



**Cannabis**  
TECHNOLOGIES INC.

**Unaudited Condensed Consolidated Interim Financial Statements of**

**Financial Statements of**

**CANNABIS TECHNOLOGIES INC**  
*(formerly Meridex Software Corporation)*

**March 31, 2014**



**Cannabis**  
TECHNOLOGIES INC.

**MERIDEX SOFTWARE CORPORATION**  
(Expressed in Canadian Dollars)  
March 31, 2014

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#### **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of Cannabis Technologies Inc. (*formerly Meridex Software Corporation*) for the nine months ended March 31, 2014 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed consolidated interim financial statements by an entity's auditor.

**CANNABIS TECHNOLOGIES INC. (formerly Meridex Software Corporation).****STATEMENT OF FINANCIAL POSITION**

As at March 31, 2014 and June 30, 2013

Expressed in Canadian Dollars

|   | Note |    | March 31<br>2014    |    | June 30<br>2013     |
|---|------|----|---------------------|----|---------------------|
| <b>ASSETS</b>                           |      |    |                     |    |                     |
| Current                                 |      |    |                     |    |                     |
| Cash and cash equivalents               | 5    | \$ | 1,481               | \$ | 4,358               |
| Taxes recoverable and other receivables | 6    |    | 5,066               |    | 570                 |
| Prepays and advances                    |      |    | 270                 |    | 432                 |
|   |      |    | <b>6,817</b>        |    | <b>5,360</b>        |
|   |      | \$ | <b>6,817</b>        | \$ | <b>5,360</b>        |
| <b>LIABILITIES</b>                      |      |    |                     |    |                     |
| Current                                 |      |    |                     |    |                     |
| Trade and other payables                | 12   |    | <b>204,109</b>      |    | <b>51,772</b>       |
| <b>SHAREHOLDERS' EQUITY</b>             |      |    |                     |    |                     |
| Share Capital                           | 9    |    | <b>27,215,517</b>   |    | <b>27,215,517</b>   |
| Contributed surplus                     | 9    |    | <b>3,159,294</b>    |    | <b>3,159,294</b>    |
| Deficit                                 |      |    | <b>(30,572,103)</b> |    | <b>(30,421,223)</b> |
|   |      |    | <b>(197,292)</b>    |    | <b>(46,412)</b>     |
|   |      | \$ | <b>6,817</b>        | \$ | <b>5,360</b>        |

Going Concern (Note 2)

Approved on behalf of the Board of Directors by:

/s/ Stephen Tong  
Stephen Tong, Director

/s/ Craig Schneider  
Craig Schneider, Director

The accompanying notes form an integral part of these consolidated financial statements

**CANNABIS TECHNOLOGIES INC. (formerly Meridex Software Corporation).****CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS**

For the three and nine months ended March 31, 2014 and March 31, 2013

Expressed in Canadian Dollars

|  |             | <b>Three Months Ended</b> |                   | <b>Nine Months Ended</b> |                    |
|--|-------------|---------------------------|-------------------|--------------------------|--------------------|
|  | <b>Note</b> | <b>March 31</b>           | <b>March 31</b>   | <b>March 31</b>          | <b>March 31</b>    |
|  |             | <b>2014</b>               | <b>2013</b>       | <b>2014</b>              | <b>2013</b>        |
| <b>Expenses</b>  |             |                           |                   |                          |                    |
| Administrative and general                             | 11          | \$ 87,044                 | \$ 7,754          | \$ 121,884               | \$ 24,404          |
| Research and development                               |             | 15,000                    |                   | 30,000                   |                    |
| <b>Total expenses</b>                                  |             | <b>102,044</b>            | <b>7,754</b>      | <b>151,884</b>           | <b>24,404</b>      |
| <b>Net Loss before other items</b>                     |             | <b>(102,044)</b>          | <b>(7,754)</b>    | <b>(151,884)</b>         | <b>(24,404)</b>    |
| <b>Other items</b>                                     |             |                           |                   |                          |                    |
| Refund on taxes paid                                   |             | —                         | —                 | 1,004                    | —                  |
| <b>Total comprehensive loss for the period</b>         |             | <b>\$ (102,044)</b>       | <b>\$ (7,754)</b> | <b>\$ (150,880)</b>      | <b>\$ (24,404)</b> |
| <b>Basic and diluted loss per share for the period</b> | 13          | <b>\$ (0.00)</b>          | <b>\$ (0.00)</b>  | <b>\$ (0.00)</b>         | <b>\$ (0.00)</b>   |

