**WILDFLOWER MARIJUANA INC.**

**(FORMERLY SUNORCA DEVELOPMENT CORP.)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 and 2014**

**Wildflower Marijuana Inc.,**

**(Formerly Sunorca Development Corp.)**

**Financial Statements**

**Period ended December 31, 2015 and 2014**

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**NOTICE OF NO AUDIT OR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

**Wildflower Marijuana Inc.,**

**(Formerly Sunorca Development Corp.)**

**Condensed Interim Statements of Financial Position**

(Canadian funds)

(Unaudited – prepared by management)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **December 31, 2015** | June 30,  2015 |
| **Assets** |  |  |  |
|  |  |  |  |
| **Current** |  |  |  |
| Cash and Cash Equivalents |  | **$ 30,373** | $ 16,396 |
| Amounts Receivable – Note 3 |  | **40,595** | 33,882 |
| Due from related parties – Note 9 |  | **6,720** | 26,720 |
| Inventory |  | **78,663** | – |
| Marketable Securities – Note 10 |  | **2,800** | 2,800 |
| Prepaid and Deposits |  | **71,008** | 106,380 |
|  |  | **230,159** | 186,178 |
|  |  |  |  |
| **Equipment** – Note 4 |  | **19,753** | 3,363 |
| **Intangible Assets** – Note 5 |  | **89,047** | 89,047 |
| **Investment in Joint Venture** – Note 6 |  | **69,829** | 66,447 |
| **Investment in and loan to Suntech Energy Inc.** - Note 7 |  | **1** | 1 |
|  |  |  |  |
|  |  | **$ 408,789** | $ 345,036 |
|  |  |  |  |
| **Liabilities** |  |  |  |
|  |  |  |  |
| **Current** |  |  |  |
| Accounts payable and accrued liabilities |  | **$ 59,077** | $ 35,750 |
| Due to related parties – Note 9 |  | **78,439** | 50,983 |
|  |  |  |  |
|  |  | **137,516** | 86,733 |
|  |  |  |  |
| **Shareholders’ Equity** |  |  |  |
|  |  |  |  |
| Share capital – Note 8 |  | **8,708,978** | 8,431,158 |
| Subscription receivable – Note 8 |  | **(59,600)** | 127,500 |
| Stock option reserve – Note 8 |  | **951,410** | 818,045 |
| Share purchase warrant reserve – Note 8 |  | **321,772** | 180,367 |
| Deficit |  | **(9,651,287)** | (9,298,767) |
|  |  |  |  |
|  |  | **271,273** | 258,303 |
|  |  |  |  |
|  |  | **$ 408,789** | $ 345,036 |

**Nature of Operations and Going Concern** – Note 1

*“Stephen Pearce”* “*William MacLean”*

Director Director

The accompanying notes are an integral part of these condensed interim financial statements.

