GENOVATION
CAPITAL CORP

(FORMERLY ASEAN ENERGY CORP.)

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED - PREPARED BY MANAGEMENT)

(EXPRESSED IN CANADIAN DOLLARS)

THREE MONTH PERIOD ENDED JULY 31, 2016

GENOVATION CAPITAL CORP.

(formerly Asean Energy Corp.)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of Genovation Capital Corp. ("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 condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GENOVATION CAPITAL CORP.
Condensed Interim Statements of Financial Position
(Unaudited-Expressed in Canadian Dollars)

	Notes	July 31, 2016 $	April 30, 2016 $
ASSETS			
Current			
Cash and cash equivalents		6,531	70,720
Receivables		90,249	65,153
Prepaid expenses		600	-
Investment in MKHS, LLC	4	2,329,408	1,907,293
		2,426,788	2,043,166
Equipment	5	2,031	2,222
		2,428,819	2,045,388
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		1,311,841	827,583
Convertible debentures	8	371,547	618,261
		1,683,388	1,445,261
Shareholders' equity			
Share capital	6	6,686,003	6,418,003
Convertible debentures – equity component	8	28,871	50,157
Contributed surplus	6	994,963	989,635
Deficit		(6,964,406)	(6,858,251)
		745,431	599,544
		2,428,819	2,045,388

Nature and Continuance of operations (Note 1)
Contingent liability (Note 12)
Subsequent events (Note 13)

Approved on behalf of the Board on September 28, 2016:

Signed	Signed
"Robert van Santen"	*"John Binder"*
Director	Director

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

GENOVATION CAPITAL CORP.

Condensed Interim Statements of Comprehensive Loss
(Unaudited-Expressed in Canadian Dollars)
For the three months ended July 31

	Notes	Three Months Ended July 31, 2016 $	Three Months Ended July 31, 2015 $
General and Administrative expenses			
Advertising and promotion		263	-
Consulting fees		15,000	15,000
Depreciation	5	191	360
Insurance		-	2,490
Interest and bank charges		412	3,270
Management fees	7	48,750	47,499
Office, rent and miscellaneous	7	10,983	8,556
Professional fees (recovery)		1,900	(8,899)
Share based compensation	6, 7	5,328	3,119
Telephone		2,990	1,193
Travel and business development		10,063	6,492
Transfer agent and filing fees		21,160	5,355
Net loss before other items		117,040	84,435
Other items			
Foreign exchange gain (loss)		(9,115)	149
Other income	4, 12	20,000	60,101
		10,885	60,250
Loss and comprehensive loss for the period		(106,155)	(24,185)
Basic net loss per share		(0.01)	(0.01)
Fully diluted loss per share		(0.01)	(0.01)
Weighted average number of shares outstanding		10,930,096	4,152,275

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

GENOVATION CAPITAL CORP.
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited-Expressed in Canadian Dollars)

	Share Capital					
	Number	Amount	Contributed Surplus	Convertible debenture-equity component	Deficit	Total
		$	$	$	$	$
Balance, April 30, 2015	**3,013,006**	**5,125,795**	**936,485**	**-**	**(6,067,347)**	**(5,067)**
Shares issued for cash	2,115,733	317,360	-	-	-	317,360
Share based compensation	-	-	3,119	-	-	3,119
Net loss for the period	-	-	-		(24,185)	(24,185)
Balance, July 31, 2015	**5,128,767**	**5,443,155**	**939,604**	**-**	**(6,091,532)**	**291,227**
Shares issued for cash	2,552,917	718,255	-	-	-	718,255
Shares issued to settle debt	1,403,512	256,582	-	-	-	256,582
Transaction costs relating to divestiture of subsidiaries (Note 9)	-	-	-	-	(29,561)	(29,561)
Convertible debentures – equity component	-	-	-	50,157	-	-
Share based compensation	-	-	50,031	-	-	134,628
Loss for the period	-	-	-	-	(689,714)	(689,714)
Balance, April 30, 2016	**9,085,168**	**6,418,003**	**989,635**	**50,157**	**(6,858,251)**	**599,544**
Shares issued on conversion of debentures	2,233,333	268,000	-	-	-	268,000
Convertible debentures – equity component				(21,286)		(21,286)
Share based compensation	-	-	5,328	-	-	5,328
Net loss for the period	-	-	-	-	(106,155)	(106,155)
Balance, July 31, 2016	**11,318,501**	**6,686,003**	**994,963**	**28,871**	**(6,964,406)**	**745,431**

