1,524,181 (US\$1,126,729) inclusive of closing costs. Included in prepaid expenses and deposits (Note 7) as at March 31, 2017 was \$45,215 (US\$35,000) deposited into escrow.

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

In September 2017, the Company completed an agreement to purchase 1.25 acres of property located in Desert Hot Springs, California, for total consideration of \$629,307 (US\$521,165) inclusive of closing costs.

The Company has incurred a total of \$609,859 in fees and improvements related to land since their acquisition.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 10 – INTANGIBLE ASSETS

	Hemp Products Formula \$	Marijuana Licenses \$	Sublease Right \$	Creation Costs \$	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	-	2,820,059	-	29,880	2,849,939
Foreign Currency Translation Adjustment	-	(21,385)	(20,657)	117	(41,925)
Balance, March 31, 2018	50,000	3,912,088	573,975	29,997	4,566,060
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
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	-	-	114,771	830	115,601
Impairment	-	-	371,789	-	371,789
Foreign Currency Translation Adjustment	-	-	(1,780)	5,590	3,810
Balance, March 31, 2018	49,999	-	573,974	6,420	630,393
NET BOOK VALUE					
Balance, March 31, 2017	1	1,113,414	505,438	-	1,618,853
Balance, March 31, 2018	1	3,912,088	1	23,577	3,935,667

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 EcoNevada LLC (“EcoNevada”), 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 in 2018.

The Company purchased a 75.5% interest in EcoNevada 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. The Company acquired the remaining 24.5% interest in EcoNevada 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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 10 – INTANGIBLE ASSETS (Continued)

b) Marijuana Licenses (Continued)

In May 2017, the Company received final approval from the State of Nevada for medical marijuana licenses. The Company, along with Phenofarm NV LLC (“Phenofarm”) were issued a total of two cultivation licenses and a production license allowing the Company to grow and sell cannabis. These licenses also allow for the purchase of plants and product from other licensed growers. In July 2017, these licenses have also been approved for recreational use in the State of Nevada.

In July 2017, the Company exercised an option to acquire 100% of the equity interest of 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 acquired 85% equity interest of Phenofarm for US\$250,000 in cash payment and the remaining 15% equity interest by the issuance of 100,000 common shares of the Company with a fair value of US\$104,315. Total compensation paid was US\$354,315.

Included in prepaid expenses and deposits (Note 7) as at March 31, 2017 was \$6,650 (US\$5,000) in deposit paid towards the purchase.

During the year ended March 31, 2018, the Company paid an additional US\$219,525 to the State of Nevada for one-time licensing fees and taxes relating to both the medical and recreational marijuana licenses for EcoNevada and Phenofarm.

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 16(b)). In February 2017, the Company entered into property purchase agreement with the land owner to acquire the property for US\$4,200,000 (Note 16(a)).

Due to the delays in completing the renovations and the inability of the subtenant to use the leased property in 2018, the Company ceased recognizing rental income in the fiscal year 2018, and set up an allowance for doubtful account in the amount of \$366,763 (US\$290,000) on the 2017 rental income receivable, and an impairment charge of \$371,789 on the Sublease Right due to the uncertainty of this sublease agreement.

d) Dispensary and License Acquisition

On February 13, 2018 the Company purchased the business and assets of 420 Express Delivery (doing business as Green Leaf Wellness LLC) which operates a marijuana dispensary located in Desert Hot Springs, California. The total cash consideration of US\$1,600,000 was allocated to office equipment and leaseholds, valued at a total of US\$27,024, and intangible assets which consists of one marijuana distribution license, valued at US\$1,572,976. The dispensary continues to operate under the name Green Leaf Wellness.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 11 – INVESTMENT IN ASSOCIATE