**Wildflower Marijuana Inc.,**

**(Formerly Sunorca Development Corp.)**

**Condensed Interim Statements of Operations and Deficit**

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended**  **December 31,** | | |  | **Six months ended**  **December 31,** | | |
|  |  | **2015** |  | 2014 |  | **2015** |  | 2014 |
|  |  | **$** |  | $ |  | **$** |  | $ |
| **Administrative expenses** |  |  |  |  |  |  |  |  |
| Accounting and audit fees |  | **9,250** |  | 7,750 |  | **15,000** |  | 11,500 |
| Bank charges and interest |  | **307** |  | 143 |  | **472** |  | 321 |
| Consulting and management fees – Note 8 |  | **68,173** |  | 62,638 |  | **116,173** |  | 120,853 |
| Depreciation |  | **1,622** |  | - |  | **1,874** |  | - |
| Filing and transfer agent fees |  | **8,359** |  | 8,291 |  | **13,953** |  | 13,422 |
| General office and miscellaneous |  | **2,268** |  | 4,981 |  | **4,090** |  | 13,143 |
| Investor relations & shareholder communications |  | **14,789** |  | 54,524 |  | **14,789** |  | 96,564 |
| Legal fees |  | **6,196** |  | 367 |  | **6,196** |  | 22,905 |
| Rent |  | **27,765** |  | 41,227 |  | **53,816** |  | 109,265 |
| Share-based payment expense |  | **133,365** |  | - |  | **133,365** |  | 390,293 |
| Travel and accommodation |  | **27,379** |  | 396 |  | **27,791** |  | 3,117 |
| Website design |  | **98** |  | 2,546 |  | **2,101** |  | 8,499 |
|  |  |  |  |  |  |  |  |  |
| **Loss before other items** |  | **(299,571)** |  | (182,863) |  | **(389,620)** |  | (789,882) |
|  |  |  |  |  |  |  |  |  |
| **Other items:** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Interest income |  | **-** |  | - |  | **-** |  | 150 |
| Realized gain (loss) on sale of marketable  securities – Note 9 |  | **-** |  | 6,776 |  | **-** |  | (159) |
| Rent received |  | **32,300** |  | 4,800 |  | **37,100** |  | 9,600 |
| Financing income |  | **-** |  | - |  | **-** |  | - |
| Financing fees |  | **-** |  | - |  | **-** |  | - |
|  |  |  |  |  |  |  |  |  |
| **Net income (loss) for the period** |  | **(267,271)** |  | (171,287) |  | **(352,520)** |  | (780,291) |
|  |  |  |  |  |  |  |  |  |
| **Other Comprehensive loss** |  |  |  |  |  |  |  |  |
| Transfer of OCI for sale of marketable securities |  | **-** |  | - |  | **-** |  | 35,568 |
|  |  |  |  |  |  |  |  |  |
| **Comprehensive income (loss)** |  | **(267,271)** |  | (171,287) |  | **(352,520)** |  | (744,723) |
|  |  |  |  |  |  |  |  |  |
| **Basic and diluted loss per share** |  | **(0.007)** |  | (0.006) |  | **(0.009)** |  | (0.024) |
|  |  |  |  |  |  |  |  |  |
| **Weighted average number of shares outstanding** |  | **38,309,353** |  | 30,706,700 |  | **37,398,624** |  | 30,459,417 |

The accompanying notes are integral part of these condensed interim financial statements.

**Wildflower Marijuana Inc.,**

(**Formerly** **Sunorca Development Corp.)**

**Condensed Interim Statements of Comprehensive Income (Loss) and**

**Accumulated Other Comprehensive Income (Loss)**

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Three months ended**  **December 31,** | | **Six months ended**  **December 31,** | |
|  | **2015** | 2014 | **2015** | 2014 |
|  | **$** | $ | **$** | $ |
|  |  |  |  |  |
| **Accumulated Other Comprehensive Income, Beginning** | **-** | - | - | 51,575 |
|  |  |  |  |  |
| Transfer of OCI for sale of marketable securities | **-** | - | - | (35,568) |
|  |  |  |  |  |
| Realized gain (loss) on sale of marketable securities | **-** | - | - | - |
|  |  |  |  |  |
| Unrealized gain (loss) on available for sale marketable  securities | **-** | - | - | (16,007) |
|  |  |  |  |  |
| **Accumulated Other Comprehensive Income, Ending** | **-** | - | - | - |

The accompanying notes are integral part of these condensed interim financial statements.

