

CANNABIX TECHNOLOGIES INC.

Interim Financial Statements

(Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the six months ended October 31, 2018.

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

	October 31, 2018 \$	April 30, 2018 \$
Assets		
Current assets		
Cash and cash equivalents	10,839,537	10,998,501
Amounts receivable	65,594	46,078
Prepaid expenses	41,428	14,519
Total current assets	10,946,559	11,059,098
Non-current assets		
Equipment (Note 3)	184,779	151,408
Deferred costs (Note 4)	3,893,163	3,893,163
Total non-current assets	4,077,942	4,044,571
Total assets	15,024,501	15,103,669
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	55,269	186,719
Total liabilities	55,269	186,719
Shareholders' equity		
Share capital	21,278,337	20,518,144
Contributed surplus	4,963,617	3,119,416
Deficit	(11,272,722)	(8,720,610)
Total shareholders' equity	14,969,232	14,916,950
Total liabilities and shareholders' equity	15,024,501	15,103,669

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 11)

Approved and authorized for issuance on behalf of the Board of Directors on December 19, 2018:

/s/ Ravinder Mlait

Ravinder Mlait, Director

/s/ Bryan Loree

Bryan Loree, Director

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

CANNABIX TECHNOLOGIES INC.Statements of operations and comprehensive loss
(Expressed in Canadian dollars)

	Three months ended October 31, 2018 \$	Three months ended October 31, 2017 \$	Six months ended October 31, 2018 \$	Six months ended October 31, 2017 \$
Revenue	–	–	–	–
Operating expenses				
Research & Development (Note 5)	240,835	229,450	419,045	423,450
Consulting fees (Note 5)	92,500	82,500	185,000	165,000
Advertising & promotion	–	12,089	18,103	18,633
Insurance	–	–	–	–
Office and miscellaneous	3,580	1,788	5,252	2,570
Professional fees	14,749	16,924	21,034	17,352
Transfer agent & filing fees	25,557	14,049	30,824	26,278
Travel	18,165	3,882	21,429	4,069
Depreciation	5,352	–	9,629	–
Share-based compensation	1,876,940	–	1,876,940	–
Total operating expenses	2,277,678	360,682	2,587,256	657,352
Net loss before other income	(2,277,678)	(360,682)	(2,587,256)	(657,352)
Other income				
Interest Income	35,144	3,288	35,144	3,288
Net loss and comprehensive loss	(2,242,534)	(357,394)	(2,552,112)	(654,064)
Loss per share, basic and diluted	(0.02)	(0.00)	(0.03)	(0.01)
Weighted average shares outstanding	101,427,466	86,462,273	101,186,074	86,460,631

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

CANNABIX TECHNOLOGIES INC.Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions receivable \$	Contributed surplus \$	Deficit \$	Total shareholders' equity \$
	Number of Shares	Amount \$				
Balance, April 30, 2017	86,426,653	11,439,250	–	3,251,490	(7,252,573)	7,438,167
Shares issued pursuant to warrants exercised	37,000	9,150	–	–	–	9,150
Net loss	–	–	–	–	(654,064)	(654,064)
Balance, October 31, 2017	86,463,653	11,448,400	–	3,251,490	(7,906,637)	6,793,253
Shares issued pursuant to private placements	4,850,000	5,577,500	–	–	–	5,577,500
Share issuance costs	–	(593,316)	–	204,186	–	(389,130)
Shares issued pursuant to warrants exercised	7,873,401	3,811,024	–	(244,224)	–	3,566,800
Shares issued pursuant to stock options exercised	1,380,000	274,536	–	(92,036)	–	182,500
Net loss	–	–	–	–	(813,973)	(813,973)
Balance, April 30, 2018	100,567,054	20,518,144	–	3,119,416	(8,720,610)	14,916,950
Shares issued pursuant to warrants exercised	779,550	664,810	–	–	–	664,810
Shares issued pursuant to stock options exercised	286,128	95,383	–	(32,739)	–	62,644
Fair value of stock options issued	–	–	–	1,876,940	–	1,876,940
Net loss	–	–	–	–	(2,552,112)	(2,552,112)
Balance, October 31, 2018	101,632,732	21,278,337	–	4,963,617	(11,272,722)	14,969,232

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

CANNABIX TECHNOLOGIES INC.Statements of cash flows
(Expressed in Canadian dollars)