	Number of Units	Number of Warrants	Units - Common Shares \$	Warrants \$	Total \$
Balance, March 31, 2016	-	-	-	-	-
Additions	5,000,000	5,000,000	1,100,000	250,000	1,350,000
Share of Loss in Equity Investment	-	-	(111,868)	-	(111,868)
Balance, March 31, 2017	5,000,000	5,000,000	988,132	250,000	1,238,132
Additions	1,500,000	-	420,000	-	420,000
Disposals	(400,000)	-	(88,000)	-	(88,000)
Share of Loss in Equity Investment	-	-	(1,320,132)	-	(1,320,132)
Balance, March 31, 2018	6,100,000	5,000,000	-	250,000	250,000

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 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 August 7, 2019 (extended from the original expiry date of February 7, 2018).

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

On October 17, 2017 the Company purchased 1,500,000 units in a private placement offering of Veritas at a price of \$0.28 per unit for a total payment of \$420,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for one additional common share at \$0.45 per share for a period of 18 months.

In December 2017 the Company sold 400,000 Veritas shares for total net proceeds of \$274,755 for a gain of \$186,751. The company’s remaining 6.1 million shares represent a 9.20% ownership interest (2017 - 11.52%). Three of the Company’s directors are also directors of 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 2018 in the amount of \$1,320,132 (January 4, 2017 to March 31, 2017 - \$111,868) on the consolidated statement of comprehensive loss.

As at March 31, 2018, the market value of the Company’s investment in Veritas was \$2,684,000 (2017 - \$2,650,000).

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 12 – TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade Payables and Accrued Liabilities	2,291,162	575,677
Holdback Payable	-	24,675
Directors' Fees Payable (Note 15(a))	9,000	9,000
Bond Bonus Payable (Note 13)	-	46,679
	<u>2,300,162</u>	<u>656,031</u>

NOTE 13 – CONVERTIBLE BONDS PAYABLE

	Liability Component	Equity Component	Net Carrying Value
	\$	\$	\$
Balance, March 31, 2016	-	-	-
Issuance of Convertible Bonds (Net of \$55,156 Transaction Costs)	<u>1,287,676</u>	<u>213,111</u>	<u>1,500,787</u>
Balance, March 31, 2017	1,287,676	213,111	1,500,787
Accretion	84,501	-	84,501
Foreign Currency Translation Adjustment	<u>(38,762)</u>	<u>-</u>	<u>(38,762)</u>
Balance, March 31, 2018	<u>1,333,415</u>	<u>213,111</u>	<u>1,546,526</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 subject 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 at a deemed price of \$0.75 per share. As at March 31, 2017, the Company recorded a bond bonus payable of \$46,679 (US\$35,100) to reflect the share issuance obligation. In May 2017, the Company issued 46,800 common shares to settle the bond bonus payable fair valued at \$47,947.

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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – 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 March 31, 2018, the Company had 111,685,822 common shares issued and outstanding as presented in the consolidated statements of changes in shareholders' equity.

i) Shares Issued for Cash in 2017

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 had received \$443,000 in share subscriptions prior to the closing of the private placement.

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 Cash in 2018

On January 31, 2018, the Company issued 3,443,900 units at \$0.86 per unit for total gross proceeds of \$2,961,754. Each unit consisted of one common share and one share purchase warrant exercisable at \$1.25 until January 31, 2019. The Company issued 344,390 finders' warrants with a fair value of \$66,786 for finders' fees.

On March 16, 2018, the Company issued 1,548,760 units at \$0.865 per unit for total gross proceeds of \$1,339,680. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.87 until March 16, 2019. The Company issued 97,528 finder's warrants with a fair value of \$15,978 for finders' fees.

Finders' fees, commissions and legal fees related to the above two private placements totalled \$631,374.

On March 28, 2018, the Company issued 1,734,104 units at \$0.865 per unit for total proceeds of \$1,500,000. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.87 until March 31, 2019. Proceeds of the issuance was received subsequent to year-end, therefore, this amount remains in subscriptions receivable as at March 31, 2018. This issuance was part of a larger placement completed subsequent to year-end (Note 22(a)).

iii) 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 EcoNevada (Note 10(b)).