**Wildflower Marijuana Inc.,**

**(Formerly Sunorca Development Corp.)**

**Condensed Interim Statements of Cash Flows**

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three months ended**  **December 31,** | | |  | **Six months ended**  **December 31,** | | |
|  |  | **2015** |  | 2014 |  | **2015** |  | 2014 |
|  |  | **$** |  | $ |  | **$** |  | $ |
| **Cash provided by (used in)** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| **Operating activities** |  |  |  |  |  |  |  |  |
| Loss for the period |  | **(267,271)** |  | (171,287) |  | **(352,520)** |  | (780,291) |
| Items not involving cash: |  |  |  |  |  |  |  |  |
| Depreciation |  | **1,622** |  | - |  | **1,874** |  | - |
| Share-based payment expense |  | **133,365** |  | - |  | **133,365** |  | 390,293 |
| Gain (loss) on sale of marketable securities |  | **-** |  | (6,776) |  | **-** |  | 159 |
| Changes in non-cash working capital items: |  |  |  |  |  |  |  |  |
| Amounts receivable |  | **(5,213)** |  | 605 |  | **(6,714)** |  | (10,868) |
| Interest receivable |  | **-** |  | - |  | **-** |  | 543 |
| Prepaid expenses |  | **73,308** |  | 85,098 |  | **35,372** |  | (36,800) |
| Accounts payable and accrued liabilities |  | **13,531** |  | (55,697) |  | **23,327** |  | 36,489 |
| **Cash provided by (used in) operating activities** |  | **(50,658)** |  | (148,057) |  | **(165,296)** |  | (400,475) |
|  |  |  |  |  |  |  |  |  |
| **Financing activities** |  |  |  |  |  |  |  |  |
| Shares issued for cash, net |  | **240,000** |  | - |  | **419,225** |  | - |
| Subscription received (receivable) |  | **(86,500)** |  | 77,500 |  | **(187,100)** |  | 83,500 |
| Advance from/(to) related parties |  | **6,406** |  | 15,533 |  | **47,456** |  | 37,553 |
| **Cash provided by (used in) financing activities** |  | **159,906** |  | 93,033 |  | **279,582** |  | 121,053 |
|  |  |  |  |  |  |  |  |  |
| **Investing activity** |  |  |  |  |  |  |  |  |
| Loan receivable |  |  |  | - |  |  |  | (30,000) |
| Inventory |  | **(78,663)** |  | - |  | **(78,663)** |  | - |
| Equipment |  | **(18,264)** |  | - |  | **(18,264)** |  | - |
| Investment in Joint Venture |  | **(3,382)** |  | - |  | **(3,382)** |  | - |
| Proceeds from disposition of marketable securities |  | **-** |  | 28,923 |  | **-** |  | 106,774 |
| Application expenditures |  | **-** |  | - |  | **-** |  | (10,138) |
| **Cash provided by (used in) investing activities** |  | **(100,309)** |  | 28,923 |  | **(100,309)** |  | 66,636 |
|  |  |  |  |  |  |  |  |  |
| **Increase (decrease) in cash during the period** |  | **8,939** |  | (26,101) |  | **13,977** |  | (212,786) |
| **Cash and cash equivalents, beginning of period** |  | **21,434** |  | 40,774 |  | **16,396** |  | 227,459 |
| **Cash and cash equivalents, end of period** |  | **30,373** |  | 14,673 |  | **30,373** |  | 14,673 |
|  |  |  |  |  |  |  |  |  |
| **Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure** |  |  |  |  |  |  |  |  |
| Cash received for interest |  | **-** |  | - |  | **-** |  | - |
| Cash paid for income taxes |  | **-** |  | - |  | **-** |  | - |
| Shares issued in deposit |  | **-** |  | - |  | **-** |  | 30,000 |
| Shares issued for acquisition expenditures |  | **-** |  | - |  | **-** |  | 75,000 |

The accompanying notes are an integral part of these condensed interim financial statements.

**Wildflower Marijuana Inc.,**

**(Formerly Sunorca Development Corp.)**

**Condensed Interim Statements of Changes in Shareholders’ Equity**

(Expressed in Canadian dollars)

(Unaudited – prepared by management)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Number of  Shares | Share  Capital | Contributed  Surplus | Subscription  Received  (Receivable) | Share Purchase  Warrant  Reserve | Accumulated  Other  Comprehensive  income | Deficit | Total |
| Balance at June 30, 2014 | 30,006,700 | $ 7,992,525 | $ 183,383 | $ (6,000) | $ (6,000) | $ 51,575 | $ (7,845,068) | $ 376,415 |
| Comprehensive loss for the period | - | - | - | - | - | - | (744,723) | (744,723) |
| Shares issued in deposit | 700,000 | 105,000 | - | - | - | - | - | 105,000 |
| Subscriptions received (receivable)  Share-based payments  Transfer of OCI for sale of marketable securities | -  -  - | -  -  - | -  390,293  - | 83,500  -  - | 83,500  -  - | -  -  (35,568) | -  -  - | 83,500  390,293  (35,568) |
| Unrealized loss on marketable securities | - | - | - | - | - | (16,007) | - | (16,007) |
|  |  |  |  |  |  |  |  |  |
| Balance at December 31, 2014 | 30,706,700 | $ 8,097,525 | $ 573,676 | $ 77,500 | $ 77,500 | $ - | $ (8,589,791) | $ 158,910 |
| **Balance at June 30, 2015** | **35,571,770** | **$ 8,431,158** | **$ 818,045** | **$ 180,367** | **$ 127,500** | **$ -** | **$ (9,298,767)** | **$ 258,303** |
| Comprehensive loss for the period | - | - | - | - | - | - | (352,520) | (352,520) |
| Shares issued for cash | 3,287,830 | 236,607 | - | - | 149,068 | - | - | 385,675 |
| Exercise of warrants | 140,333 | 41,213 | - | - | (7,663) | - | - | 33,550 |
| Share-based payments | - | - | 133,365 | - | - | - | - | 133,365 |
| Subscriptions received (receivable) | - | - | - | - | (187,100) | - | - | (187,100) |
|  |  |  |  |  |  |  |  |  |
| **Balance at December 31, 2015** | **38,999,933** | **$ 8,708,978** | **$ 951,410** | **$ 180,367** | **$ (59,600)** | **$ -** | **$ (9,651,287)** | **$ 271,273** |

The accompanying notes are an integral part of these condensed interim financial statements.

