# GROWPROS CANNABIS VENTURES INC.

# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Periods ended November 30, 2015 and 2014

# Management's Responsibility for the consolidated financial statements

The accompanying financial statements of Grow Pros Cannabis Ventures Inc. (the "Company") are the responsibility of management and the Board of Directors.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Ryan Brown
Chief Executive Officer

(signed)
Sabino Di Paola
Chief Financial Officer

Ottawa, Canada
March 25, 2016

**McGovern, Hurley, Cunningham, LLP**
Chartered Accountants

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of GrowPros Cannabis Ventures Inc.:

We have audited the accompanying consolidated financial statements of GrowPros Cannabis Ventures Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at November 30, 2015 and 2014, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the periods ended November 30, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the consolidated Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GrowPros Cannabis Ventures Inc. and its subsidiaries as at November 30, 2015 and 2014, and their financial performance and cash flows for the periods ended November 30, 2015 and 2014 in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that the Company had continuing losses during the year ended November 30, 2015 and a cumulative deficit as at November 30, 2015. These conditions along with other matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 25, 2016

**GrowPros Cannabis Ventures Inc.**
Consolidated Statements of Financial Position
*(Expressed in Canadian dollars)*

| As at | **November 30, 2015** | November 30, 2014 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| Current assets | | |
| Cash | **20,125** | 35,642 |
| Accounts receivable (notes 6 & 15) | **5,106** | 9,396 |
| Prepaid expenses (note 7) | **833** | 17,215 |
| Total current assets | **26,064** | 62,253 |
| Non-current assets | | |
| Deferred building costs (note 8) | **13,899** | 12,924 |
| Deposit on land (note 9) | **-** | 15,000 |
| Total assets | **39,963** | 90,177 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **270,183** | 93,529 |
| Loan payable (note 10) | **-** | 5,017 |
| Total current liabilities | **270,183** | 98,546 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | |
| Share capital (note 11) | **602,881** | 317,334 |
| Warrants (note 12) | **8,990** | 38,145 |
| Contributed surplus | **116,537** | - |
| Accumulated deficit | **(958,628)** | (363,848) |
| Total shareholders' equity (deficiency) | **(230,220)** | (8,369) |
| Total liabilities and shareholders' equity (deficiency) | **39,963** | 90,177 |

Commitments and contingencies (note 24)
Events after the reporting period (note 25)
Going concern (note 2)

Approved on behalf of the Board of Directors

**GrowPros Cannabis Ventures Inc.**
Consolidated Statements of Loss and Comprehensive Loss
*(Expressed in Canadian dollars)*

| | **For the Year ended November 30, 2015** | From the date of incoporation (March 12, 2014) to November 30, 2014 |
|---|---|---|
| | **$** | $ |
| Operating expenses | | |
| Management fees (note 19) | **99,027** | 68,775 |
| Travel and promotion expense | **109,707** | 34,434 |
| Professional fees | **156,824** | 50,744 |
| Exchange and regulatory fees | **42,890** | - |
| Stock based compensation (note 13) | **73,200** | 100 |
| Listing expense (note 14) | **116,961** | - |
| Impairment of land (note 9) | **15,000** | - |
| Land lease payments (note 9) | **6,000** | - |
| General and administrative expense | **29,062** | 209,733 |
| | **648,671** | 363,786 |
| Other income | | |
| Interest and other (income)/loss | **(4,126)** | 62 |
| Assigment of letters of intent (note 15) | **(50,000)** | - |
| Foreign exchange loss | **235** | - |
| | **(53,891)** | 62 |
| Net loss and total comprehensive loss | **594,780** | 363,848 |
| | | |
| Basic and diluted loss per common share (note 16) | **(0.01)** | (0.02) |
| Basic and diluted weighted average number of common shares outstanding | **55,466,812** | 19,080,027 |

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

**GrowPros Cannabis Ventures Inc.**
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
*(Expressed in Canadian dollars)*

| | Share Capital | | Warrants | Contributed Surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|
| | # of shares | $ | $ | $ | $ | $ |
| **Balance, March 12, 2014** | **-** | **-** | **-** | **-** | **-** | **-** |
| Shares issued on incorporation | 100 | 1 | - | - | - | 1 |
| Shares and warrants issued for cash | 8,000,000 | 161,855 | 38,145 | - | - | 200,000 |
| Share issue costs | - | (2,224) | - | - | - | (2,224) |
| Shares issued for consulting services | 1,000,000 | 100 | - | - | - | 100 |
| Shares issued for settlement of payables | 6,000,000 | 150,000 | - | - | - | 150,000 |
| Shares issued for exercised warrants | 300,000 | 9,977 | (2,477) | | | 7,500 |
| Issuance of broker warrants | - | (2,477) | 2,477 | - | - | - |
| Issuance of stock options | - | - | - | 100 | - | 100 |
| Exercise of stock options | 10,000,000 | 102 | - | (100) | - | 2 |
| Transactions with owners | 25,300,100 | 317,334 | 38,145 | - | - | 355,479 |
| Net loss | - | - | - | - | (363,848) | (363,848) |
| **Balance, November 30, 2014** | **25,300,100** | **317,334** | **38,145** | **-** | **(363,848)** | **(8,369)** |
| Shares issued for acquisition of Mazorro Resources Inc. | 32,770,387 | 285,547 | - | - | - | 285,547 |
| Options issued for acquisition of Mazorro Resources Inc. | - | - | - | 616 | - | 616 |
| Agent options issued for acquisition of Mazorro Resources Inc. | - | - | - | 1,395 | | 1,395 |
| Warrants issued for acquisition of Mazorro Resources Inc. | - | - | 12,171 | - | - | 12,171 |
| Expiry of warrants | - | - | (41,326) | 41,326 | - | - |
| Issuance of stock options | - | - | | 73,200 | - | 73,200 |
| Transactions with owners | 32,770,387 | 285,547 | (29,155) | 116,537 | - | 372,929 |
| Net loss | - | - | - | - | (594,780) | (594,780) |
| **Balance, November 30, 2015** | **58,070,487** | **602,881** | **8,990** | **116,537** | **(958,628)** | **(230,220)** |