During the year ended March 31, 2018, the Company issued a total of 100,000 common shares with a fair value of \$135,000 (US\$104,315) for the acquisition of EcoNevada (Note 10(b)).

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – SHARE CAPITAL (Continued)

b) Issued and Outstanding Common Shares (Continued)

iv) 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 (Note 15(c)(ii)).

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.

During the year ended March 31, 2018, the Company issued 824,122 common shares with a fair value of \$853,370 to arm's length parties for consulting services.

v) 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.

During the year ended March 31, 2018, the Company issued 700,000 common shares with a fair value of \$546,000 to settle an outstanding amount of \$260,629. The Company recorded a corresponding loss on settlement of debt of \$285,371.

vi) 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.

During the year ended March 31, 2018, the Company issued a total of 12,801,250 common shares upon the exercise of warrants for total gross proceeds of \$5,120,500 and 1,031,750 common shares upon the exercise of finders' warrants for total gross proceeds of \$412,700.

vii) 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.

During the year ended March 31, 2018, the Company issued a total of 1,740,000 common shares upon the exercise of options for total gross proceeds of \$1,210,000.

viii) Shares issued for Bond Bonus

During the year ended March 31, 2018, the Company issued a total of 46,800 common shares with a fair value of \$47,947 for the 3% bonus interest (US\$300 per bond) for each bond issued during fiscal 2017 (Note 13).

ix) Shares issued Under Restricted Share Unit ("RSU") Plan

During the year ended March 31, 2018, the board of directors approved the adoption of a new Restricted Share Unit Plan ("RSU Plan"), which was approved by the shareholders. The RSU Plan allows the eligible person to acquire restricted share units of the Company and is designed to provide the Company with an additional tool to compensate certain directors, officers, consultants and other key employees of the Company. The maximum number of RSU units that the Company may grant is 9,363,493 units.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – SHARE CAPITAL (Continued)

b) Issued and Outstanding Common Shares (Continued)

ix) Shares issued Under Restricted Share Unit (“RSU”) Plan (Continued)

During the year ended March 31, 2018, the Company issued a total of 9,225,000 common shares with a fair value of \$8,254,000 to employees, consultants and directors of the Company, pursuant to the RSU plan.

c) Share Purchase Warrants

The continuity of warrants for the year ended March 31, 2018 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	March 31, 2018
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	-	9,283,750	80,000	-
January 31, 2019	\$1.25	-	3,443,900	-	-	3,443,900
March 16, 2019	\$0.87	-	1,548,760	-	-	1,613,075
March 31, 2019	\$0.87	-	1,734,104	-	-	1,734,104
March 16, 2019	\$0.87	-	64,315	-	-	1,613,075
January 31, 2021 ⁽¹⁾	\$2.90	-	43,749,053	-	-	43,749,053
		12,906,250	50,540,132	12,801,250	105,000	50,540,132

- (1) During the year ended March 31, 2018, the Company issued common share purchase warrants in four tranches at \$0.10 for proceeds of \$4,344,905. As well, the Company issued 300,000 common purchase warrants valued at \$30,000 in exchange for consulting services.

The continuity of warrants for the year ended March 31, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	March 31, 2017
October 13, 2016	\$0.45	737,500	-	737,500	-	-
November 6, 2016 ⁽¹⁾	\$0.75	1,657,000	-	1,247,000	410,000	-
November 10, 2016	\$0.45	613,750	-	613,750	-	-
December 9, 2016 ⁽²⁾	\$0.75	4,940,330	-	4,003,330	937,000	-
January 19, 2017 ⁽³⁾	\$0.75	5,059,670	-	4,693,670	366,000	-
March 25, 2017 ⁽⁴⁾	\$0.37	1,100,000	-	1,000,000	100,000	-
April 14, 2017	\$0.40	-	2,640,000	1,490,000	-	1,150,000
June 16, 2017	\$0.40	-	2,817,500	425,000	-	2,392,500
September 6, 2017	\$0.40	-	10,866,250	1,502,500	-	9,363,750
		14,108,250	16,323,750	15,712,750	1,813,000	12,906,250