**1. Nature of Operations and Going Concern**

Wildflower Marijuana Inc., (Formerly Sunorca Development Corp.) (the “Company”) is a junior resource company with primary focus on the cannabis sector. The Company is incorporated under the Business Corporations Act of British Columbia and is a reporting issuer in British Columbia, Alberta and Ontario. Its common shares are listed for trading on the Canadian Securities Exchange as “SUN”. The Company’s registered office is located at #711 - 675 West Hastings Street, Vancouver, BC. The Company conducts its business as a single operating segment.

The Company is currently focused on developing and designing branded products in the cannabis sector, and works exclusively in Washington State where such activity is permitted and regulated by State law, through entities which hold licenses for such activities. The Company is also advancing two applications to grow and distribute medical marijuana under a Marihuana for Medical Purposes Regulations (“MMPR”) license with Health Canada. (Note 6).

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern. As at December 31, 2015, the Company has working capital of $92,643 (June 30, 2015: $99,445) and has accumulated a deficit of $9,651,287 (June 30, 2015: $9,298,767) since inception. The Company is currently seeking new opportunities in the commercial marijuana industry. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. There can be no assurances that the Company will continue to obtain the additional financing resources necessary and/or achieve profitability or positive cash flows. If the Company is unable to obtain adequate financing, the Company will be required to curtail operations. All of which indicate the existence of a material uncertainty that may cast substantial doubt on whether the Company would continue as a going concern and realize its assets and settle its liability and commitments in the normal course of business.

These condensed interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These condensed interim financial statements were approved for issuance by the Board of Directors on February 29, 2016.

**2. Basis of Presentation**

1. **Statement of compliance**

These condensed consolidated financial statements have been prepared in accordance International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of these consolidated financial statements. These unaudited condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. Accordingly, they should be read in conjunction with our most recent annual financial statements.

1. **Basis of measurement, estimates and significant judgments**

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

**2. Basis of Presentation (continued)**

**b) Basis of measurement, estimates and significant judgments (continued)**

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 further periods if the review affects both current and future periods.

The condensed interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

* The recoverability of taxes receivable;
* whether a past event has led to a liability that should be recognized in the statement of financial position or disclosed as a contingent liability;
* the expected future tax rate used in the determination of the Company’s future income tax liability on the statement of financial position; and
* the assessment of the Company’s ability to execute its strategy by funding future working capital requirements.

**c) New accounting standards and interpretations**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded in the standards listed below.

The Company anticipates that the application of these standards, amendments, revisions and interpretations will not have a material impact on the results and financial position of the Company.

**Applicable to annual periods beginning on or after January 1, 2015**

*Amendments to IAS 32 Financial Instruments: Presentation*

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) amends to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

* The meaning of “currently has a legally enforceable right of set-off”;
* The application of simultaneous realization and settlement;
* The offsetting of collateral amounts;
* The unit of account for applying the offsetting requirements.

**Applicable to annual periods beginning on or after January 1, 2016**

*IFRS 9 Financial Instruments (2009)*

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

**2. Basis of Presentation (continued)**

**c) New accounting standards and interpretations (continued)**

* Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances);
* Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss;
* All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss;

**Applicable to annual periods beginning on or after January 1, 2016 (continued)**

*IFRS 9 Financial Instruments (2009)* (continued)

* The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before August 1, 2015. For annual periods beginning on or after August 1, 2015, the Company must adopt IFRS 9 (2011).

*IFRS 9 Financial Instruments (2011)*

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after August 1, 2015 and supersedes IFRS 9 (2009). However, for annual reporting periods beginning before August 1, 2015, the Company may early-adopt IFRS 9 (2009) instead of applying this standard.

1. **Amounts Receivable**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **December 31, 2015** |  | June 30,  2015 |
| Taxes receivable | **$** | **38,995** | $ | 33,882 |
| Rent receivable |  | **1,600** |  | – |
|  |  |  |  |  |
|  | **$** | **40,595** | $ | 33,882 |