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

**GrowPros Cannabis Ventures Inc.**
Consolidated Statements of Cash Flows
(*Expressed in Canadian dollars)*

| | **For the year ended November 30, 2015** | From the date of incorporation (March 12, 2014) to November 30, 2014 |
|---|---|---|
| | **$** | $ |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | **(594,780)** | (363,848) |
| Adjustments for: | | |
| Stock based compensation | **73,200** | 100 |
| Consulting fees settled with common shares | **-** | 150,100 |
| Finance costs | **380** | 62 |
| Listing expense | **116,961** | - |
| Impairment of land | **15,000** | - |
| Changes in working capital items (note 18) | **172,517** | 66,918 |
| **Net cash (used in) operating activities** | **(216,722)** | (146,668) |
| **INVESTING ACTIVITIES** | | |
| Cash realized on acqusition of subsidiaries | **207,577** | - |
| Elimination of the loan from Mazorro Resources Inc. upon consolidation | **(5,017)** | - |
| Capitalized building costs | **(975)** | (12,924) |
| Deposit on land | **-** | (15,000) |
| **Net cash provided by (used in) investing activities** | **201,585** | (27,924) |
| **FINANCING ACTIVITIES** | | |
| Finance costs | **(380)** | (45) |
| Common shares and warrants issued | **-** | 207,503 |
| Proceeds from loan | **-** | 30,000 |
| Repayment of loan | **-** | (25,000) |
| Share issue costs | **-** | (2,224) |
| **Net cash (used in) provided by financing activities** | **(380)** | 210,234 |
| (Decrease) Increase in cash | **(15,517)** | 35,642 |
| Cash, beginning of the period | **35,642** | - |
| **Cash, end of the period** | **20,125** | 35,642 |

*Supplemental cash flow information is provided in Note 18*

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

## 1. Nature of operations

GrowPros Cannabis Ventures Inc. ("GrowPros" or the "Company"), was incorporated under the name Mazorro Resources Inc. (“Mazorro”) under the Canada Business Corporations Act on May 17, 2007. On December 29, 2014, GrowPros MMP Inc. (“GrowPros MMP”) completed an amalgamation agreement with Mazorro and 9048073 Canada Inc., a newly-incorporated subsidiary of Mazorro, in order to effect the November 1, 2014 definitive agreement. Legally, Mazorro is the parent of GrowPros MMP; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of GrowPros MMP, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been accounted for as an acquisition of Mazorro by GrowPros MMP under IFRS 2 Share Based Payment and therefore the financial statements have been prepared as a continuation of GrowPros MMP.

As part of the amalgamation agreement Mazorro changed its name to GrowPros Cannabis Venture Inc. The Company’s common shares are listed for trading on the Canadian Securities Exchange (“CSE”’) under the symbol “GCI”.

The principal business of the Company is that of a medical marijuana consultation and acquisition firm that is pursuing a license as a producer of medical marijuana in Canada pursuant to Health Canada’s Marijuana for Medical Purposes Regulations (“MMPR”). The Company’s head office is located at 99-5460 Canotek Road, Ottawa, Ontario, K1J 9G9. GrowPros is not a licensed producer under the MMPR and is in the early stages of the application review process to obtain a licence to produce and supply medical marijuana under MMPR from Health Canada. GrowPros’ ability to grow, store and sell medical marijuana in Canada is dependent on obtaining a licence from Health Canada and there can be no assurance that GrowPros will obtain such a license.

## 2. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has not yet determined whether it will be awarded a license to produce medical marijuana from the Canadian Government and has not generated any operating revenues or positive cash flows from its operations from inception to date. The Company has a deficit of $958,628 as at November 30, 2015 (November 30, 2014 - $363,848).