- (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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – SHARE CAPITAL (Continued)

d) Finders' Warrants

The continuity of finders' warrants for the year ended March 31, 2018 is as follows:

Expiry Date	Exercise Price	March 31, 2017	Issued	Exercised	Expired/ Cancelled	March 31, 2018
April 14, 2017	\$0.40	367,500	-	355,000	12,500	-
June 17, 2017	\$0.40	221,000	-	206,000	15,000	-
September 16, 2017	\$0.40	470,750	-	470,750	-	-
March 31, 2019	\$0.86	-	344,390	-	-	344,390
May 19, 2019	\$0.87	-	97,528	-	-	97,528
		1,059,250	441,918	1,031,750	27,500	441,918

The continuity of finders' warrants for the year ended March 31, 2017 is as follows:

Expiry Date	Exercise Price	March 31, 2016	Issued	Exercised	Expired/ Cancelled	March 31, 2017
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	11,500	-	367,500
June 17, 2017	\$0.40	-	226,000	5,000	-	221,000
September 16, 2017	\$0.40	-	1,047,500	576,750	-	470,750
		118,750	1,652,500	712,000	-	1,059,250

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.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – SHARE CAPITAL (Continued)

e) Stock Options (Continued)

As at March 31, 2018, 9,130,000 options, with an average exercise price of \$0.91 per share and an average remaining life of 0.46 years, have been vested.

Expiry Date	Exercise Price	March 31, 2017	Granted	Exercised	Expired/Cancelled	March 31, 2018
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	-	290,000	25,000	-
November 8, 2017	\$0.93	220,000	-	-	220,000	-
September 9, 2018	\$0.40	650,000	-	100,000	-	550,000
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	-
May 15, 2019	\$0.91	-	750,000	-	750,000	-
June 28, 2019	\$1.02	-	3,300,000	-	50,000	3,250,000
August 25, 2019	\$1.02	-	350,000	-	350,000	-
January 2, 2019	\$1.03	-	2,500,000	300,000	-	2,200,000
January 4, 2019	\$0.92	-	300,000	300,000	-	-
January 23, 2019	\$0.90	-	500,000	100,000	-	400,000
March 6, 2019	\$0.80	-	400,000	-	-	400,000
March 8, 2019	\$0.71	-	300,000	-	-	300,000
March 4, 2020	\$0.71	-	1,400,000	-	-	1,400,000
		4,265,000	9,800,000	1,740,000	3,195,000	9,130,000

As at March 31, 2017, 4,265,000 options, with an average exercise price of \$1.19 per share and an average remaining life of 0.82 years, have been vested.

Expiry Date	Exercise Price	March 31, 2016	Granted	Exercised	Expired/Cancelled	March 31, 2017
May 8, 2017	\$0.50	2,000,000	-	500,000	900,000	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	1,275,000	-	410,000	550,000	315,000
November 8, 2017	\$0.93	-	220,000	-	-	220,000
September 9, 2018	\$0.40	-	925,000	275,000	-	650,000
November 8, 2018	\$0.93	-	430,000	-	-	430,000
November 8, 2018	\$1.00	-	350,000	100,000	-	250,000
March 6, 2018	\$1.49	-	700,000	-	-	700,000
		3,575,000	4,000,000	1,760,000	1,550,000	4,265,000

f) Stock-Based Compensation

During the year ended March 31, 2018, the Company recognized stock based compensation expense of \$2,578,266 (2017 – \$1,042,560) for 9,800,000 stock options (2017 – 4,000,000) that were granted and vested in the year. These options have a weighted average fair value of \$0.26 per option (2017 – \$0.26) as determined on the date of grant.