	Three months ended October 31, 2018 \$	Three months ended October 31, 2017 \$	Six months ended October 31, 2018 \$	Six months ended October 31, 2017 \$
Operating activities				
Net loss	(2,242,534)	(357,394)	(2,552,112)	(654,064)
Item not involving cash:				
Share-based compensation	1,876,940	–	1,876,940	–
Depreciation	5,352	–	9,629	–
Changes in non-cash operating working capital:				
Amounts receivable	(10,580)	20,068	(19,516)	9,160
Accounts payable and accrued liabilities	(20,768)	(58,308)	(131,450)	(111,345)
Prepaid expenses	(26,909)	–	(26,910)	61,492
Net cash used in operating activities	(418,499)	(395,634)	(843,419)	(694,757)
Investing activities				
Equipment acquisition costs	(42,999)	–	(42,999)	(119,031)
Net cash used in investing activities	(42,999)	–	(42,999)	(119,031)
Financing activities				
Proceeds from issuance of common shares	87,645	400	727,454	9,150
Subscription receivable	–	–	–	–
Net cash provided by financing activities	87,645	400	727,454	9,150
Change in cash	(373,853)	(395,234)	(158,964)	(804,638)
Cash, beginning of period	11,213,390	3,143,434	10,998,501	3,552,838
Cash, end of period	10,839,537	2,748,200	10,839,537	2,748,200
Cash and cash equivalents is comprised of:				
Cash held in bank	2,322,287	230,950	2,322,287	230,950
Cashable Guaranteed Investment Certificates	8,517,250	2,517,250	8,517,250	2,517,250
Total cash and cash equivalents	10,839,537	2,748,200	10,839,537	2,748,200
Supplemental disclosures:				
Interest paid	–	–	–	–
Income taxes paid	–	–	–	–

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Cannabix Technologies Inc. (the "Company") is a public company listed on the Canadian Securities Exchange ("CSE") and trades under the symbol 'BLO'. The Company was incorporated on April 5, 2011 under the BC Business Corporations Act as West Point Resources Inc. and on August 12, 2014 the name of the Company was changed. The Company's corporate office and principal place of business is located at 7934 Government Road, Burnaby, BC.

The Company's primary business is the development of the Cannabix marijuana breathalyzer, which is being acquired under license. The operations of the Company requires research and development of the technology. There can be no assurance that the Company will be able to produce a product that is technically and commercially feasible.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at October 31, 2018, the Company has no source of revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$11,272,722. These factors form a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows from operations or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements but do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value as explained in Note 2(g). The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of deferred costs, fair value of share-based payments, and recognition of deferred income tax assets.

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

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

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Intangible Assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Acquired intangible assets with indefinite useful lives are stated at cost and are not amortized.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal.

(e) Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations during the period in which they are incurred.

Depreciation of property and equipment is provided using the straight-line method at the following rates approximating their estimated useful lives:

Equipment	10 years
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(f) Impairment of Non-Financial Assets

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

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

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

(g) Research and Development Costs

Research costs are charged to operations as incurred. Research costs consist primarily of consulting expenses and parts related to the design, testing, and manufacture of the Cannabix marijuana breathalyzer. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in the statement of operations as incurred.

(h) Financial Instruments

(i) Non-derivative financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

comprehensive income is transferred to the statement of operations. The Company does not have any available-for-sale financial assets.

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

(ii) Non-derivative financial liabilities

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

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

(iii) Share capital

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

(i) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or a t an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Revenue and expenses are translated at average rates for the periods. Foreign exchange gains and losses are included in the statement of operations.

(j) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(k) Share-based Payments

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

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

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

(l) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at October 31, 2018, the Company had 13,372,872 (2017 – 17,213,900) potentially dilutive shares outstanding.

(m) Comprehensive Loss

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

(n) Reclassifications

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

(o) Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, are effective for the period ended October 31, 2018, and have not been applied in preparing these financial statements:

New standard IFRS 9, "Financial Instruments"

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

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(o) Accounting Standards Issued But Not Yet Effective (continued)

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

3. Equipment

	Equipment \$
Cost:	
Balance, April 30, 2017	52,039
Additions	119,031
Balance, October 31, 2017	171,070
Additions	—
Balance, April 30, 2018	171,070
Additions	42,999
Balance, October 31, 2018	214,069
Accumulated depreciation:	
Balance, April 30, 2017 and October 31, 2017	2,556
Additions	17,106
Balance, April 30, 2018	19,662
Additions	9,628
Balance, October 31, 2018	29,290
Carrying amounts:	
As at April 30, 2017	49,483
October 31, 2017	168,514
As at April 30, 2018	151,408
As at October 31, 2018	184,779