As at November 30, 2015, the Company had a working capital deficit of $244,119 (November 30, 2014 - $36,293), including $20,125 (November 30, 2014 - $35,642) in cash and current liabilities totalling $270,183 (November 30, 2014 - $98,546). The Company must secure additional financing to be able to fund its ongoing working capital requirements and to continue its process for application to obtain a license to produce medical marijuana. Management is evaluating various alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful. Therefore due to the losses incurred and insufficient working capital, there remains significant doubt regarding the Company’s ability to continue as a going concern.

The carrying amount of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

On July 16, 2015, the Company sold a letter of intent (“LOI”) to a private company for gross proceeds of $250,000 and 1,000,000 stock options (refer to notes 5, 6 & 15). As at November 30, 2015, $50,000 has been received.

(Expressed in Canadian Dollars)

## 3. Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on March 25, 2016.

## 4. Significant accounting policies

*(a) Basis of presentation and measurement*

These consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the statements of loss and comprehensive loss are presented by nature.

*(b) Functional currency*

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Management has determined the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment. The parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

*(c) Basis of consolidation*

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. GrowPros Cannabis Ventures Inc. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

An associate is an entity in which the Company or its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at November 30, 2015, and November 30, 2014, the Company did not have any associates.

The subsidiaries of the Company at November 30, 2015, and their principal activities are described below:

| Name of subsidiary | Place of incorporation | Ownership interest | Principal activity |
|---|---|---|---|
| Grow Pros MMP Inc. | Canada | 100% | Medical Marijuana |
| Minera Mazorro, S. de R.L. de C.V. | Mexico | 100% | Inactive |

## 4. Significant accounting policies (continued)

*(d) Impairment of long-lived assets*

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

*(e) Financial Instruments*

Financial instruments are defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets of the Company are classified into the following categories at their initial recognition:

- loans and receivables;
- available for sale investments;
- fair value though profit or loss.

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets, recognition and derecognition occurs using trade date accounting.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and accounts receivable, except sales tax, fall into this category of financial instruments.

<u>Available-for-sale financial assets</u>
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not have any assets designated as available for sale.

Available-for-sale financial assets are measured at fair value. Net change in fair value is recognized in other comprehensive income and reported within the accumulated other comprehensive income reserve within equity. When the asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a gain (loss) on sale of marketable securities, if applicable, and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

## 4. Significant accounting policies (continued)

*(e) Financial Instruments (continued)*

Financial liabilities at amortized cost
The Company's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit and loss, if applicable.

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

Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

Impairment of financial assets
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 negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are 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 profit or loss.

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 profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*(f) Impairment of non-financial assets*

The Company assesses non-financial assets including property and equipment for impairment when facts and circumstances suggest that the carrying amount of the assets are impaired. An impairment review is undertaken when indicators of impairment arise.

Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (Cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

## 4. Significant accounting policies (continued)

### *(g) Provisions and contingent liabilities*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions or contingent liabilities as at November 30, 2015 and November 30, 2014.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

### *(h) Equity*

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Share capital*
Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus and warrants. In addition, if shares are issued as consideration for the services provided or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

*Unit placements*
Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method. The Company uses the Black-Scholes pricing model to estimate the fair value of warrants issued.

*Warrants*
Warrants include charges related to the issuance of warrants until the warrants are exercised or expired. Amounts related to exercised warrants are moved to share capital while amounts related to expired warrants are moved to contributed surplus.

## 4. Significant accounting policies (continued)

*(h) Equity (continued)*

<u>*Share based payments*</u>
Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the estimated fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised or expired. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

*(i) Income taxes*

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

Current income tax assets and/or liabilities are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**4. Significant accounting policies (continued)**

*(i) Income taxes (continued)*

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

*(j) Segmented reporting*

The Company presents and discloses segmented information based on information that is regularly reviewed by the Company's CEO who is the chief operating decision-maker. The CEO has primary responsibility for allocating resources to the Company's operating segments and assessing their performance. The Company is currently in the development stage and has determined that there is only one operating segment being the sector of medical marijuana. The Company does not yet have a production licence. All of the Company's operations and material assets are in Canada.

*(k) Basic and diluted loss per share*

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive, by reducing the loss per share.

*(l) Standards, amendments and interpretations not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of each pronouncement and has not yet determined the impact of these new standards and amendments on its financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company’s consolidated financial statements.

**IAS 1 – Presentation of Financial Statements**
IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

**4. Significant accounting policies (continued)**

*(l) Standards, amendments and interpretations not yet effective (continued)*

**IAS 16 Property, Plant and Equipment and IAS 41 Agriculture**
Amendments to these standards means that IAS 16 rather than IAS 41 will include bearer plants within its scope, allowing such assets to be accounted for as property, plant and equipment and measured upon initial recognition on a cost or revaluation basis in accordance with IAS 16. IAS 16 will introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, and is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Produce growing on bearer plants remains within the scope of IAS 41. The amendments to IAS 16 and IAS 41 are effective for annual periods beginning on or after January 1, 2016.