1. **Equipment**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Computer**  **equipment** | **Lab**  **equipment** | **Total** |
| **Cost** |  |  |  |  |
| Balance, June 30, 2014 | $ | – | – | – |
| Additions |  | 3,636 | – | 3,636 |
| Balance, June 30, 2015 | $ | 3,636 | – | 3,636 |
| Additions |  | – | 18,264 | 18,264 |
| **Balance, December 31, 2015** | **$** | **3,636** | **18,264** | **21,900** |
|  |  |  |  |  |
| **Accumulated depreciation** |  |  |  |  |
| Balance, June 30, 2014 | $ | – | – | – |
| Depreciation |  | 273 | – | 273 |
| Balance, June 30, 2015 | $ | 273 | – | 273 |
| Depreciation |  | 504 | 1,370 | 1,874 |
| **Balance, December 31, 2015** | **$** | **777** | **1,370** | **2,147** |
|  |  |  |  |  |
| **Carrying amounts** |  |  |  |  |
| As at June 30, 2015 | $ | 3,363 | 3,363 | 3,363 |
| **As at December 31, 2015** | **$** | **2,859** | **16,894** | **19,753** |

1. **Intangible Assets**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Trademark** |  | **Application**  **expenditures** |  | **Total** |
| **Cost** |  |  |  |  |  |  |
| Balance, June 30, 2014 | $ | – | $ | 1,203 | $ | 1,203 |
| Additions |  | 2,706 |  | 85,138 |  | 87,844 |
| **Balance, June 30, 2015 and**  **December 31, 2015** | **$** | **2,706** | **$** | **86,341** | **$** | **89,407** |
|  |  |  |  |  |  |  |
| **Accumulated depreciation** |  |  |  |  |  |  |
| Balance, June 30, 2014 | $ | – | $ | – | $ | – |
| Depreciation |  | – |  | – |  | – |
| **Balance, June 30, 2015 and**  **December 31, 2015** | **$** | **–** | **$** | **–** | **$** | **–** |
|  |  |  |  |  |  |  |
| **Carrying amounts** |  |  |  |  |  |  |
| As at June 30, 2015 | $ | 2,706 | $ | 86,341 | $ | 89,407 |
| **As at December 31, 2015** | **$** | **2,706** | **$** | **86,341** | **$** | **89,407** |

The Company is in the process of applying to become a Licensed Producer under the Marihuana for Medical Purposes Regulations (the “MMPR”). The Company will capitalize all the expenditure related to the above mentioned license.

During the year ended June 30, 2014, the Company entered into an agreement with the Company’s CEO to acquire his progress towards to the application to become a Licensed Producer under MMPR by issuing 13,000,000 shares. The shares had a fair market value of $700,000 at the issuance date. Subsequent to June 30, 2014, the Company forfeited the deposit on the Swayne property, which was an important component of the application. The management has determined that the acquisition cost of $700,000 was written down to $Nil and the difference was recorded on the Statement of Operations and Deficit for the year ended June 30, 2014.

1. **Intangible Assets (continued)**

During the year ended June 30, 2015, the Company acquired an option on a MMPR application that was nearing completion for filing with Health Canada.

During the year ended June 30, 2015, the Company put down a deposit of $66,800 to a Nanaimo property, which was initially intended to be used as the site for production. However, the Company decided not to continue pursuing business at the location due to residential push-back and thus wrote off the full balance of the deposit.

As at December 31, 2015, the application expenditures consist of $86,341 related to the two applications made for MMPR licenses (June 30, 2015: $1,203). The costs include the fair value of 500,000 common shares issued at a deemed price of $0.15 per share. Once the Company obtains its license, the application expenditures will be amortized over its useful life.

1. **Investment in Joint Venture**

Producer Joint Venture

On February 16, 2015, the Company executed a Letter of Intent confirming its intention of entering into a Licensing Joint Venture with a licensed marijuana producer in Washington State. The Joint Venture was formed to develop Wildflower branded products which will then be marketed and distributed by the Company’s Joint Venture partner.

Under the terms of the Joint Venture agreement (the “Producer Agreement”), the Company will grant an exclusive license to manufacture, market, and sell certain products, recipes, retail merchandise, and promotional materials under the Wildflower brand in the State of Washington. The Company will issue 1,300,000 common shares and pay $250,000 to its Joint Venture partner, and contribute $1,100,000 in working capital to develop the brand. In consideration, the Company will receive a licensing fee equal to 20% of the gross sales of Wildflower branded products.

Pursuant to the terms of the Producer Agreement, the effective date of the Joint Venture shall be formed immediately upon the Company providing the 1,300,000 common shares and $250,000 in cash described in said agreement. As at December 31, 2015, the Company has advanced $66,829 in cash (June 30, 2015: $66,447), and issued Nil common shares (June 30, 2015: Nil).