4. Deferred Costs

A continuity of deferred license costs capitalized is as follows:

	\$
Balance, April 30, 2016	3,760,312
603,870 common shares issued Aug 8, 2016 (Note 7(c))	132,851
Balance, October 31, 2017, April 30, 2018 & October 31, 2018	3,760,312

On June 5, 2014, the Company and a company controlled by the President of the Company, Cannabix Breathalyzer Inc. ("Licensor"), entered into a definitive licensing agreement (the "Agreement"). The Agreement provides the Company exclusive license rights ("License Rights") to make, use and sell the products and to practice the inventories covered by the medical marijuana patent in the United States as defined in the patent application filed by the Licensor. The territory covered in the agreement is the United States and its territories and possessions, and all other countries that are deemed to constitute the North American Continent ("Territory"). In consideration for the License Rights, the Company issued 7,500,000 common shares at a fair value of \$375,000

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

4. Deferred Costs (continued)

and issued 7,500,000 share purchase warrants exercisable at \$0.075 for expiring on June 26, 2015 at a fair value of \$122,812. The fair value of the share purchase warrants was determined using the Black-Scholes pricing model.

The Agreement outlines future share payments upon reaching the following milestones: The issuance of 7,500,000 common shares of the Company within fourteen business days of prototype delivery to the Company (shares issued April 9, 2015 at a fair value of \$3,262,500). Furthermore, upon receipt of the final patent, the Company will issue 5,000,000 common shares of the Company. As the final patent has yet to be received, these 5,000,000 common shares have not yet been issued. The Agreement is also subject to a royalty of 3% of the selling price for each product manufactured, used, sold, or imported by the Company into the Territory that may be developed under the patent.

There is no assurance that a prototype or that a final patent will be issued by the U.S. patent office, however, it is management's belief and judgement that a patent will ultimately be received. As the patent has yet to be obtained, the \$3,760,312 fair value of consideration issued to the licensor is presented as deferred costs on the statement of financial position. On July 28, 2016, the Licensor assigned its right, title, and interest in certain US and Canadian patent applications to the Company.

On July 25, 2016, the Company entered into an exclusive worldwide license agreement for intellectual property relating to breath diagnostic applications of controlled substances with the University of Florida Research Foundation, Incorporated ("UFRF"). As consideration, the Company issued 603,870 common shares at a fair value of \$132,851 to UFRF on August 8, 2016.

5. Related Party Transactions

- (a) As at October 31, 2018, the Company owed \$10,000 (2017 - \$24,000) to officers and directors of the Company which was included in accounts payable and accrued liabilities.
- (b) During the period ended October 31, 2018, the Company incurred consulting fees of \$34,500 (2017 - \$22,500) to the Chief Executive Officer of the Company.
- (c) During the period ended October 31, 2018, the Company incurred consulting fees of \$30,000 (2017 - \$18,000) to the Chief Financial Officer of the Company.
- (d) During the period ended October 31, 2018, the Company incurred consulting fees of \$42,000 (2017 - \$42,000) to a company controlled by the President of the Company.
- (e) During the period ended October 31, 2018, the Company incurred research and development costs of \$30,000 (2017 - \$18,000) to a director of the Company.
- (f) During the three month period ended October 31, 2018, the Company granted 1,350,000 stock options with a fair value of \$1,689,534 (2017 – Nil) to key management personnel.

6. Share Capital

Authorized: Unlimited number of common shares without par value

Share issuance for the period ended October 31, 2018:

- (a) During the six month period ended October 31, 2018, the Company issued 779,550 common shares for proceeds of \$664,810 pursuant to the exercise of share purchase warrants.
- (b) During the six month period ended October 31, 2018, the Company issued 286,128 common shares for proceeds of \$62,644 pursuant to the exercise of options.

CANNABIX TECHNOLOGIES INC.