**IFRS 15 Revenue from Contracts with Customers**
IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the Performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is in effect for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

**IFRS 9 Financial Instruments**
IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any changes in its fair value due to changes in the entities own credit risk in other comprehensive income, rather than within profit and loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is in effect for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

**5. Critical accounting estimates and judgements**

The preparation of these consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

## 5. Critical accounting estimates and judgements (continued)

Significant management judgments

Estimates

- The estimated useful lives and residual value of deferred building costs relating to the construction of the Company's building and its material components.

- The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

- Determining whether facts and circumstances suggest that the carrying amount of deferred building costs may exceed their recoverable amount. Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

- When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash generating units must be estimated.

- Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgments. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

- The collectability of accounts receivable. At November 30, 2015, management assessed that the collectability of $200,000 receivable from the sale of LOI's was uncertain due to the purchasing company being unable to complete a listing on stock exchange. As a result $200,000 of proceeds were not recorded from the sale. Should the purchasing company be able to complete its listing and make the $200,000 payment to GrowPros the proceeds will be recognized in the period that the payment is received by the Company.

Judgements

- The assessment of the Company's ability to execute its strategy by funding future working capital requirements. Further information regarding going concern is outlined in note 2.

- By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

(Expressed in Canadian Dollars)

## 6. Accounts receivable

| | **November 30, 2015 $** | November 30, 2014 $ |
|---|---|---|
| Sales tax receivable | **5,106** | 9,396 |

On April 9, 2015, the Company entered into a loan agreement with Export Hydro and made advances of $17,500 to Export Hydro. The advances carried an annual interest rate of prime lending rate plus 1% and were payable on demand. On September 25, 2015, Export Hydro repaid the advances and accrued interest in full. During the year ended November 30, 2015, the loan had accrued $341 of interest income recorded in the consolidated statements of comprehensive loss (2014 - $Nil).

On July 16, 2015, the Company transferred its LOI with 0971224 B.C. Ltd. (a Canadian private company) and Export Hydro (a private Hong Kong based company) to Cannabis Accelerators Limited (“CAL”) for $250,000 (note 15). The $250,000 is payable in two tranches with $50,000 payable on September 15, 2015 (received) and $250,000 payable on December 15, 2015. During the year management assessed that the collectability of $200,000 receivable from the sale of LOI’s was uncertain and as a result of this uncertainty no proceeds were recorded for the $200,000 payment (note 5).

## 7. Prepaid expenses

| | **November 30, 2015 $** | November 30, 2014 $ |
|---|---|---|
| Prepaid expenditures | **833** | 8,465 |
| Prepaid promotion | **-** | 8,750 |
| Total | **833** | 17,215 |

## 8. Deferred building costs

| | **November 30, 2015 $** | November 30, 2014 $ |
|---|---|---|
| Deferred building costs | **13,899** | 12,924 |

As at November 30, 2015, the Company had deferred $13,899 (November 30, 2014 - $12,924) of building costs for the design of the future production facility. These costs have been capitalized and will be depreciated once the building is completed and ready for its intended use. The building is expected to be completed in conjunction with the Company being granted a Health Canada License to produce medical marijuana.

## 9. Deposit on land

| | **November 30, 2015 $** | November 30, 2014 $ |
|---|---|---|
| Deposit on land | **-** | 15,000 |

During the period ended November 30, 2014, the Company had made land deposit payments totaling $15,000 relating to a purchase agreement for a total of $180,000 to acquire land in the municipality of Low, Quebec for construction of a production facility. As part of the agreement, the Company provided a $15,000 non-refundable deposit and had until March 15, 2015 to make the remaining payment of $165,000.

(Expressed in Canadian Dollars)

**9. Deposit on land (continued)**

On August 31, 2015, the Company assessed that under Quebec Agricultural Law it would not be able to directly own the land in Low. As a result it has recognized an impairment of land the deposit of $15,000 (2014 - $Nil) on the consolidated statements of loss comprehensive loss for the year ended November 30, 2015.

On September 28, 2015, the Company entered into a nine month lease agreement for the land. Under the terms of the agreement, the Company would make a one-time payment of $5,000 and monthly payments of $1,000. The lease terminates on June 1, 2016. The Company is planning on entering a long term lease agreement once it has received updates on the status of its application from Health Canada.

During the year ended November 30, 2015, the Company made land lease payment of $6,000 (2014 - $Nil).

**10. Loan payable**

| | **November 30, 2015** | November 30, 2014 |
|---|---|---|
| | **$** | $ |
| Unsecured non-convertible loan with Mazorro | **-** | 5,000 |
| Interest payable to Mazorro | **-** | 17 |
| Total | **-** | 5,017 |

GrowPros MMP entered into a definitive agreement dated November 1, 2014, with respect to a transaction with Mazorro.

In connection with the transaction, the Company entered into a draw down loan agreement with Mazorro for aggregate amount of $80,000. The loan matured on November 1, 2015, and carried simple interest at a rate of 10% per annum. As at November 30, 2014, the Company had drawn down $5,000 and the loan had accrued interest of $17.

Pursuant to the amalgamation agreement which was completed on December 29, 2014, between Mazorro and GrowPros MMP as described in note 14, the loan balance and interest payable commencing December 29, 2014, became an intercompany balance and was eliminated on consolidation.