Cannabis E-Juice Joint Venture

On April 2, 2015, the Company executed a Letter of Intent confirming its intention of entering into a Joint Venture with a manufacturer of a cannabis e-juice. The Joint Venture was established to develop a line of e-juice products for the Company. The Joint Venture partner is currently a licensed Tier 3 producer and processor in the State of Washington.

Under the terms of the Joint Venture agreement (the “E-Juice Agreement”), the Company will grant an exclusive license to manufacture, market, and sell certain products, recipes, and promotional materials under the Wildflower brand in the State of Washington. The Company will issue 400,000 shares and pay $85,000 to its Joint Venture partner. In consideration, the Company will receive a licensing fee equal to 20% of gross sales of Wildflower branded products.

Pursuant to the terms of the E-Juice Agreement, the effective date of the Joint Venture shall be formed immediately upon the Company providing the 400,000 common shares and $85,000 in cash described in said agreement. As at December 31, 2015, the Company has advanced $Nil in cash (June 30, 2015: $Nil), and issued Nil common shares (June 30, 2015: Nil).

**7. Investment In and Loan to Suntech Energy Inc.**

By a licensing and relationship agreement dated April 23, 2008, Suntech Energy Inc. (“Suntech”) acquired the exclusive worldwide license to use, lease and sell the technology for growing and harvesting of algae to be utilized as an energy source. Pursuant to this agreement, the Company incorporated Suntech for the purposes of undertaking the business of the license. On incorporation of Suntech, the Company was issued 3,000,000 common shares of Suntech at $0.000001 per share, which approximately represents a 25% interest in the issued common shares of Suntech. Pursuant to the agreement, the Company also agreed to loan Suntech $350,000. As at June 30, 2014 $350,500 (2013: $350,500) has been advanced to Suntech. The loan is non‑interest bearing, unsecured and was to be repaid at the earlier of (a) the first business date following the day in which Suntech has received $3,000,000 from investors, (b) April 23, 2010 or (c) within fifteen days of Suntech becoming a reporting issuer. The licensors may not assign their rights to the technology without the consent of the Company until the loan is repaid. Suntech has defaulted on its loan and the Company is evaluating its options.

As a result of the above transaction, the Company considered the guidance in IAS 27 Consolidated and Separate Financial Statements (“IAS 27”) and SIC – 12 Consolidation – Special Purpose Entities (“SIC- 12’).

Under SIC – 12 Special Purpose Entity (“SPE”) has a characteristic of en entity created to accomplish a narrow and well-defined objective. Suntech was determined to be a SPE as it was created to use, lease, and sell the technology for the growing and harvesting of algae to be utilized as an energy source. Under SIC – 12, an SPE is to be consolidated when the substance of the relationship between the Company and the SPE indicates that the SPE is controlled by the Company. The Company currently owns approximately 25% of the SPE and the Company does not in substance control the SPE. Therefore the SPE has not been consolidated in these financial statements and have been accounted for under the equity method of accounting for investments.

During the year ended June 30, 2015, management considered that an impairment provision was required on the remaining balance on the loan as Suntech was currently in the development stage and there was substantial doubt of its ability to raise future financing by becoming a public company.

**8. Share Capital**

**a) Authorized**

100,000,000 common shares without par value

100,000,000 preferred shares

**b) Issued (common shares)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Number of Shares** | **Amount** | **Warrants** | **Contributed Surplus** |
| **Balance, June 30, 2014** | **30,006,770** | **$ 7,992,525** | **$ –** | **$ 183,383** |
| Shares issued for cash | 4,565,000 | 276,133 | 180,367 | – |
| Shares issued in deposit of property | 700,000 | 105,000 | – | – |
| Shares issued for services | 300,000 | 75,000 | – | – |
| Share issuance costs | – | (17,500) | – | – |
| Share-based payments | – | – | – | 634,662 |
|  |  |  |  |  |
| **Balance, June 30, 2015** | **35,571,770** | **$ 8,431,158** | **$ 180,367** | **$ 818,045** |
| Shares issued for cash | 3,287,830 | 236,607 | 149,068 | – |
| Exercise of warrants | 140,333 | 41,213 | (7,663) | – |
|  |  |  |  |  |
| **Balance, December 31, 2015** | **38,999,933** | **$ 8,708,978** | **$ 321,772** | **$ 818,045** |

**8. Share Capital (continued)**

1. **Escrow**

As at December 31, 2015, the Company’s transfer agent held 7,800,000 (June 30, 2015: 11,725,000) shares in escrow. The release of these shares is subject to regulatory approval.