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

GENOVATION CAPITAL CORP.
Condensed Interim Statements of Cash Flows
(Unaudited-Expressed in Canadian Dollars)
For the three months ended July 31

	2016	2015
	$	$
OPERATING ACTIVITIES		
Loss for the period	(106,155)	(24,185)
Adjustment for non-cash items:		
Depreciation	191	360
Share based compensation	5,328	3,119
	(100,636)	(20,706)
Working capital adjustments		
Trade and other receivables	(25,096)	3,751
Due from related parties	-	(3,091)
Prepaid expenses	(600)	-
Advances receivable	-	(13,351)
Accounts payable and accrued liabilities	484,258	(127,568)
Due to related company	-	(27,149)
Promissory note payable	-	(132,160)
	357,926	(320,274)
INVESTING ACTIVITIES		
Investment in MKHS, LLC	(422,115)	-
FINANCING ACTIVITIES		
Proceeds from share issuance	-	317,360
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,189)	(2,914)
Cash and cash equivalents, beginning of period	70,720	10,539
Cash and cash equivalents, end of period	**6,531**	**7,625**

Supplemental disclosure with respect to cash flows:

Accounts payable and accrued liabilities settled through the issuance of common shares	-	69,250
Promissory note payable settled through the issuance of common shares	-	147,360
Convertible debenture converted to shares	268,000	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Genovation Capital Corp. (the "Company") was incorporated under the laws of British Columbia on January 14, 1981. The Company's common shares trade under the trading symbol "GEC" on the Canadian Securities Exchange ("CSE").

On March 16, 2015, in accordance with a March 5, 2015 final order from the Supreme Court of British Columbia, the Company completed a plan of arrangement whereby three wholly-owned subsidiaries and the Company's oil and gas sector assets were spun out in consideration for the issuance of common shares of the Spincos to Company shareholders (Note 15). The Company is transitioning from the oil and gas sector with two proposed transactions (Note 5 and 16), each of which constitutes a Fundamental Change pursuant to CSE Policy 8, whereby a major acquisition transaction results in a change of control, commonly referred to as a reverse take-over.

The address of the Company's registered and records office and head office address is 14th Floor, 1040 West Georgia Street, Vancouver, British Columbia, Canada V6E 4H1.

The financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation.

The Company has incurred losses since its inception and had an accumulated deficit of $6,964,406 as at July 31, 2016. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company does not expect that cash flows for the Company's operations will be sufficient to cover all of its operating requirements, financial commitments and business development priorities during the next twelve months. Accordingly, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

On July 15, 2016 the Company completed a consolidation of its share capital on a 3:1 basis approved by shareholders on April 29, 2016. All share and per share amounts have been restated to reflect the consolidation.

The financial statements of the Company for the period ended July 31, 2016 were authorized for issue by the Board of Directors on September 28, 2016.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on the accrual basis of accounting except for cash flow information, and on a historical cost basis except for certain financial assets measured at fair value. The financial statements are presented in Canadian Dollars, which is also the Company's functional currency, unless otherwise indicated.

2. BASIS OF PREPARATION-*continued*

Critical accounting estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates.

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

i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss.

ii) The valuation of shares issued in non-cash transactions, including the settlement of debt. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iii) The treatment of accounts payable and accrued liabilities written off through the statements of comprehensive loss requires certain management judgments. Management believes that the related vendors will not pursue payment from the Company or its former subsidiary. Further, these accounts payable relate to operations in a geographical segment the Company is no longer active in.

iv) Going concern presentation of the financial statements which assumes that the Company will continue in operations 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These financial statements include the financial statements of the Company. A subsidiary is included in the financial statements from the date control commences until the date control ceases. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A former subsidiary is included in the financial statements from the date control commenced until March 11, 2015 when control ceased. All intra-company transactions, balances, income and expenses were eliminated in full on consolidation.

Functional and presentation currency

The functional currency of the Company (and its former subsidiary) is the Canadian dollar as this is the principal currency of the economic environment in which they operate. The Canadian dollar is also the Company's presentation currency. Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position are comprised of cash and short-term deposits held at major financial institutions, which are readily convertible into known amounts of cash. The Company's cash and cash equivalents are invested in business and savings accounts which are available on demand by the Company for its operations.