**11. Share capital**

Authorized: the authorized share capital consists of an unlimited number of each of the following classes of shares: Class A Common shares, Class B Common shares, Class C Common shares, Class A Special shares, Class B Special shares, Class C Special shares, Class D Special shares and Class E Special shares, each with no par value.

Currently, there are only Class A Common shares issued and outstanding (the “common shares”).

<u>2015 Fiscal year issuances</u>

In December 2014, the Company issued 32,770,387 common shares with an assigned value of $0.02 per share to the former shareholders of Mazorro based on the fair value of the Grow Pros MMP last financing prior to the transaction described in note 14, under the terms of the amalgamation agreement for total deemed consideration of $ 285,547. The Company also issued 7,463,000 warrants, 1,225,000 stock options, and 501,300 compensation options as part of the purchase of Mazorro.

(Expressed in Canadian Dollars)

## 11. Share capital (continued)

2014 Fiscal year issuances

The Company issued 100 common shares on its formation on March 12, 2014, for cash consideration of $1.

On March 31, 2014, the Company issued 1,000,000 common shares to advisors of the Company under a finders' fee agreement for their assistance in helping the Company secure key personnel. The shares had an estimated fair value of $100.

On April 22, 2014, the Company completed a non-brokered private placement of 8,000,000 units at a price of $0.025 per unit for gross proceeds of $200,000. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.05 until October 22, 2015. The Company paid cash finders' fees of $2,224 in association with the placement. 300,000 finders' fee warrants were issued in connection with the placement. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.025 until October 22, 2015.

On August 29, 2014, the Company settled $150,000 of accounts payable to various creditors with the issuance of 6,000,000 common shares. The shares had an estimated fair value of $0.025 per share.

On November 18, 2014, the 300,000 finders' fee warrants in connection with the April 22, 2014, private placement were exercised for gross proceeds of $7,500.

During the period, the Company issued 10,000,000 common shares to officers of the Company upon the exercise their stock options for gross proceeds of $2.

## 12. Warrants

The following table reflects the continuity of warrants:

| | Number of warrants | Grant date fair value | Weighted average exercise price |
|---|---|---|---|
| | | $ | $ |
| **Outstanding, March 12, 2014** | **-** | **-** | **0.00** |
| Issued | 8,000,000 | 38,145 | 0.05 |
| Issued | 300,000 | 7,500 | 0.025 |
| Exercised | (300,000) | (7,500) | 0.025 |
| **Outstanding, November 30, 2014** | **8,000,000** | **38,145** | **0.05** |
| Issued to acquire Mazorro | 2,450,000 | 3,995 | 0.20 |
| Issued to acquire Mazorro | 5,013,000 | 8,176 | 0.15 |
| Expired | (8,000,000) | (38,145) | 0.05 |
| Expired | (1,950,000) | (3,181) | 0.20 |
| **Outstanding, November 30, 2015** | **5,513,000** | **8,990** | **0.15** |

(Expressed in Canadian Dollars)

**12. Warrants (continued)**

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

| Number of warrants | Grant date fair value | Exercise price | Expiry date |
|---|---|---|---|
| | $ | $ | |
| 500,000 | 815 | 0.20 | December 12, 2015 |
| 5,013,000 | 8,175 | 0.15 | September 29, 2016 |
| **5,513,000** | **8,990** | | |

Subsequent to November 30, 2015, 500,000 stock options expired on December 12, 2015 with an exercise price of $0.20.

The weighted average fair value of each warrant issued during the year ended November 30, 2015, of approximately $0.000787 is estimated using the Black-Scholes option pricing model with the following weighted average assumption:

| | 2015 | 2014 |
|---|---|---|
| Average share price at date of grant | $0.02 | $0.025 |
| Expected dividend yield | 0.00% | 0.00% |
| Expected share price volatility | 100% | 100% |
| Risk-free interest rate | 1.09% | 1.25% |
| Expected life of warrants | 1.77 years | 1.5 years |
| Average exercise price at date of grant | $0.17 | $0.049 |
| Number of warrants issued | 7,463,000 | 8,000,000 |
| Black-Scholes value | $12,171 | $38,145 |

In October 2015, a total of 9,950,000 warrants expired unexercised. The warrants had a weighted average exercise price of $0.08.

**13. Stock options**

The following table shows the continuity of options:

| | Number of options | Amount | Weighted average exercise price |
|---|---|---|---|
| | | $ | $ |
| **Outstanding, March 12, 2014** | **-** | **-** | **0.00** |
| Granted | 10,000,000 | 100 | 0.00 |
| Exercised | (10,000,000) | (100) | 0.00 |
| **Outstanding, November 30, 2014** | **-** | **-** | **0.00** |
| Granted to acquire Mazorro | 125,000 | 63 | 0.20 |
| Granted to acquire Mazorro | 125,000 | 63 | 0.20 |
| Granted to acquire Mazorro | 750,000 | 377 | 0.32 |
| Granted to acquire Mazorro | 225,000 | 113 | 0.32 |
| Granted | 3,800,000 | 73,200 | 0.05 |
| Expired | (375,000) | (189) | 0.28 |
| **Outstanding, November 30, 2015** | **4,650,000** | **73,627** | **0.10** |

(Expressed in Canadian Dollars)

## 13. Stock options (continued)

The Company also has 501,300 compensation options outstanding. Refer to the section on the compensation options for more details.