The accompanying notes form an integral part of these consolidated financial statements

**CANNABIS TECHNOLOGIES INC.** *(formerly Meridex Software Corporation).*

**STATEMENT OF CHANGES IN EQUITY**

For the nine months ended March 31, 2014 and March 31, 2013

Expressed in Canadian Dollars

|                                   | <b>Share Capital</b> | <b>Contributed Surplus</b> | <b>Accumulated Deficit</b> | <b>Total</b> |
|-----------------------------------|----------------------|----------------------------|----------------------------|--------------|
| <b>Balance July 1, 2012</b>       | \$ 27,215,517        | \$ 3,159,294               | \$ (30,372,048)            | \$ 2,763     |
| Comprehensive loss for the period | —                    | —                          | (24,404)                   | (24,404)     |
| <b>Balance March 31, 2013</b>     | \$ 27,215,517        | \$ 3,159,294               | \$ (30,396,452)            | \$ (21,641)  |
| <b>Balance July 1, 2013</b>       | 27,215,517           | \$ 3,159,294               | \$ (30,421,223)            | \$ (46,412)  |
| Comprehensive loss for the period | —                    | —                          | (150,880)                  | (150,880)    |
| <b>Balance March 31, 2014</b>     | \$ 27,215,517        | \$ 3,159,294               | \$ (30,572,103)            | \$ (197,292) |

The accompanying notes form an integral part of these consolidated financial statements

**CANNABIS TECHNOLOGIES INC.** *(formerly Meridex Software Corporation).*

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

For the nine months ended March 31, 2014 and March 31, 2013

Expressed in Canadian Dollars

|   | Note | March 31<br>2014 | March 31<br>2013 |
|---|------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                   |      |                  |                  |
| Net loss for the period                       |      | \$ (150,880)     | \$ (24,404)      |
| Changes in non-cash working capital balances: |      |                  |                  |
| Prepays and advances                          |      | 300              | 392              |
| Taxes recoverable and other receivables       |      | (4,634)          | (7,516)          |
| Trade and other payables                      | 6    | 152,337          | (11,862)         |
| <hr/>   |      |                  |                  |
| Decrease in cash during the period            |      | (2,877)          | (43,390)         |
| <hr/>   |      |                  |                  |
| Cash and cash equivalents beginning of period |      | 4,358            | 45,668           |
| <hr/>   |      |                  |                  |
| Cash and cash equivalents end of period       |      | \$ 1,481         | \$ 2,278         |

**CANNABIS TECHNOLOGIES INC. (formerly Meridex Software Corporation)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED MARCH 31, 2014**  
**(Expressed in Canadian Dollars)**

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**1. CORPORATION INFORMATION**

The Company was incorporated in the Province of British Columbia on May 19, 1981 under the *Business Corporations Act* of British Columbia. The Company on December 4, 2013 was transferred from the TSX Venture Exchange Tier 2 to the NEX with a trading symbol of MSC.H.

The Company on May 14, 2014 changed its name to Cannabis Technologies Inc. from Meridex Software Corporation.

On May 21, 2014 the Company was listed on the Canadian Securities Exchange under the trading symbol "CAN", and voluntarily de-listed from the TSX Venture Exchange's NEX board.

Cannabis Technologies Inc. ("Cannabis" or the "Company") is a biopharmaceutical company that specializes in developing cannabis-based botanical and on-botanical therapies through the research and development into the extensive pharmacology of cannabinoids.

Cannabis' corporate office and principal place of business is located at 350 – 409 Granville Street, Vancouver, B.C. V6C 1T2.

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These condensed interim consolidated financial statements for the nine month period ended March 31, 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company's 2013 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2013 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from July 1, 2013 and income tax expense which is expected for the full financial year.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 27, 2014.

The preparation of condensed interim financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Canadian Dollars ("CDN"), which is also the Company's functional currency.

## **2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **Going Concern**

While these consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this assumption. The Company has a history of operating losses and negative cash flows from operations. The Company has a working capital deficiency as at March 31, 2014 of \$197,292 (June 30, 2013: \$46,412). The Company's ability to continue its operations on a going concern basis is dependent upon receiving continued support from its suppliers, its ability to raise additional financing through issuing debt or equity, and ultimately achieving profitable operations. There is no assurance that the Company will be successful in these efforts. These consolidated financial statements do not reflect adjustments to the carrying values of assets and liabilities that would be necessary if the Company was unable to continue as a going concern and such adjustments could be material.

Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis which may differ materially from the going concern basis.

### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Meridex Network Corporation, Savicon Inc., Meridex USA and Sweetnam Consulting Inc.

### **Standards, Amendments and Interpretations Not Yet Effective**

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning after July 1, 2013 or later years.

The following standards and interpretations have been issued but are not yet effective:

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

#### **IFRS 11 Joint Arrangements**

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company intends to adopt the standard no later than the accounting period beginning on July 1, 2013. The Company does not expect the implementation to have any significant impact on the Company's financial statements.

**2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Standards, Amendments and Interpretations Not Yet Effective (cont'd)**

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company intends to adopt the standard no later than the accounting period beginning on April 1, 2013. The Company does not expect the implementation to have any significant impact on the Company's financial statements

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company intends to adopt the standard no later than the accounting period beginning on July 1, 2013. The Company does not expect the implementation to have any significant impact on the Company's financial statements

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

There have been no material revisions to the nature of judgements and amount of changes in estimates of amount reported in the Company's 2013 annual financial statements.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash at banks and earn interest at floating and fixed rates based on daily deposit rates.

**5. RECEIVABLES**

|                 |    | <b>March 31</b> |    | June 30 |
|-----------------|----|-----------------|----|---------|
|                 |    | <b>2014</b>     |    | 2,013   |
| Tax recoverable | \$ | <b>5,066</b>    | \$ | 570     |
|                 | \$ | <b>5,066</b>    | \$ | 570     |

Tax recoverable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

Management considers that the fair values of these receivables, which are expected to be recovered quarterly, are not materially different from their carrying amounts because these amounts have short maturity periods on inception.

**CANNABIS TECHNOLOGIES INC. (formerly Meridex Software Corporation)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED MARCH 31, 2014**  
(Expressed in Canadian Dollars)

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**6. TRADE AND OTHER PAYABLES**

|                        |           | <b>March 31</b> |           | June 30       |
|------------------------|-----------|-----------------|-----------|---------------|
|                        |           | <b>2014</b>     |           | <b>2,013</b>  |
| Trade payables         | \$        | <b>128,034</b>  | \$        | 31,189        |
| Due to related parties |           | <b>76,075</b>   |           | 20,583        |
| <b>Total</b>           | <b>\$</b> | <b>204,109</b>  | <b>\$</b> | <b>51,772</b> |

**7. SHARE CAPITAL AND RESERVES**

**a) Common Shares**

The Company's authorized share capital is an unlimited number of common shares with no par value.

During the year ended June 30, 2012, June 30, 2013 and March 31, 2014 there were no share issuances (*See Note 13 – Events after the Reporting Date*).

As at March 31, 2014 and December 31, 2014 there were 33,689,285 common shares outstanding with a recorded value of \$27,215,517.

**b) Contributed Surplus**

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

**8. SHARE-BASED PAYMENTS**

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option price under each option shall be not be less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date. All options vest when granted unless otherwise specified by the Board of Directors.

There were no changes to stock options to report for the period July 1, 2012 to March 31, 2014 and as at March 31, 2014 there were no stock options outstanding (*See Note 13 – Events After the Reporting Date*).

**CANNABIS TECHNOLOGIES INC. (formerly Meridex Software Corporation)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**NINE MONTHS ENDED MARCH 31, 2014**  
(Expressed in Canadian Dollars)

**9. ADMINISTRATIVE AND GENERAL EXPENSES**

|   | Note | Three Months Ended |                  | Nine Months Ended |                  |
|---|------|--------------------|------------------|-------------------|------------------|
|   |      | March 31<br>2014   | March 31<br>2013 | March 31<br>2014  | March 31<br>2013 |
| <b>Administrative and General Expenses include:</b> |      |                    |                  |                   |                  |
| Accounting and legal                                |      | \$ 21,070          | \$ 262           | \$ 23,127         | \$ (14,160)      |
| Consulting  | 10   | 31,665             | 1,058            | 37,050            | 13,218           |
| Office and administration fees                      |      | 658                | 105              | 1,269             | 265              |
| Regulatory fees                                     |      | 1,250              | 5,221            | 4,561             | 7,898            |
| Rent  |      | 28,762             | -                | 43,048            | -                |
| Shareholder communication                           |      | 2,356              | -                | 3,381             | -                |
| Transfer agent fees                                 |      | 1,283              | 1,108            | 9,448             | 17,183           |
|   |      | \$ 87,044          | \$ 7,754         | \$ 121,884        | \$ 24,404        |