During the year ended March 31, 2018, the Company recognized stock based compensation expense of \$8,254,000 (2017 – \$Nil) for 9,225,000 common shares (2017 – Nil) issued pursuant to the RSU plan.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 14 – SHARE CAPITAL (Continued)

f) Stock-Based Compensation (Continued)

During the year ended March 31, 2018, the Company recognized stock based compensation expense of \$90,915 (2017 – \$165,842) in share issuance costs for 441,918 finders' warrants (2017 – 1,652,500) granted in the year. These warrants have a weighted average fair value of \$0.21 per option (2017 – \$0.10) 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 year ended March 31, 2018 and 2017.

	2018	2017
Risk-Free Annual Interest Rate	0.69% – 1.77%	0.45% – 0.53%
Expected Stock Price Volatility	80% – 106%	107% – 158%
Expected Life of Options and Warrants	0.5– 1.0 years	0.30 – 0.5 years
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 15 – 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.

a) Related Party Balances

As at March 31, 2018 and 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.

	2018	2017
	\$	\$
Due from Related Party		
Due from a Shareholder and Companies Controlled by Him for Business Development Advances (Note (c))	-	340,507
Due to Related Party		
Due to an Officer for Services and Expense Reimbursements	-	25,576
Trade and Other Payables		
Directors' Fees	9,000	9,000

b) Compensation of Key Management Personnel

The compensation paid or payable to Directors and Officers of the Company include consulting, management, and directors' fees for administrative and management services, 3,700,000 stock options (2017 – 1,400,000) granted and 1,950,000 RSU units (2017 – Nil) issued to these related parties.

Consulting Fees	459,425	68,927
Directors' Fees	-	3,250
Management Fees	220,000	285,000
Stock-Based Compensation	2,542,642	326,812
	<u>3,222,067</u>	<u>683,989</u>

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

c) Compensations and Transactions with a Shareholder and Key Management Personnel

	2018	2017
	\$	\$
Consulting Services (i)	933,598	270,000
Commission Fees (i)	475,479	-
Stock-Based Compensation (ii)	2,221,368	-
Shareholder and Investor Relations Services (iii)	-	4,674,184
Software Program Development and Marketing Services (iv)	-	398,970
Finder's Warrants (v)	-	73,404
Office Rent (vi)	12,000	63,000
	<u>3,642,445</u>	<u>5,479,558</u>

The Company has the following related party transactions with companies controlled by a shareholder of the Company who was appointed the Interim President of the Company from June 14, 2017 to February 1, 2018. As at March 31, 2018, \$Nil (2017 – \$340,507) was owed to the Company by the shareholder.

i) Consulting Services

On January 30, 2014, the Company entered into a consulting agreement with a company controlled by a shareholder for consulting services. During the year ended March 31, 2018, the Company paid consulting fees totalling \$906,848 (2017 – \$270,000) and commission fees totalling \$475,479 (2017 – \$Nil).

ii) Stock-Based Compensation

During the year ended March 31, 2018, the Company granted 1,700,000 stock options with a fair value of \$431,883 (2017 – Nil) and issued 2,000,000 RSU units with a fair value of \$1,789,485 (2017 – Nil) to the shareholder or companies controlled by him.

iii) Shareholder and Investor Relations Services

During the year ended March 31, 2017, the Company entered into consulting agreements with companies controlled by the shareholder, for shareholder and investor relations services. The Company paid \$550,872 and issued a total of 3,536,298 common shares with a fair value of \$4,123,312 for services provided.

iv) Software Program Development and Marketing Services

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 deposit of \$398,970 (US\$300,000) was paid on March 30, 2017 and recorded in prepaid expense (Note 7). The Company wrote-off the deposit in 2018 as it was unlikely that the Company will pursue the marijuana delivery business.