Cash and cash equivalents consist of:

	July 31, 2016	**April 30, 2016**
Cash	$ 781	$ 64,970
Term deposits	5,750	5,750
Total	$ 6,531	$ 70,720

Financial instruments

i. Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories and investment in entities that are not subsidiaries, joint ventures or investments in associates are designated as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

Financial instruments-*continued*

ii. Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Company has classified its cash and cash equivalents as fair value through profit and loss, its investment in MKHS, LLC as available-for-sale, its receivables and advance receivable as loans and receivables and its accounts payable and accrued liabilities, promissory note payable and convertible debentures as other financial liabilities.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rates applicable to each category of property and equipment are as follows:

Computer equipment	55% Declining balance
Office equipment	20% Declining balance

Impairment of non-financial assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

Provisions

i. Environmental rehabilitation provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no rehabilitation obligations as at July 31, 2016 or April 30, 2016.

ii. Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of the options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. The fair value is recognized as an expense with a corresponding increase in contributed surplus. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Share-based compensation arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is calculated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the net earnings (loss) available to common shareholders of the Company by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Accounting standards not yet effective

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

3. SIGNIFICANT ACCOUNTING POLICIES-*continued*

Accounting standards not yet effective-*continued*

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018.

IFRS 11, *Joint Arrangements*

IFRS 11 is amended to provide specific guidance on accounting for acquisition of an interest in a joint operation that is a business. The amended standard is effective for annual periods beginning on or after January 1, 2016.

IAS 16, *Property, plant and equipment and IAS 38 – Intangibles*

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

4. INVESTMENT IN MKHS, LLC

The Company has advanced $2,329,408 (US$1,756,313) to MKHS LLC (“MKHS”), a fully licensed, Arizona-based marijuana cultivation, extraction and medicinal dispensary business. MKHS supplies medical marijuana pursuant to the Arizona Medical Marijuana Act, operates two state-licensed “healing center” dispensaries and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

The Company’s advances were arranged to satisfy the terms and conditions of the Company’s initial Letter of Intent (the “LOI”) with MKHS dated October 30, 2015 and the superseding binding Letter of Commitment (the “LOC”) of November 24, 2015, whereby MKHS committed to be acquired by the Company through a share exchange transaction.

Under the LOC, the Company agreed to advance US$200,000 secured and guaranteed under separate agreements and private arrangement with a Director and shareholder of the Company, US$200,000 to be arranged by or on behalf of the Company or by one of its consultants via any combination of debt and/or equity, US$450,000 to be arranged subsequent to the above described US$400,000, either on a fully secured basis, acceptable to the lender, and/or through an interim equity raise by the Company, and US$3.15 million to be raised through a mutually acceptable combination of equity and/or debt in due course.

(Unaudited-Expressed in Canadian Dollars)

4. INVESTMENT IN MKHS, LLC-*continued*

Upon execution of the LOC, MKHS agreed to accrue $50,000 payable to the Company as cost recoveries. $10,000 was deemed earned upon execution, $20,000 upon the Company receiving shareholder approval of the transaction (received April 26, 2016) and $20,000 upon receiving conditional acceptance from the CSE. Amounts will be immediately payable if the agreement is terminated and the condition has been met. At July 31, 2016 $30,000 (April 30, 2016 - $30,000) was included in receivables.

An Operating Agreement (the "OA") under a newly formed entity, MKV Ventures 1, LLC ("MKV1"), was entered into between MKHS and Westland Capital Advisors S.A. ("Westland"), whereby the funded expansion is separately administered and controlled. In the event that MKHS terminates the LOC between MKHS and the Company without grounds, or fails to execute a follow-on agreement whereby the Company acquires MKHS under the terms as substantially agreed upon, or MKHS fails to provide annual audited financial statements under IFRS to the Company, and as a result the Company elects to terminate the LOC, MKHS' fifty percent membership interest in MKV1 shall be deemed transferred to the Company without the need for further documentation.

In the event the transaction between MKHS and the Company does not close for any other reason, MKHS shall be deemed to have transferred ten percent of its membership interest in MKV1 to the Company without the need for further documentation, and the Company shall be deemed admitted as a member under the OA and remain a member until such time as the Company has received distributions from the greater of twelve successful harvests or for two years of harvests from the additional funded greenhouse capacity.