**d) Subscription received and refundable**

As at December 31, 2015, the Company had received subscriptions of $Nil (June 30, 2015: $127,500). This amount relates to a private placement which was closed subsequent to period end. As at December 31, 2015, the Company subscriptions receivable of $59,600 (June 30, 2015: $Nil).

As at December 31, 2015, the Company had a subscription refundable of $7,500 (June 30, 2015: $7,500). It has not been paid back to the subscriber.

**e) Share-based payments and warrants**

Share-based payments

The Company has a stock option plan which authorizes the board of directors to grant incentive stock options to directors, officers and employees. The maximum number of shares in respect of which options may be outstanding under the Plan at any given time is equivalent to 10% of the issued and outstanding shares of the Company at that time. The exercise price of the options is determined by the market value of the shares at the closing price on the date prior to date of the grant. Unless otherwise stated, options fully vest when granted.

The following table summarizes stock option transactions:

|  |  |  |
| --- | --- | --- |
|  | **Number of**  **Options** | **Weighted Average Exercise Price**  **$** |
|  |  |  |
| Outstanding, June 30, 2014 | – | – |
| Granted | 3,500,000 | 0.20 |
|  |  |  |
| Outstanding, June 30, 2015 | 3,500,000 | 0.20 |
| Granted | 750,000 | 0.20 |
|  |  |  |
| **Outstanding, December 31, 2015** | **4,250,000** | **0.22** |
|  |  |  |
| **Exercisable, December 31, 2015** | **4,250,000** | **0.22** |

The following table summarizes the stock options outstanding at December 31, 2015:

|  |  |  |  |
| --- | --- | --- | --- |
| **Number of**  **Options Outstanding** | **Ranges of**  **Exercise Price**  **$** | **Weighted Average**  **Life to Expiry**  **In Years** | **Weighted Average**  **Exercise Price**  **$** |
|  |  |  |  |
| 2,950,000 | 0.20 | 3.60 | 0.20 |
| 450,000 | 0.20 | 4.22 | 0.20 |
| 100,000 | 0.25 | 4.33 | 0.25 |
| 750,000 | 0.20 | 4.86 | 0.20 |
|  |  |  |  |
| **4,250,000** |  | **3.91** | **0.22** |

**8. Share Capital (continued)**

**e) Share-based payments and warrants (continued)**

Share-based payments (continued)

During the period ended December 31, 2015, the Company granted a total of 750,000 (2014 – 2,950,000) stock options with an aggregate fair value of the vested options determined to be $133,365 (2014 - $390,293). Using the Black-Scholes option pricing model to estimate the fair value of stock options granted as at the date of grant, the Company determined the weighted average fair value of each option to be $0.18 (2014 - $0.13) per share. The fair values of the options were determined using the Black-Scholes option pricing model using the following assumptions:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Risk-freeinterest rate | Dividend yield | Volatility factor | Expected option life |
|  |  |  |  |  |
| December 31, 2015 | 1.03% | 0% | 225.25% | 5 years |
| December 31, 2014 | 1.46% | 0% | 312.21% | 5 years |

Share purchase warrants

The following table summarizes share purchase warrant transactions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Number of**  **Warrants** | **Weighted Average Exercise Price ($)** | **Weighted Average**  **Remaining Life**  **In Years** |
| Outstanding, June 30, 2014 | - | - | - |
| Issued | 4,565,000 | 0.15 | 1.20 |
| Balance, June 30, 2015 | 4,565,000 | 0.15 | 1.20 |
| Issued | 1,306,830 | 0.30 | 1.58 |
| Issued | 2,150,000 | 0.15 | 1.83 |
| Exercised | (140,333) | 0.24 |  |
|  |  |  |  |
| **Balance, December 31, 2015** | **7,881,497** | **0.17** | **1.43** |

The following table summarizes the share warrants outstanding and exercisable at December 31, 2015:

|  |  |  |
| --- | --- | --- |
| **Number of**  **Warrants Outstanding and Exercisable** | **Exercise Price**  **$** | **Weighted Average**  **Life to Expiry**  **In Years** |
| 1,118,000 | 0.15 | 1.14 |
| 3,390,000 | 0.15 | 1.21 |
| 753,498 | 0.30 | 1.52 |
| 469,999 | 0.30 | 1.68 |
| 2,150,000 | 0.15 | 1.83 |
| 7,881,497 |  | 1.43 |