The weighted average life of options as at November 30, 2015 was 1.64 years (2014 – nil).

| Number of options | Number of options vested | Grant date fair value | Exercise price | Expiry date |
|---|---|---|---|---|
| | | $ | $ | |
| 3,800,000 | 3,800,000 | 73,200 | 0.05 | November 5, 2017 |
| 500,000 | 500,000 | 251 | 0.32 | January 4, 2016 |
| 225,000 | 225,000 | 113 | 0.32 | October 28, 2016 |
| 125,000 | 125,000 | 63 | 0.20 | January 1, 2016 |
| **4,650,000** | **4,650,000** | **73,627** | | |

Subsequent to November 30, 2015, 625,000 stock options expired in January 2016 with a weighted average exercise price of $0.30.

<u>2015 stock option activity</u>

In December 2014, the Company issued 1,225,000 stock options valued at $0.0005 per option using the Black-Scholes option pricing model, to the former option holders of Mazorro under the terms of the amalgamation agreement for total deemed consideration of $ 616. Refer to note 14 for more information.

On November 5, 2015, the Company issued 3,800,000 stock options to directors, officers and consultants of the company. The options vested immediately and are exercisable at $0.05 until November 5, 2017. The stock options have a Black-Scholes option pricing value of $73,200 and have been recorded in the consolidated statement of loss and comprehensive loss.

The fair values of options granted during the year ended November 30, 2015 were estimated using the Black-Scholes option pricing model with the following weighted average assumption:

| | December 2014 | November 2015 |
|---|---|---|
| Average share price at date of grant | $0.02 | $0.03 |
| Expected dividend yield | 0.00% | 0.00% |
| Expected share price volatility | 100% | 152% |
| Risk-free interest rate | 1.09% | 0.63% |
| Expected life of options | 1.58 years | 2.00 years |
| Average exercise price at date of grant | $0.30 | $0.05 |
| Stock options granted | 1,225,000 | 3,800,000 |
| Black-Scholes value | $616 | $73,200 |

During the year ended November 30, 2015, 375,000 stock options issued to a former director and officer of the Company had expired. The options had a weighted average exercise price of $0.28.

<u>2014 stock option activity</u>

During the period ended November 30, 2014, the Company expensed $100 in share based payments.

(Expressed in Canadian Dollars)

## 13. Stock options (continued)

On March 31, 2014, officers of the Company were granted 10,000,000 stock options as part of their compensation. The stock options entitled them to acquire up to 10,000,000 common shares in the capital of the Company for a total exercise price and consideration of $2. The initial grant vested immediately and the stock options were exercised on the same day.

The weighted average fair value of each option granted during the period ended November 30, 2014 of $nil is estimated using the Black-Scholes option pricing model with the following weighted average assumption:

| | March 2014 |
|---|---|
| Average share price at date of grant | $0.00 |
| Expected dividend yield | 0.00% |
| Expected share price volatility | 100% |
| Risk-free interest rate | 1.25% |
| Expected life of options | 6 months |
| Average exercise price at date of grant | $0.00 |

Amounts recorded in share based payment reserve in shareholders' equity relate to the grant date fair value of stock options.

Compensation options

The Company provided 501,300 compensation options in connection with the acquisition of Mazorro (note 14). These compensation options are exercisable for one common share and one common share purchase warrant at $0.10 per share on or before September 29, 2016. The underlying warrants have an exercise price of $0.10 and expire on September 29, 2016. These compensation options were recorded at a value of $1,395 (per option fair value of $0.0028) which was estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of compensation options are as follows: dividend yield of nil, expected volatility 100%, risk-free interest rate of 1.09% and an expected life of the options of 21 months. The weighted average market price of the Company's common shares at the time of issue was $0.02.

## 14. Acquisition of Mazorro

On December 29, 2014, GrowPros MMP through an amalgamation agreement acquired the shares of Mazorro Resources Inc., a public company under the laws of Canada from its shareholders, through the issuance of 32,770,387 common shares, 1,225,000 stock options, 501,300 agent options and 7,463,000 warrants. Mazorro Resources Inc. owned 100% of Minera Mazorro, S. de R.L. de C.V., a private corporation registered under the laws of Mexico.

Legally, Mazorro is the parent of GrowPros MMP; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of GrowPros MMP., which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been accounted for under IFRS 2 Share Based Payment and therefore the financial statements have been prepared as a continuation of GrowPros MMP Inc. Consequently, through the period ended December 29, 2014, the consolidated statements of loss and comprehensive loss and the consolidated statements of cash flows relate only to GrowPros MMP., the acquirer. Subsequent to December 29, 2014, the net assets of GrowPros MMP are included in the consolidated statement of financial position at their carrying values, and the acquisition of Mazorro is accounted for by the acquisition method, with the net assets of Mazorro recorded at their estimated fair values.