The terms of the transaction will be more particularly set forth in a definitive agreement to be entered into by the two parties.

5. EQUIPMENT

	Computer Equipment
Cost:	
At April 30, 2015 and 2016	$ 8,371
Additions	-
At July 31, 2015 and 2016	$ 8,371
Depreciation:	
At April 30, 2015	$ 4,710
Charge for the period	360
At July 31, 2015	$ 5,070
Charge for the period	1,079
At April 30, 2016	$ 6,149
Charge for the period	191
At July 31, 2016	$ 6,340
Net book value:	
At April 30, 2016	$ 2,222
At July 31, 2016	$ 2,031

(Unaudited-Expressed in Canadian Dollars)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized share capital

The Company is authorized to issue an unlimited number of common and preferred shares with no par value.

Issued shares:

On June 16, 2015 the Company closed a non-brokered private placement of 2,115,734 shares at a price of $0.15 per share. The Company received cash proceeds of $120,000, settled the promissory note payable of $147,360 and settled accounts payable of $50,000. The Company recognized a $39,472 loss on the debt settlements which represented the difference between the trading price and the settlement price on the issuance date.

On September 22 and October 23, 2015 the Company closed two tranches of a non-brokered private placement of 944,444 units at a price of $0.225 per unit. The Company received cash proceeds of $192,750 and settled accounts payable of $19,750. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of $0.75 up to September 22 and October 23, 2017 respectively, subject to acceleration conditions.

On February 16, 2016 the Company closed a non-brokered private placement of 3,011,984 shares at a price of $0.24 per share for gross proceeds of $722,876 (US$500,000), to meet the terms and conditions associated with the acquisition of MKHS (Note 4).

On July 15, 2016 the Company completed a share consolidation, consolidating its issued and outstanding common shares on the basis of one (new) post consolidation share for each three (old) pre-consolidation shares. As at April 30, 2016, prior to accounting for the share consolidation, the Company had 27,255,586 common shares issued and outstanding. Retroactively accounting for the consolidation, the Company had 9,085,168 common shares issued and outstanding.

The exercise or conversion price and the number of common shares issuable under any of the Company's outstanding warrants and stock options have been proportionately adjusted to reflect the consolidation in accordance with their respective terms thereof. No fractional common shares were issued pursuant to the consolidation, and any fractional common shares that would otherwise be issued were rounded down or up to the nearest whole number.

Warrants

The Company’s warrant transactions are summarized as follows:

	July 31, 2016		April 30, 2016	
	Number of Warrants	Weighted Average Exercise Price $	Number of Warrants	Weighted Average Exercise Price $
Balance, beginning of period	944,444	0.75	189,891	6.00
Issued	-	-	944,444	0.75
Expired	-	-	(189,891)	6.00
Balance, end of period	944,444	0.75	944,444	0.75

(Unaudited-Expressed in Canadian Dollars)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS-*continued*

Warrants-*continued*

The following table summarizes the warrants outstanding as at July 31, 2016:

Warrants outstanding	Exercise price $	Expiry date[1]
622,222	0.75	September 22, 2017
322,222	0.75	October 23, 2017

[1] The Company is entitled to accelerate the expiry date of all the outstanding $0.75 warrants to the date that is 30 days following the date the Company issues a news release announcing that the published closing price of the common shares on the CSE has been equal to or greater than $0.90 for any 10 consecutive trading days after the statutory hold period prior to the expiry date.

Stock options

The Company has an incentive stock option plan which permits the Board of Directors of the Company to grant options to directors, employees and non-employees to acquire common shares of the Company at fair market value on the date of approval by the Board of Directors. A portion of the stock options vests at the end of the first quarter from the grant date and the balance vests over a period of up to five years from grant date.