**9. Related Party Transactions**

The Company incurred the following charges from directors and former directors of the Company, companies controlled by directors of the Company or companies with common directors for management and consulting fees and directors fees:

|  |  |  |
| --- | --- | --- |
|  | Six months ended  December 31, | |
|  | **2015** | 2014 |
| William MacLean (CEO) | **$ 60,000** | $ 60,000 |
| Nash Meghji (director, former CEO) | **$ 6,000** | $ 6,000 |
| Stephen Pearce (CFO, director) | **$ 12,000** | $ 12,000 |
| Donna Baillie (director) | **$ 6,000** | $ 6,000 |
|  | **$ 84,000** | $ 84,000 |

The Company had the following amounts due from directors and former directors of the Company, companies controlled by directors of the Company or companies with common directors for prepaid rent and expenses:

|  |  |  |
| --- | --- | --- |
|  | **Six months ended December 31, 2015** | Year ended  June 30, 2015 |
| Flying A Petroleum Ltd. | **$ (6,720)** | $ (6,720) |
|  | **$ (6,720)** | $ (6,720) |

The Company had the following amounts due to directors and former directors of the Company, companies controlled by directors of the Company or companies with common directors:

|  |  |  |
| --- | --- | --- |
|  | **Six months ended December 31, 2015** | Year ended  June 30, 2015 |
| William MacLean (CEO) | **$ 28,500** | $ 26,000 |
| Stephen Pearce (CFO, director) | **$ 13,939** | $ 983 |
| Nash Meghji (director, former CEO) | **$ 18,000** | $ 12,000 |
| Donna Baillie (director) | **$ 18,000** | $ 12,000 |
|  | **$ 78,439** | $ 50,983 |

During the six months ended December 31, 2015, Nil stock options (2014: 2,000,000) were granted to directors and officers, with a fair value of $Nil (2014: $379,819).

Related party charges are measured by the exchange amount, which is the amount agreed upon by the transacting party. Amounts from and due to related parties are unsecured, non-interest bearing with no fixed terms of repayment, accordingly fair value cannot be readily determined.

**10. Marketable Securities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **December 31, 2015** | | June 30, 2015 | |
|  | **Number of Shares** | **Amount** | Number of Shares | Amount |
|  |  |  |  |  |
| BTU Capital Corp | **70,000** | **$ 2,800** | 70,000 | $ 2,800 |
|  |  | **$ 2,800** |  | $ 2,800 |

The Company classified its marketable securities as available for sale. The original cost of the shares was $2,800. As at December 31, 2015, these marketable securities were recorded at a fair value of $2,800 (June 30, 2015: $2,800).

On August 13, 2014, the Company entered into a loan agreement with Metalstorm Resources Corp (“Metalstorm”).The Company would receive 100,000 shares of Metalstorm as bonus. However, the shares had not been transferred to the Company as at December 31, 2015.

On August 21, 2014, the Company entered into a loan agreement with BTU Capital Corp (“BTU”). The Company received 70,000 shares of BTU as bonus. It was initially valued at $0.04 per share for a total of $2,800, which was the same value as at the period ended December 31, 2015.

**11. Management of Capital**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and to maintain a flexible capital structure which optimizes the costs of capital under acceptable risks.

In the management of capital, the Company includes the components of shareholders’ equity and short- term liabilities, as well as cash and cash equivalents and investments.

The Company manages the 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 capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company is not subject to any capital requirements imposed by a regulator. The Company does not pay out dividends. The Company’s investment policy is to invest its cash in highly liquid short-term interest bearing investments, with maturities 90 days or less from the original date of acquisition.

**12. Financial Instruments**

1. **Fair value measurements**

IFRS 7 - Financial Instruments: Disclosures (“IFRS 7”), establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either direct (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**12. Financial Instruments (continued)**

The fair value of cash and cash equivalents and marketable securities are determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. Interest receivable, and accounts payable and accrued liabilities are measured using Level 3 inputs. As at December 31, 2015, the Company believes that the carrying values of taxes receivable, interest receivable, and accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its commercial obligations. The Company’s cash is held primarily through large Canadian financial institutions. Short-term investments consist of Guaranteed Investment Certificates, which have an original maturity of 90 days or less from the date of purchase and are readily convertible into a known amount of cash.

Liquidity risk

The Company manages liquidity risk by attempting to maintain sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. The Company has adequate working capital to discharge its existing financial obligations.

Market risk

*Interest rate risk*

The company has guaranteed investment certificates with guaranteed interest rates. Interest rate risk is minimal.

*Foreign currency risk*

The Company’s functional currency is the Canadian dollar. There is a low foreign exchange risk to the Company, as the Company primarily operates in Canada.

*Price risk*

The Company’s financial assets and liabilities are not exposed to price risk with respect to commodity prices.