Notes to the financial statements (Unaudited)

October 31, 2018

(Expressed in Canadian dollars)

6. Share Capital (continued)

Share transactions for the year ended April 30, 2018:

- (a) On December 7, 2017, the Company issued 4,850,000 units at \$1.15 per unit for gross proceeds of \$5,577,500. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$1.60 per common share for a period of three years from the date of closing. The Company paid fees of \$389,130 and issued 240,000 share purchase warrants with a fair value of \$204,186 to the finders.
- (b) During the year ended April 30, 2018, the Company issued 7,910,401 common shares for proceeds of \$3,575,950 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants exercised of \$244,224 was reallocated from contributed surplus to share capital.
- (c) During the year ended April 30, 2018, the Company issued 1,380,000 common shares for proceeds of \$182,500 pursuant to the exercise of stock options. The fair value of the stock options exercised of \$92,036 was reallocated from contributed surplus to share capital.

Share transactions for the year ended April 30, 2017:

- (a) During the year ended April 30, 2017, the Company issued 8,235,711 common shares for proceeds of \$2,037,853 pursuant to the exercise of share purchase warrants. The fair value of the share purchase warrants exercised of \$12,236 was reallocated from contributed surplus to share capital.
- (b) During the year ended April 30, 2017, the Company issued 380,000 common shares for proceeds of \$81,750 pursuant to the exercise of stock options. The fair value of the stock options exercised of \$60,611 was reallocated from contributed surplus to share capital.
- (c) On August 8, 2016, the Company issued 603,870 common shares with a fair value of \$132,851 pursuant to a patent licence agreement. Refer to Note 5.
- (d) During the year ended April 30, 2017, the Company received \$10,000 for the share subscriptions that were receivable as at April 30, 2016.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2017	8,488,766	0.24
Exercised	(37,000)	0.25
Balance, October 31, 2017	8,451,766	0.24
Issued	5,090,000	1.60
Exercised	(7,327,268)	0.44
Expired	(426,948)	0.25
Balance, April 30, 2018	5,787,550	1.18
Exercised	(779,550)	1.17
Balance, October 31, 2018	5,008,000	1.23

CANNABIX TECHNOLOGIES INC.

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7. Share Purchase Warrants (continued)

As at October 31, 2018, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
1,036,500	0.20	December 16, 2018
290,000	0.25	December 16, 2018
<u>3,681,500</u>	1.60	December 7, 2020
<u>5,008,000</u>		

Agent's Warrants

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

	Number of warrants	Weighted average exercise price \$
Balance, April 30, 2017 and October 31, 2017	306,134	0.25
Issued	240,000	1.15
Exercised	(546,134)	0.25
<u>Balance, April 30, 2018 and October 31, 2018</u>	<u>–</u>	<u>–</u>

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

	2018	2017
Risk-free interest rate	1.57%	–
Expected life (in years)	2	–
Expected volatility	105%	–

8. Stock Options

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

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8. Stock Options (continued)

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

	Number of stock options	Weighted average exercise price \$
Outstanding, April 30, 2017 & October 31, 2017	8,456,000	0.39
Exercised	(1,380,000)	0.13
Outstanding, April 30, 2018	7,076,000	0.44
Granted	1,575,000	2.20
Exercised	(286,128)	0.22
Outstanding, October 31, 2018	8,364,872	0.78

Additional information regarding stock options outstanding as at October 31, 2018, is as follows:

Exercise price \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.10	706,000	0.4	0.10
0.125	1,320,000	1.8	0.125
0.35	2,463,872	3.3	0.35
0.85	2,300,000	3.6	0.85
2.20	1,575,000	4.5	2.20
	8,364,872	3.1	0.78

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

	2018	2017
Risk-free interest rate	1.18%	0.96%
Expected life (in years)	5	5
Expected volatility	69%	166%

The total fair value of stock options issued during the six month period ended October 31, 2018 was \$1,876,940 (2017 - \$nil) which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of the stock options granted during the six month period ended October 31, 2018 was \$0.84 (2016 - \$nil) per option. The weighted average share price for stock options exercised was \$0.22 (2017 - \$nil).

9. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and cash equivalents, and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

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9. Capital Management (continued)

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended April 30, 2018.

10. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at October 31, 2018, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance, October 31, 2018
	\$	\$	\$	\$
Cash and cash equivalents	10,839,537	–	–	10,839,537

The fair values of other financial instruments, which include amounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. Amounts receivable consists of GST receivable due from the Government of Canada and accrued interest receivable due on guaranteed investment certificates held at a financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

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

(d) Interest Rate Risk

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

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

11. Subsequent Events

Subsequent to the period ended October 31, 2018, 57,142 stock options were exercised.

Subsequent to the period ended October 31, 2018, 1,301,500 share purchase warrants were exercised and 25,000 share purchase warrants expired unexercised.