(Expressed in Canadian Dollars)

## 14. Acquisition of Mazorro (continued)

A summary of the transaction is presented below:

| Consideration paid | Deemed value ($) |
|---|---|
| 32,770,387 Common shares (note 11) | 285,547 |
| 7,463,000 Warrants (note 12) | 12,171 |
| 1,225,000 Stock Options (note 13) | 616 |
| 501,300 Agent options (note 13) | 1,395 |
| **Total considerations paid** | **299,729** |

| Net assets acquired | $ |
|---|---|
| Cash | 207,577 |
| Accounts receivable | 34,737 |
| Prepaid expenses | 61,250 |
| Accounts payable | (120,796) |
| **Total net assets acquired** | **182,768** |

The Company has accounted for the transaction as an asset acquisition under the scope of IFRS 2, Share Based Payments. Consideration consisted entirely of shares, options and warrants of the Company which were measured at the fair value of the GrowPros MMP's shares issued to existing GrowPros MMP shareholders at the fair market value of the GrowPros MMP's shares at the date of the acquisition. The recognition of a listing expense as part of the acquisition of a public company is determined as the proceeds paid by the Company less the net assets acquired by the Company as a result of the takeover. The Company recognized a listing expense of $116,961 in the statement of loss and comprehensive loss for the year ended November 30, 2015.

## 15. Assignment of letter of intent

On March 5, 2015, and April 2, 2015, GrowPros entered into letters of intent ("LOI") with Export Hydro (a private Hong Kong based company) and 0971224 B.C. Ltd (a Canadian private company), manufacturers and exporters of indoor gardening equipment based in Hong Kong and Canada respectively.

Pursuant to the letters of intent, GrowPros may acquire 100% of the outstanding shares of Export Hydro for USD$1,000,000 (CND $1,335,300) and 100% of the outstanding shares of 0971224 B.C. Ltd. for $1,250,000 plus the value of inventory, fixed assets and accounts receivable, to be determined on closing.

On July 16, 2015, the Company transferred the letters of intent with 0971224 B.C. Ltd. and Export Hydro to Cannabis Accelerators Ltd. ("CAL") for $250,000 and 1,000,000 compensation options to purchase shares of CAL at an exercise price of $0.20 per option. The $250,000 is payable in two tranches with $50,000 payable on September 15, 2015 (received) and $200,000 payable on December 15, 2015. As at November 30, 2015, the Company has not yet received the stock options. During the year ended November 30, 2015, management assessed that the collectability of $200,000 receivable from the sale of LOI's was uncertain and as a result of this uncertainty the $200,000 payment and these options have not been reflected in these financial statements (notes 5 and 6).

## 16. Loss per common share

Diluted loss per share did not include the effect of 4,650,000 stock options (2014 – Nil), 501,300 agent options (2014 – Nil) and 5,513,000 warrants (2014 – 8,000,000) outstanding at November 30, 2015, as they are anti-dilutive.

(Expressed in Canadian Dollars)

## 17. Income taxes

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian Federal and Provincial statutory rate of 26.5% (2014 – 26.5%) were as follows:

| | November 30, 2015 | November 30, 2014 |
|---|---|---|
| | $ | $ |
| Net loss before income tax | (594,780) | (363,848) |
| Combined federal and provincial income tax rate | 26.50% | 26.50% |
| Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada | (158,000) | (96,000) |
| Adjustments for the following items: | | |
| Stock-based compensation | 19,000 | - |
| Other | (3,000) | - |
| Expenses not deductible for tax purposes | 32,000 | - |
| Changes in temporary differences not recorded | (1,342,000) | 1,000 |
| Changes in unrecognized tax assets | 1,452,000 | 95,000 |
| Deferred income tax recovery | - | - |

b) Deferred income tax

| | November 30, 2015 | November 30, 2014 |
|---|---|---|
| | $ | $ |
| Unrecognized deferred tax assets | | |
| Non-capital loss carry-forward | 3,497,000 | 353,000 |
| Share issue costs | 48,000 | - |
| Mineral property costs | 2,281,000 | - |
| Other temporary differences | 3,000 | - |
| Deferred income tax recovery | 5,829,000 | 353,000 |

The tax losses expire from 2027 to 2035. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the Company can use the benefit.

(Expressed in Canadian Dollars)

## 17. Income taxes (continued)

c) Tax loss carry-forward

As at November 30, 2015, the Company has available non-capital losses carry-forward for Canadian tax purposes that have not been recognized in the financial statements and that will expire as follows:

| Expire in | Amount |
|---|---|
| | $ |
| 2027 | 131,000 |
| 2028 | 487,000 |
| 2029 | 328,000 |
| 2030 | 327,000 |
| 2031 | 433,000 |
| 2032 | 416,000 |
| 2033 | 178,000 |
| 2034 | 709,000 |
| 2035 | 488,000 |
| | 3,497,000 |

## 18. Changes in non-cash working capital items

| | **November 30, 2015** | November 30, 2014 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **4,290** | (9,396) |
| Prepaid expenses | **16,382** | (17,215) |
| Accounts payable and accrued liabilities | **151,845** | 93,529 |
| Total | **172,517** | 66,918 |

Non-cash transactions

The Company made cash payments for interest of $Nil and income taxes of $Nil during the years ended November 30, 2015 and November 30, 2014.