v) Finder's Warrants

In connection with the private placement completed in September 6, 2016, the Company issued 576,750 finder's warrants to the shareholder. Each warrant was exercisable for one common share of the Company at \$0.40 per share for a term of one year. The fair value of these warrants of \$73,404, as determined using the Black-Scholes option pricing model (Note 14(f)), was recorded in share issuance costs.

vi) Office Lease Arrangement

During the year ended March 31, 2018, the Company paid rent totalling \$12,000 (2017 – \$63,000) to a company controlled by the shareholder for the rental of an office space.

vii) Acquisition of EcoNevada LLC

During the year ended March 31, 2017, the Company purchased a 75.5% interest in EcoNevada LLC from the shareholder for US\$711,125 (Note 10(b)). The Company paid US\$375,000 in cash and issued 1,072,813 common shares with a fair value of US\$336,126.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 15 – RELATED PARTY TRANSACTIONS (Continued)

c) Compensations and Transactions with a Shareholder (Continued)

vii) 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 year ended March 31, 2018 and 2017.

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 16 – COMMITMENTS

a) Washington Property Purchase

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 March 1, 2017, with title transfer permissible 30 days after the earlier of: (i) the Company having made 17 monthly payments of US\$100,000 and (ii) the Company having made payments totalling \$2,100,000.

The closing of the property purchase is contingent upon the Company's fulfilment of its obligation as lessee under the current lease arrangement (Note 16(b)). The title of the property will be transferred to the Company once payments totalling US\$2,100,000 have been paid to the vendor.

As at March 31, 2018, prepaid expenses and deposits included \$2,320,920 (US\$1,800,000) in deposit and instalment on acquisition of Washington Property (Note 7). Subsequent to year-end, the Company paid additional US\$300,000 in instalments for the months of May, June, and July 2018. The Company also received an extension on title transfer to October 31, 2018, or a mutually agreeable date.

b) Washington Property Lease

A portion of the Washington Property (Note 16(a)) 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.

c) Office Lease

On June 1, 2017, the Company entered into a lease agreement with an arm's length party for rental of an office space in Kelowna, B.C. The term of the lease is two years from June 1, 2017 to May 31, 2019 with an option to renew for another 2 years. Monthly rent is \$1,787 (annual rent of \$21,444) in the first year and \$1,915 (annual rent of \$22,980) in the second year.

d) Office Equipment Lease

On July 1, 2017, the Company entered into a lease agreement with an arm's length party for the lease of a photocopier. The term of the lease is for 66 months at a rate of \$240 per month.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 16 – COMMITMENTS (Continued)

e) Desert Hot Springs Dispensary Lease

In February 2018 the Company entered into a commercial lease agreement with an arm's length party for the lease of the dispensary operating premises. The term of the lease is for 22 months, to December 08, 2020, with 3 additional 5-year term renewal options. Monthly rent is US\$4,860 (annual rent of US\$58,320).

f) Residential Condominium Lease

On December 5, 2016, the Company entered into a lease agreement with an arm's length party for rental of a condominium 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 condominium is utilized as an office for Marapharm Las Vegas.

g) Building Contractor Agreement

On March 16, 2018, the Company entered into an agreement with CEI Builders for pre-construction services, including the securing of qualified engineering and design subcontractors, related to the construction of a 65,625 sq ft building on the Company's property located in the Apex Industrial Park in Las Vegas, Nevada.

The terms of the agreement require a total fee of US\$320,000 to be paid at certain stages of the project based on the percentage of completed services.