**10. RELATED PARTY TRANSACTIONS**

a) Payments

|   | March 31<br>2014 | March 31<br>2013 |
|---|------------------|------------------|
| Key management personnel compensation comprised : |                  |                  |
| Consulting fees:                                  | \$37,050         | \$12,160         |

- 1 Consulting fees of \$30,000 (March 31, 2013 - \$Nil) were paid or accrued to Etoby Management Inc ("Etooby"). a company controlled by Craig Schneider, Chief Executive Officer and President of the Company;
- 2 Consulting fees included \$Nil (March 31, 2013 - \$4,000) paid to the Company's former chief executive officer and president Darren Nichols.
- 3 Consulting fees of \$7,050 (March 31, 2013 - \$8,160) were paid or accrued to Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselmann, Chief Financial Officer and Secretary of the Company.

b) Related party liabilities:

| Amounts due to:                            | March 31<br>2014 | June 30<br>2013 |
|--|------------------|-----------------|
| Etoby                                      | \$31,500         | \$—             |
| Minco                                      | \$19,634         | \$12,042        |
| Corex Gold Corporation <sup>1</sup>        | \$27,532         | \$8541          |
| Standard Graphite Corporation <sup>2</sup> | \$20,274         | —               |
|  | \$98,940         | \$20,583        |

- <sup>1</sup> March 31, 2014 \$27,532 (June 30, 2013 - \$8,541) was due to Corex Gold Corporation a company with a common director and officer of the Company for advances and expenses incurred on behalf of Cannabis. The loan is non-interest bearing and due on demand.

**10. RELATED PARTY TRANSACTIONS (cont'd)**

b) Related party liabilities (cont'd):

<sup>2</sup> As at March 31, 2014 \$20,274 (June 30, 2013 - \$Nil) was due to Standard Graphite Corp. a company with a common officer of the Company for advances and expenses incurred on behalf of Cannabis. The loan is non-interest bearing and due on demand.

**11. BASIC AND DILUTED LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

|  | March 31<br>2014 | March 31<br>2013 |
|--|------------------|------------------|
| Loss attributable to ordinary shareholders | (\$150,880)      | (\$24,404)       |
| Weighted average number of common shares   | 33,689,285       | 33,689,285       |
| Basic and diluted loss per share           | (\$0.00)         | (\$0.00)         |

**12. SEGMENTED INFORMATION**

The Company operates in one industry segment selling computer hardware, software and network services. The Company defines reportable operating segment as components of the Company about which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

**13. EVENTS AFTER THE REPORTING DATE**

**Stock Options**

On April 4, 2014, the Company granted 500,000 stock options at a price of \$0.255 per common share for a period of five years to various Directors, Officers and Consultants of the Company.

**Non-Brokered Private Placement**

On May 5, 2014 the Company completed a non-brokered private placement for 2,760,000 units ("Units"), at a price of \$0.25 per Unit for aggregate gross proceeds of up to C\$690,000. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant will be exercisable by the holder to acquire one additional common share at a price of \$0.50 for a period of twelve (12) months following the closing of the financing. The Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of \$0.75 for any twenty consecutive trading-day period, subsequent to four months from Closing. In the event of an accelerated expiry, the expiry date will be the earlier of the regular 12 month expiry date and 30 days from the date the Company advises the places of the accelerated expiry.

The proceeds from this private placement will be used for general working capital purposes and a portion will be used to settle debt.

**13. EVENTS AFTER THE REPORTING DATE (cont'd)**

**Acquisitions**

On May 16, 2014 the Company entered into a binding Share Purchase Agreement (“SPA”) to acquire Biogen Sciences Inc. (“BSI”), a privately held B.C. biopharmaceutical company focused on drug discovery and development of the therapeutic science of cannabinoids.

Under the terms of the agreement the Company will purchase 100% of the outstanding equity of BSI by issuing 4,000,000 million shares and, upon completion of the transaction, Biogen will become a wholly owned subsidiary of Cannabis.

The Company completed the transaction on May 21, 2014 and issued 4,000,000 common shares pursuant to the SPA. Additionally, the Company issued a further 400,000 common shares in finders’ fee on the transaction.