2014

On August 29, 2014, the Company settled accounts payable to various creditors with the issuance of 6,000,000 common shares. The shares had an estimated fair value of $0.025 per share. The Company recorded an expense in general and administrative fees of $150,000.

## 19. Related party balances and transactions

Related parties include the Board of Directors and key management personnel, as well as, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

(Expressed in Canadian Dollars)

## 19. Related party balances and transactions (continued)

(a) Transactions with key management personnel

Remuneration of directors and key management personnel of the Company was as follows:

| | Year ended November 30, 2015 | The period ended November 30, 2014 |
|---|---|---|
| | $ | $ |
| Salaries (including bonuses) | 60,000 | 61,175 |
| Consulting fees | 95,400 | 7,600 |
| Share-based compensation | 52,974 | 100 |
| | 208,374 | 68,875 |

As at November 30, 2015, directors and key management personnel were owed $117,429 (November 30, 2014 - $45,051). This amount is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing and due on demand.

## 20. Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition of a medical marijuana production licence. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity attributable to equity holders, which is comprised of share capital, reserves and deficit which totalled $230,220 as at November 30, 2015 (2014 – deficit $8,369).

The Company is currently in a start-up stage and as of the date of these financial statements does not have a Health Canada License to produce medical marijuana. As such the Company is dependent on external financing to fund its activities. In order to carry out its operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) focusing on obtaining its Health Canada License to produce medical marijuana; and
(iii) exploring alternative sources of liquidity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company's capital management objectives, policies and processes have remained unchanged during the periods November 30, 2015 and 2014.

The Company is not subject to any external capital requirements or restrictions.

## 21. Segmented information

Upon receiving a production license from Health Canada, the Company will operate in one segment, the production and sale of medical marijuana.

All assets are located in Canada.

## 22. Financial risk factors

Financial risk

The Company's activities expose it to a variety of financial risks in relation to financial instruments. The financial assets and liabilities by category are summarized in note 23. The main types of risks are credit risk and liquidity risk.

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable Canadian chartered banks, from which management believes the risk of loss to be minimal. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at November 30, 2015, the Company had cash of $20,125 (November 30, 2014 - $35,642) and current liabilities of $270,183 (November 30, 2014 - $98,546). All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(Expressed in Canadian Dollars)

## 23. Categories of financial instruments

| | **November 30, 2015** $ | November 30, 2014 $ |
|---|---|---|
| **Financial assets:** | | |
| Loans and receivables | | |
| Cash | **20,125** | 35,642 |
| Accounts receivable | **-** | 9,396 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost | | |
| Accounts payable and accrued liabilities | **(270,183)** | (93,529) |
| Loan payable | **-** | (5,017) |

As of November 30, 2015 and 2014, the estimated fair value of all the Company's financial instruments, approximated the carrying value due to the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are classified using 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 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As at November 30, 2015 and 2014, the Company does not have any financial instruments recorded at fair value and that require classification in the fair value hierarchy.

## 24. Commitments and contingencies

The Company is party to a management contract with its Chief Executive Officer. The contract requires that additional payments of $30,000 be made upon termination. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

## 25. Events after the reporting period

Private placement
On February 25, 2016, the Company completed a non-brokered private placement of 5,210,000 units at a price of $0.05 per unit for aggregate gross proceeds of $260,500. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.07 up to February 24, 2017.

In connection with the private placement, the Company paid a finder’s fee of $13,640 and 272,800 non-transferable finder’s warrants. Each finder’s warrant entitles the holder to purchase one common share of the Company at a price of $0.07 per share for a period of 12 months expiring February 24, 2017.

Strategic Cooperative Agreement
On March 11, 2016, the Company entered into a Strategic Cooperation Agreement (“Agreement”) with Delta 9 Bio-Tech Inc. (“DELTA 9”). Under the terms of the agreement the Company will begin to implement a patient acquisition program for DELTA 9 to expand their customer base in Quebec through clinical partners and out-reach programs.

**25. Events after the reporting period (continued)**

Pursuant to the Agreement, DELTA 9 will submit an application amendment under section 29 of the MMPR to add a Quebec facility to its existing licence. Under the terms of the agreement DELTA 9 will be responsible for administering the license application and construction of the facility and GrowPros will be responsible for funding 100% of the cost to construct the new facility. GrowPros will pay DELTA 9 and aggregate of $2,000,000 in cash and or shares based on Delta 9 achieving 5 milestones.

Once the final milestone is achieved and all payments above have been made to DELTA 9, the licence will be transferred to GrowPros. The Company will provide a first right of refusal to DELTA 9 on the purchase of their products for two years.