NOTE 17 – INCOME TAX

a) Income Tax Expense

The income tax expense of the Company is reconciled to the net loss as follows:

	2018	2017
	\$	\$
Expected Income Tax Recovery at Statutory Tax Rates	(5,795,304)	(2,738,021)
Permanent Differences	3,050,555	300,456
Change in Valuation Allowance	3,155,243	2,528,573
Other	(410,494)	(91,008)
	<u>(410,494)</u>	<u>(91,008)</u>
Income Tax Recovery	-	-

b) Deferred Tax Assets and Liabilities

As at March 31, 2018 and 2017, the Company has temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Accordingly, the Company recorded deferred tax assets as follows:

Deferred Tax Assets		
Tax Losses Available for Offset Against Future Taxable Income	6,955,483	4,022,163
Capital Losses Available for Offset Against Future Capital Gains	95,693	-
Property and Equipment	315,153	284,451
Intangible Assets	27,508	22,493
Financing Fees	214,532	96,511
Valuation Allowance	(7,608,369)	(4,425,618)
	<u>(7,608,369)</u>	<u>(4,425,618)</u>
Net Deferred Tax Assets	-	-

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 17 – INCOME TAX (Continued)

As at March 31, 2018, the Company has Canadian non-capital losses of \$18,604,710 and US net operating losses of US\$5,508,751 which are available to offset future taxable income earned in Canada and the United States respectively. These tax losses expire as follows:

	Canadian Losses \$	US Losses US\$
2033	656,280	-
2034	3,677,846	-
2035	324,014	-
2036	1,292,287	107,224
2037	7,368,089	1,442,247
2038	5,286,194	3,959,280
	18,604,710	5,508,751

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable income is probable. The Company has recorded a full valuation allowance against its deferred tax assets because of uncertainty as to the realization of these assets.

NOTE 18 – SEGMENTED INFORMATION

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

	Canada \$	US \$	Total \$
Year Ended March 31, 2018			
Revenues	-	155,748	155,748
Expenses			
Amortization of Intangible Assets	616	114,985	115,601
Depreciation of Property and Equipment	7,816	160,782	168,598
Share of Loss in Equity Investment	1,320,132	-	1,320,132
Other Expenses	17,005,487	2,139,222	19,144,709
Net Loss for the Year	(18,334,051)	(2,259,241)	(20,593,292)
Current Assets	2,434,416	3,283,282	5,717,698
Property, Plant and Equipment	23,149	12,496,718	12,519,867
Intangible Assets	2,813	3,932,854	3,935,667
Investment in Associate	250,000	-	250,000
Segmented Assets	2,710,378	19,712,854	22,423,232
Segmented Liabilities	1,629,527	2,004,054	3,633,581

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 18 – SEGMENTED INFORMATION (Continued)

	Canada \$	USA \$	Total \$
Year Ended March 31, 2017			
Revenues	-	383,902	383,902
Expenses			
Amortization of Intangible Assets	-	88,786	88,786
Depreciation of Property and Equipment	9,255	118,802	128,057
Share of Loss in Equity Investment	111,868	-	111,868
Other Expenses	8,667,729	1,375,189	10,042,918
Net Loss for the Year	<u>(8,788,852)</u>	<u>(1,198,875)</u>	<u>(9,987,727)</u>
Current Assets	5,217,380	1,440,232	6,657,612
Loan Receivable	-	249,231	249,231
Due from Related Party	340,507	-	340,507
Property, Plant and Equipment	32,235	2,499,346	2,531,581
Intangible Assets	1	1,618,852	1,618,853
Investment in Associate	1,238,132	-	1,238,132
Segmented Assets	<u>6,828,255</u>	<u>5,807,661</u>	<u>12,635,916</u>
Segmented Liabilities	<u>1,429,552</u>	<u>539,731</u>	<u>1,969,283</u>