The following table summarizes the changes in the outstanding stock options:

	July 31, 2016		April 30, 2016	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of the period	405,000	0.94	223,333	3.00
Granted	-	-	341,666	0.30
Expired/cancelled	-	-	(160,000)	2.44
Balance, end of period	405,000	0.94	405,000	0.94
Options exercisable, end of period	327,917	0.94	250,834	1.34

The following table summarizes the options outstanding as at July 31, 2016:

Options outstanding	Options exercisable	Exercise price $	Expiry date
36,667	36,667	3.00	September 25, 2017
40,000	40,000	3.00	October 10, 2018
20,000	20,000	3.00	November 27/28, 2018
258,333	193,750	0.30	August 31, 2020
50,000	37,500	0.30	September 22, 2020
405,000	327,917		

(Unaudited-Expressed in Canadian Dollars)

6. SHARE CAPITAL AND CONTRIBUTED SURPLUS-*continued*

Stock options-*continued*

The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions:

	July 31, 2016	April 30, 2016
Average dividend per share	-	-
Average forecasted volatility	176%	176%
Average risk-free interest rate	0.43%	0.43%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	$ 0.19	$ 0.19

For the period ended July 31, 2016, the Company recorded share-based compensation expense with an offsetting increase to contributed surplus of $5,328 (year ended April 30, 2016 - $53,150).

7. RELATED PARTY TRANSACTIONS

During the period ended July 31, 2016, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

i. During the period ended July 31, 2016, $31,000 (April 30, 2016 - $Nil) was lent to the Company by a company controlled by a family member of a director of the Company.

ii. During the period ended July 31, 2016, $8,400 (July 31, 2015- $6,000) rent was paid or accrued to companies controlled by a family member of a director and officer of the Company.

iii. As at July 31, 2016, $48,750 (July 31, 2015-$48,750) consulting fees were paid or accrued for services performed by a company controlled by a family member of a director of the Company.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, or companies with common directors of the Company.

Summary of key management personnel compensation is as follows:

	For the three months ended July 31, 2016	2015
Share-based compensation*	$ 3,631	$ 3,119
Consulting, management and directors' fees	$ 48,750	$ 48,750

** The estimated fair value of the stock options granted during the year was determined using the Black-Scholes option pricing model.*

Included in accounts payable and accrued liabilities as at July 31, 2016 was $1,227,667 (April 30, 2016 - $771,827) due to a director and a company controlled by a family member of a director, and a company a director is an officer of.

(Unaudited-Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS-*continued*

Included in the convertible debentures as at July 31, 2016 was $358,675 (April 30, 2016 - $618,261) due to a company a director is an officer of.

8. CONVERTIBLE DEBENTURES

On November 9, 2015 the Company completed the first tranche of a convertible debenture offering of 2,680 $100 convertible debentures (collectively the "CDs") for proceeds of $268,000 (US$200,000). On January 21, 2016 the second tranche was completed raising a further $363,500 (US$250,000) to provide funds to meet the initial terms of the Company's LOC with MKHS.

Each $100 CD entitles the debenture holder (the "Holder") thereof to convert into 833 common shares of the Company, for a period of up to six months (the "Maturity Date"). The CDs are non-interest-bearing, however should the investor fail to convert any or all CDs by the maturity date a bonus payment of up to US$40,000 shall be payable to the Holder. All securities issued in connection with the offering are subject to a statutory hold period of four months plus a day from the date of distribution in accordance with applicable securities legislation.

	Liability Component $	Equity Component $
Balance, April 30,2015	-	-
November 9, 2015 convertible debenture issuance	247,714	21,286
January 21,2016 convertible debenture issuance	334,629	28,871
Accretion	36,918	-
Balance, April 30, 2016	618,261	50,157
Conversion of 2,680 CDs	(246,714)	(21,286)
Balance, July 31, 2016	371,547	28,871

On May 9, 2016 $268,000 (US$200,000) principal amount of the issued and outstanding $100 CDs were exercised for conversion to 2,233,333 common shares of the Company.

On July 8, 2016 the Company and Westland agreed to extend the conversion period of the remaining issued and outstanding $363,500 (US$250,000) CDs to coincide with the closing date of the Valens Transaction (see Note 11).

The debentures were subscribed for by Westland, a non-arm's-length party to the Company. A director and the Company's Chairman and CEO is an officer of Westland.

9. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of resource properties. 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 to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. The Company will continue to assess new properties and seek to acquire an interest in mineral properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management

9. CAPITAL RISK MANAGEMENT-*continued*

approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly
c. Level 3 – inputs that are not based on observable market data

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**July 31, 2016**
Fair value through profit and loss financial asset				
Cash and cash equivalents	$ 6,531	-	-	$ 6,531
Total financial assets at fair value	$ 6,531	-	-	$ 6,531

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**April 30, 2016**
Fair value through profit and loss financial asset				
Cash and cash equivalents	$ 6,531	-	-	$ 6,531
Total financial assets at fair value	$ 6,531	-	-	$ 6,531

The fair values of the Company's receivables, due from related parties, advances receivable, accounts payable and accrued liabilities and promissory note payable approximate their carrying values due to their short term nature and are classified as a Level 1 measurement.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in bank accounts which are available on demand.

Market risk
The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Foreign currency risk
The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in Canadian Dollars (CDN), and US Dollars (USD).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT-*continued*

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. LETTER OF COMMITMENT

On March 30, 2016 the Company entered into a Letter of Commitment ("LOC") with Valens Agritech Ltd. ("Valens") whereby Valens committed to be acquired by the Company through a share exchange transaction (the "Transaction"). Valens is a privately held biotechnology company based in the Okanagan Valley of British Columbia, focused on the Cannabinoid market.

The Transaction will be structured such that the shareholders of Valens will receive 36 million shares ("Transaction Shares") of the Company (subject to specific vesting conditions) in exchange for all the issued and outstanding securities of Valens. The Company has also agreed to issue 675,000 finders' shares on completion of the Transaction. After the closing of the Transaction, the Company will undertake the following capital raising efforts:

- The Company will undertake to raise in aggregate $6,000,000 before direct fees and expenses in support of Valens's business plan, subject to Valens's successful licensing and Health Canada approvals being achieved;
- In the event Valens has not yet achieved its full licensing objectives, the Company is obligated to raise capital equal to the percentage of vested Transaction Shares over the aggregate number of Transaction Shares (the "Initial Funding");
- Within three months after closing of the Transaction, the Company will raise not less than $1,200,000 of the Initial Funding to fund Valens' business plan ("First Tranche");
- Subsequent to the First Tranche, the Company will complete additional private placements and/or debt financings that satisfy the balance of the Initial Funding, on terms and conditions as agreed upon and directed by the new board of directors and appointed management; and
- Subsequent to the First Tranche, holders of Valens's shareholder loans shall have a right of first refusal to participate in capital raising efforts to the extent of the outstanding balance of their respective shareholder loans.

In the event that the Company fails to complete the Initial Funding within six months after the closing of the Transaction, either the number of Transaction shares shall be adjusted to the mutual satisfaction of all parties and as approved by the Board or, at the option of Valens, the Company shall utilize its free cash flow (including cash flow generated by MKHS) to support the Valens business plan.

In the event the Initial Funding takes place at less than an average $0.50 per share, the former shareholders of Valens (the "Vendors") may at their option receive a pro rata adjustment to their purchase price shares such that, the greater dilution directly resulting from the failure to complete the financing at the minimum price is fully compensated for such that the Vendors are issued additional shares pro rata to attain the dilution realized should the financing have taken place at $0.50.

Upon execution of the LOC, Valens agreed to accrue $50,000 payable to the Company as cost recoveries. $10,000 was deemed earned upon execution, $20,000 upon the Company receiving shareholder approval of the transaction (received April 29, 2016) and $20,000 upon receiving conditional acceptance from the CSE (received July 8, 2016). Amounts will be immediately payable if the agreement is terminated. At July 31, 2016 $50,000 (April 30, 2016 - $30,000) was included in receivables and $20,000 (July 31, 2015 - $nil) was recognized as other income for the period.

The terms of the agreement will be more particularly set forth in a definitive agreement to be entered into by the two parties.

12. CONTINGENT LIABILITY

On July 16, 2014 a Civil Lawsuit was filed with the Supreme Court of British Columbia concerning a US$50,000 payment made towards plaintiffs' participation in the Company's Indonesian oil field project. The claim resulted from the plaintiffs' desire to fund and participate in work-overs of onshore multi-reservoir oil fields, a project that was never completed. The Company filed a response and counterclaim on August 18, 2014 and sought to hold discoveries in June 2015, to which the plaintiffs failed to reply. Given the dormant nature of the claim, the Company reversed the accrued US$50,000 from accrued liabilities related to the claim in the year ended April 30, 2016, and has not accrued for interest or damages.

13. SUBSEQUENT EVENTS

There have been no material subsequent events during the period to September 28, 2016.