NOTE 19 – SUPPLEMENTAL CASH FLOW INFORMATION

a) Change in Non-Cash Working Capital Accounts

	2018 \$	2017 \$
Trade and Other Receivables	96,755	(396,417)
Inventory	51,530	-
Current Portion of Loan Receivable	(49,996)	-
Prepaid Expense and Deposits	1,548,211	(1,527,701)
Trade and Other Payables	(1,644,135)	468,652
Due to Related Parties	25,576	(38,502)
	<u>27,941</u>	<u>(1,493,968)</u>

b) Non-Cash Financing Activities

Shares Issued for Finders' Fees	-	97,800
Shares Issued for Services	853,370	4,518,478
Shares Issued for Debt	700,000	137,752
	<u>1,553,370</u>	<u>4,754,030</u>

c) Non-Cash Investing Activities

Shares Issued for Intangible Assets	<u>100,000</u>	<u>594,855</u>
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d) Other Items

Income Taxes Paid	-	-
Interest Paid	127,843	20,940

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 20 – 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(t). 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 \$3,417,536 as at March 31, 2018. 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. Interest 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 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.

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 March 31, 2018 and 2017. The carrying values of the Company's financial assets and liabilities approximate their fair values as at March 31, 2018 and 2017.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 21 – CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company manages its share capital as capital, which as at March 31, 2018, was \$48,724,641. 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 22 – SUBSEQUENT EVENTS

a) Private Placements

On April 04, 2018, the Company closed the second and final tranche of its non-brokered private placement for total proceeds of \$1,730,000 through the issuance of 1,996,247 units. The Company paid cash finders' fee of \$82,632 and issued 95,529 finders' warrants. Each non-transferable finder's warrant entitles the finder to acquire one common share at \$0.87 for 14 months from the closing of the private placement. Each unit consists of one common share and one common share purchase warrant. Each transferable whole common share purchase entitles the holder to acquire one common share at \$0.87. The purchase warrants may be exercised at any time until 12 months from the closing of the private placement.

On May 21, 2018, the Company closed a non-brokered private placement of 7,500,000 units at \$0.60 per unit for gross proceeds of \$4,500,000. One unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.70 per common share for 12 months from the date of the warrant issuance.

On June 04, 2018, the Company closed a non-brokered private placement of 9,000,000 units at \$0.50 per unit for gross proceeds of \$4,500,000. One unit consist of one common share purchase warrant which entitles the holder to purchase one common share at \$0.70 for a period of twelve months from the date of issuance of the warrant.

b) Washington State Asset Purchase

On May 29, 2018, the Company acquired certain operational assets and the right of first refusal to acquire 20 acres of agricultural land and water rights in Tonasket, Okanogan County by issuing 4,000,000 common shares of the Company fair valued at \$2,520,000. As part of the asset purchase, the Company assumed the lease obligations and lease payments to the landlord; correspondingly, the Company assumes the sub-lease agreements with the existing sub-tenants.

c) Full Spectrum Medical

On June 21, 2018 Marapharm entered into a Letter of Intent (LOI) with Full Spectrum Medicinal Inc. ("FSM") regarding a proposed transaction to acquire all issued and outstanding securities of FSM. The Company is currently conducting due diligence on FSM, with a view to negotiating the terms of a definitive agreement to complete the transaction by September 30, 2018.

MARAPHARM VENTURES INC.

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

NOTE 22 – SUBSEQUENT EVENTS (Continued)

d) Loan Agreement

Pursuant to a loan agreement dated April 12, 2018, the Company borrowed \$150,000 at an interest rate of 8% per annum. In case of default of the loan, interest will accrue at 12% per annum. Per the loan agreement, the funds must be used for the sole purpose of payment or reimbursement of marijuana production and/or processing related expenses.

e) Loan Agreement

Pursuant to a loan agreement dated June 25, 2018, the Company borrowed \$1,000,000 from Veritas for a term of three months at an interest rate of 8%. The loan is fully secured by the assets of the Company.

f) Consulting and Other Agreements

Subsequent to year end, the Company entered into various consulting agreements for terms ranging from 3 months to a year for services related to identifying potential business opportunities to acquire or to merge, and for other services. Total fees which the Company has agreed to pay in cash totalled \$7,562,000.